

PRICE CONTROL FOR WATER AND SEWERAGE SERVICES

PC28

Final Information Requirements

15 January 2026

About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Millenium House in the centre of Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls; Networks and Energy Futures; and Markets and Consumer Protection and Enforcement. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

OUR MISSION

To protect the short and long-term interests of consumers of electricity, gas and water.

OUR VISION

To ensure value and sustainability in energy and water.

OUR VALUES

ACCOUNTABLE:

We take ownership of our actions.

TRANSPARENT:

Ensuring trust through openness and honesty.

COLLABORATIVE:

Connecting and working with others for a shared purpose.

DILIGENT:

Working with care and rigour.

RESPECTFUL:

Treating everyone with dignity and fairness.

ABSTRACT

This document sets out Utility Regulator's information requirements for the next water and sewerage service price control, PC28. We have set out our requirement for NI Water to outline its strategic vision for the development and delivery of water and sewerage services. We have also set out information requirements in relation to operational costs and efficiency, capital expenditure, outputs, serviceability and financial tables.

AUDIENCE

This document will be of particular interest to Northern Ireland Water. It may also be of interest to stakeholders across the water and sewerage services sector including consumers and those with responsibilities or interests in water or wastewater regulation in Northern Ireland. Our objective is to ensure inclusive engagement and transparency throughout the price control process.

CONSUMER IMPACT

Through the PC28 Price Control we will determine an efficient, consumer-focused package of outputs and set a revenue allowance for NI Water for the next price control period.

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Executive Summary

This document sets out the final version of the information requirements for PC28. The document and its annexes are based on the PC21 information requirements and have been updated accordingly following the publication of our Approach Decision in December 2025.

1. General Guidance

Introduction

- 1.1 This document, and supporting documents, set out Utility Regulator's (UR) information requirements for the PC28 Price Control which covers the period commencing 1 April 2028 until 31 March 2033.
- 1.2 At the PC28 Price Control we will set price limits for the duration of the price control period. We will do so in a way that ensures that the company's operational and investment costs can be met and statutory obligations delivered effectively and efficiently, providing best value for money to consumers. These requirements ask NI Water to submit the information we need to set price limits including strategies, assumptions, justification and supporting information for costs, expenditure and outputs.
- 1.3 The information requirements do not constrain the development of the company's Business Plan. It is for the company to develop its plan to provide an efficient and effective service which will meet the needs of its consumers, and communicate this to UR. While the company should provide the information set out in these requirements as a minimum, the company is free to provide further information as it believes necessary to properly describe and justify its plans.
- 1.4 The PC28 information requirements are based on the information requirements used for PC21. Our aim is to continue to limit the regulatory burden on the company, align with established local practice and aid communication between stakeholders. The PC28 information requirements maintain the benefits of continuity, simplicity and familiarity. In line with this approach, the information requirements continue to be structured round five key areas:
 - Chapter 2 Company Strategy
 - Chapter 3 Operational Costs and Efficiency
 - Chapter 4 Capital Investment
 - Chapter 5 Outputs
 - Chapter 6 Financial Model and Financial Tables
- 1.5 Each chapter of the guidance sets out the information which the company should include in its business plan submission. Detailed line guidance is provided for the information tables relevant to each chapter (see the various annexes for the definitions) and the information tables

are provided in a separate 'excel' workbook called Business Plan Tables (see Annex A). The Asset Inventory is provided in Annex D and the Financial Model is provided in Annex G.

Timeline

- 1.6 We set out our timeline for PC28 in our PC28 Approach Decision document. Table 1.1 provides the key dates for submissions, engagement and our determination from the publication of the Approach Consultation.

Table 1.1: PC28 submission timeline

Date	NI Water	UR
5 September 2025		Publishes PC28 Approach Consultation
3 October 2025		Issues outline PC28 Information Requirements
31 October 2025	Approach Consultation period ends	
18 December 2025		Publishes PC28 Approach Decision
15 January 2026		Publishes PC28 Information Requirements
9 April 2026	Issues Outline Capital Submission to stakeholders	
18 June 2026	Submits draft special factors and atypical expenditure claims*	
9 July 2026	Submits draft asset inventory*	
July 2026 with AIR26	Submits draft asset maintenance capability assessment*	
27 August 2026		Feedback on draft asset inventory
3 September 2026		Feedback on draft special factors and atypical expenditure claims
12 November 2026	Submission of the PC28 Business Plan	
	Clarification and query process between the company and UR on business plan submission	

Date	NI Water	UR
3 June 2027		Publishes PC28 Draft Determination for consultation
	Consultation on the Draft Determination	
9 September 2027	Draft Determination consultation period ends	
27 January 2028		Publishes PC28 Final Determination
27 March 2028	Company decision - NI Water notifies UR if it rejects Final Determination	
1 April 2028	Publishes PC28 Monitoring Plan	
1 April 2028	First year of PC28 Charges Scheme applies	
Notes	<p>* NI Water may, if it so chooses, agree an earlier submission date for these workstreams, especially if this facilitates a better understanding of the company's position and deeper analyses of the issues and assumptions involved.</p> <p>Milestone dates are shown in bold.</p>	

Business Plan Submission Requirements

1.7 The PC28 Business Plan submission shall include the following as a minimum:

- Business Plan (free text format).
- Business Plan Tables (Excel template provided).
- Financial model (Excel template provided).
- Appendices which shall include:
 - ◆ Outputs including serviceability and development outputs.
 - ◆ Opex costs and efficiency, and supporting information including special factors and atypical expenditure claims.
 - ◆ Capex costs and efficiency, and supporting information including business cases, asset inventory, asset maintenance capability assessment, costing methodology, PC21 Outturn Report and CIM (Table 3.3).

◆ Financial and supporting information.

- 1.8 It shall be noted that for Microsoft Excel-based workbooks, submissions shall not be in PDF format.
- 1.9 The completed submissions must be submitted by e-mail to UREGNI_Water_Responses@uregni.gov.uk, no later than 5pm on the dates listed on Table 1.1.
- 1.10 Each submission should be submitted under cover of a letter from the Chief Executive.
- 1.11 As stated in our Approach Decision, we are seeking a Board Assurance Statement to the effect that NI Water's PC28 Business Plan aligns with NI Water's statutory obligations. It is our expectation that the Department for Infrastructure, as NI Water shareholder, will be in agreement with any business plan submitted by NI Water.¹ When submitting its PC28 Business Plan, NI Water should accompany it with its Board Assurance Statement and confirmation of any shareholder agreement with the plan.
- 1.12 We expect NI Water to publish on its website a public facing summary document, forecasting the likely impacts on prices and subsidy from the planned levels of consumer services for the PC28 period. This could take the format of a Financial Picture and a Monitoring Plan table, but it is for the company to decide the best means of communicating its plans to consumers.

Reporters Report

- 1.13 This document includes the guidance for the Reporter to allow completion of his audit plans. The scope and content of the Reporter's audit is detailed for each of the respective tables and chapters throughout the guidance.
- 1.14 Before preparing an audit plan for any part of the Business Plan, the Reporter should assess the quality of the information available and assess the material issues and level of testing which will be necessary to challenge the company's plans and output and expenditure projections. The Reporter should then advise UR on the scope and timing of the audit taking account of the information available.
- 1.15 UR will continue to engage with NI Water on the timing and scope of the Reporter's audits. The timing and scope of audits and the timing of the

¹ There is a requirement under Section 11 of the Partnership Agreement between NI Water and DfI, which includes that DfI will approve NI Water's business plan.

Reporter's report will be considered as the Business Plan develops and the Reporter prepares and submits his audit plans.

General Instructions

- 1.16 Department for Infrastructure may issue its Social and Environmental Guidance (SEG) for Water and Sewerage Services which sets out planning assumptions for PC28². UR shall, in exercising and performing the functions mentioned in Article 6(1) (subject to Article 6(6)) of The Water and Sewerage Services (Northern Ireland) Order 2006, have regard to this guidance and subsequent updates issued by the department. In preparing its business plan, the company should have regard to the guidance and any subsequent updates. Chapter 4 of the information requirements asks that the company demonstrates how its Business Plan addresses the PC28 investment priorities.
- 1.17 The price base for the business plan submission is 2025/26. Where figures are asked for in real terms, they should be completed in 2025/26 prices. The business plan should always evidence the price base (either real or nominal) in which supporting financial information is given. Where nominal figures are used, the company should confirm that inflation indices used to convert from real to nominal figures are the same as detailed in the Business Plan Tables (see Annex A).

² The PC28 Planning Assumptions were issued by DfI on 10 July 2024. At the time of issuing the PC28 Information Requirements, the PC28 Social and Environmental Guidance (SEG) is not available. DfI is yet to set out a definitive timescale for its SEG.

2. Company Strategy

- 2.1 This chapter sets out our requirement for NI Water to submit its long-term strategy as part of its PC28 Business Plan, outlining its strategic vision for the development and delivery of water and sewerage services.

Background

- 2.2 In our approach to PC21 we advocated the benefits of long-term planning to deliver sustainable solutions and set in place price control processes which enabled that objective to be met. In our approach to PC28 we highlighted the opportunity to build on this approach and embed a cycle of long-term planning to address five themes of:

- Valuing consumers, a plan which:
 - ◆ Is consumer centred.
 - ◆ Provides clear performance commitments.
 - ◆ Delivers efficiently.
- Owning delivery of the business plan and its delivery through:
 - ◆ Effective stakeholder engagement.
 - ◆ Robust assurance process and Board Assurance Statement.
- Long-term planning and safeguarding for the future which:
 - ◆ Promotes sustainable delivery and addresses emerging climate issues.
 - ◆ Maintains existing asset serviceability and supports economic growth.
 - ◆ Improves resilience and promotes innovation.
 - ◆ Assists proportionate regulation.
- Flexibility for uncertainty and change.
- Regulatory clarity and simplification.

- 2.3 In supporting a longer-term platform for investment, we require, as part of NI Water's business plan submission, a company strategy which addresses these broad themes and:

- Sets out its vision for the industry with the identification of outcomes for the environments and the consumer over the longer term.
- Addresses the issues raised by a changing environment.
- Demonstrates ownership of its strategy for delivering sustainable services for current and future consumers.
- Identifies the key issues and risks which the company will face when delivering sustainable water and sewerage services and the steps it will take to pro-actively manage them.
- States any assumptions it has made in setting out its strategy and vision for the future.

The Company Strategy

- 2.4 The company strategy should address the broad objectives outlined above. In the following section we outline key issues which we expect the company to consider in the content and presentation of its Company Strategy.
- 2.5 The Company Strategy should be:
- Directed at consumers, regulators and other stakeholders.
 - Presented in a consumer-friendly format and language.
 - Presented as a free-standing document which can be read independently of the detailed information contained in subsequent sections of the business plan.
- 2.6 The Company Strategy should consider a 25-year period consistent with the Long-Term Water Strategy (2015/40).
- 2.7 The Company Strategy should address environmental, social and economic development and consider how these factors can be balanced to provide sustainable water and sewerage services into the future.
- 2.8 The Company Strategy should set out how consumer preferences have been and will be addressed through the delivery of long-term objectives, including:
- Any consumer engagement and consumer surveys during the previous price control periods.

- Existing actionable consumer data including new real-time customer feedback and new unannounced survey evidence.
- 2.9 The company should outline and schedule any further consumer engagement which it intends to carry out to inform the development and delivery of its plan³.
- 2.10 The Company Strategy should consider the sustainability of current approaches to achieving environmental and drinking water quality outcomes and consider how alternative, more sustainable, approaches might be applied in the future. The company should seek to ascertain the scope for such alternative approaches in the context of Northern Ireland.
- 2.11 The Company Strategy should consider the sustainability of current approaches to water distribution and drainage and consider how alternative, more sustainable, approaches might be applied in the future.
- 2.12 The Company Strategy should consider the sustainable long-term management and stewardship of its assets, identifying its objectives for delivering maximum value to consumers, through robust assessment and targeting of investment needs over the longer term.
- 2.13 The Company Strategy should consider strategies to reduce consumption and waste and identify long-term aspirational targets and medium-term economic targets for the reduction in consumption and waste. This should include consideration of issues such as water demand management, leakage, stormwater and infiltration management, and reduced energy and chemical consumption.
- 2.14 When addressing the sustainability of current approaches of service delivery and the long-term stewardship and management of its assets, the company should address the impact of climate change and set out its strategy for climate change adaptation and mitigation. The company should identify risks and uncertainty associated with climate change and set out how the company plans to manage these risks.
- 2.15 The Company Strategy should address the prioritisation and programme of work to investigate and develop opportunities to deliver more sustainable outcomes, including:
- Undertaking the strategic studies and pilot trials that provide confidence that innovative solutions can be delivered.

³ Based on the outcome of previous repeat surveys it is unlikely that there will be any material change in the views and priorities of consumers for PC28. The CM/SAT group has therefore agreed that no large-scale consumer research is required, but should any areas of concern be identified, topic specific research can be requested by CM/SAT members for consideration by the group.

- Addressing any regulatory barriers and amendments to legislation and regulations necessary to allow innovative and shared solutions to be implemented.
- Identifying partnerships and the allocation of actions for delivering innovative solutions across different stakeholders while securing adequate funding to play its part in ensuring coordinated delivery and respecting the principle of polluters pay.
- Identifying the timeframe required to allow the benefits of each stage of development to be assessed before confirming and proceeding with the next stage of implementation.

2.16 In the subsequent sections of its business plan, the company should demonstrate that the outputs and activities it proposes to deliver in PC28 offer the best way of delivering the outcomes of its long-term strategy.

Submission of the Company Strategy

2.17 The Company Strategy should form part of the business plan submission.

2.18 We would encourage the company to publish its Company Strategy on its website in support of its public facing summary of its PC28 Business Plan.

3. Operational Costs and Efficiency

Introduction

- 3.1 This chapter sets out the information requirements for NI Water's submission to UR in respect of operational costs and efficiency in the PC28 period.
- 3.2 The information requirements are based on the PC21 information requirements with no notable changes for PC28.
- 3.3 The PC28 operational costs and efficiency submission shall comprise a data submission consisting of four tables setting out the operational cost and efficiency data.
- 3.4 The four tables forming the operational cost and efficiency submission are:
- Table 2.1 – Efficiency improvements.
 - Table 2.2 – Water Service - Operating expenditure projections.
 - Table 2.3 – Sewerage Service – Operating expenditure projections.
 - Table 2.4 – Total operating expenditure projections.
- 3.5 Individual line entry definitions are set out in Operational Costs and Efficiency Definition (Annex B). Guidance for completing Business Plan tables and the provision of supporting information is set out below.

Efficiency Improvements

Outline

- 3.6 In developing its business plan the company should decide on the scope for it to improve its efficiency in the next price control period. Constraints on making the maximum use of this scope should be explained.
- 3.7 The company should:
- Set out its views on the scope for improvements in efficiency and the evidence on which they are based.
 - Explain how they lead to its assumptions about cost reductions from current levels that it has included in its strategy.
 - Describe how the assumed improvements have been incorporated in the business plan expenditure projections.

- 3.8 These judgements should be informed by the company's view of:
- Its expectation for improvements in efficiency which the best company could achieve year by year (known as Frontier Shift).
 - Its relative efficiency or inefficiency to its peers within the regulated water and wastewater industry.
 - The findings of any benchmarking studies it has carried out.
 - The pace of improvements over the period.
- 3.9 The company should refer to any benchmarking studies it has conducted and explain how these and other studies have informed the assessments.
- 3.10 We suggest that the efficiency chapter should be divided into three sections:
- Overall approach to assessing the scope for catch-up improvements in efficiency during the PC28 period.
 - Assessment of frontier shift efficiency improvements.
 - Scope for efficiency improvements for PPP schemes⁴.
- 3.11 The company should make any assessments of relative efficiency including 2025/26⁵ as the base year for both output delivery and costs incurred.
- 3.12 The company should explain how it intends to meet its efficiency assumptions including where they will be made. The company should confirm that its efficiency assumptions can be met, without increasing the risk of service deterioration or quality compliance failure.
- 3.13 The company may wish to provide details of studies undertaken both to arrive at its relative efficiency assessment and also the scope for general improvement in efficiency⁶.

⁴ PPP schemes for the moment to include both remaining PPP Omega and the PPP Alpha.

⁵ That is, relative efficiency should be assessed using data from 2025/26 as the base year but need not be limited to data from 2025/26. Data from other years may be informative, particularly given that Panel Ordinary Least Squares (POLS, using multiple years of data) is likely to be the preferred modelling approach compared to OLS (which uses a single year of cross-sectional company data).

⁶ Such studies may include reference and replication, either in full or partial, of any initial draft RPE analysis made available to NI Water by UR during the company's preparation of its business plan.

Efficiency Assessment

- 3.14 The efficiency table (Table 2.1 of Annex A) asks for improvements in efficiency judgements to be set down for:
- Block A: Operating expenditure efficiency (base).
 - Block B: Operating expenditure efficiency (enhancements).
 - Block C: Operating expenditure efficiency (PPP schemes).
- 3.15 This assessment should reflect the total efficiency assumptions i.e. for both the water and sewerage service. An exception should be made for the PPP section where different efficiencies apply for water and sewerage⁷ to the extent such efficiencies are deemed to revolve around productivity assumptions and Gainshare pertaining to PPP schemes. Whether the same reasoning might be applied to both Omega and Alpha PPP needs to be well articulated in the business plan.

⁷ Note: Improvements in efficiency should be entered as in the following example, 4.5% should be entered as 4.5, not 0.045.

Approach - minimum plus catch-up judgement

- 3.16 The approach is structured around five steps. The five steps are:
- (i) The view the company takes of its efficiency relative to its peers within the regulated water industry. Prior to PC28, the company was asked to band its assessment on the scale A to E as set down in the Ofwat efficiency reports 'Relative Efficiency Assessment'. This is no longer used by Ofwat in its assessment of England and Wales companies, as there is no direct translation between the band assessment and the specific % catch-up challenge. This view will be informed by UR's work on comparative efficiency as well as the company's own analysis.
 - (ii) Following this view the company would be in a position to reach a conclusion on the scope for it to catch-up with the best in the industry and the proportion of the catch-up that it is prepared to include in its expenditure forecasts.
 - (iii) The company then sets down its decisions on the rate of catch-up that it has assumed over the period (either applied from 2025/26 or across the PC28 period only).
 - (iv) The company then makes an assessment of the minimum level of improvements in efficiency, year on year that it is reasonable to assume in price setting for even the most efficient companies (known as Frontier Shift). These judgements could be applied from the 2025/26 base year costs or from the first year of new price limits.
 - (v) The final step calculates the aggregate improvement year by year from the separate judgements of minimum level of improvements (line 3) and the rate of catch-up (line 2). The particular percentage reductions in costs are compounded in the final line in each year.

Table 3.1 - Worked example from Ofwat of Base Opex Efficiency Application

Line Description		Units	Assessment AMP 4	AMP 3		AMP 4					AMP 5
				2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
A: OPERATING EXPENDITURE EFFICIENCY (BASE)											
1	Assessment of scope for catch-up (base)/assumed profile year on year	%	30	0	0	6.9	6.9	6.9	6.9	6.9	0
2	Assumed minimum level of efficiency improvements/assured profile year on year (base)	%	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
3	Opex – Overall compounded assumed profile (base)	%		1.0	2.0	9.7	16.7	23.2	29.2	34.8	35.4

Worked example step by step approach

- Step 1 – The company determines efficiency relative to its peers.
- Step 2 - After reviewing all the evidence, the company concludes that it would need to improve its efficiency by 30% to catch-up with the best in the industry.
- Step 3 – The company considers that they will achieve this catch-up evenly over the period. The entries in line 1 are 6.9% p.a. for years 3 to 7, such that the 30% is shared out geometrically.
- Step 4 – The company reaches a judgement that 2% per annum improvement in efficiency is what an efficient company might reasonably be expected to achieve as a minimum. However, the company considers it needs an incentive to drive through these improvements such that only part of the level of improvements should be assumed up front for customers in price limits in 2004.
- The company decides to divide the scope 50/50 between customers and the company hence enters a 1% per annum improvement year on year. Of course, any out-performance of this figure would be passed through to customers at the subsequent price control. The company has based its forward projections of expenditure on the 2002/03 level, so the 1% p.a. applies from that base.
- Step 5 – The per annum improvements from steps 1 and 4 are compounded to produce the overall assumed cumulative improvement profile in line 3⁸.

⁸ Positive figures are shown in the table as these represent improvements in efficiency. Costs would reduce by these figures to reflect the delivery of the improvements.

3.17 The following table illustrates how catch-up efficiencies would be shared on a geometric basis over 2, 4 or 5 years. The table gives the p.a. catch-up figure for each of the years.

Table 3.2 - Geometric Mean Calculations

Geometric Mean Calculations			
Total catch-up (%)	2 years p.a. (%)	4 years p.a. (%)	5 years p.a. (%)
3	1.5	0.8	0.6
4	2.0	1.0	0.8
6	3.0	1.5	1.2
8	4.1	2.1	1.7
9	4.6	2.3	1.9
12	6.2	3.1	2.5
16	8.3	4.3	3.4
20	10.6	5.4	4.4

Reporter Guidance (Efficiency)

3.18 The Reporter will:

- Provide further detail where necessary on how the company has derived its efficiency targets, including PPP efficiencies (see footnote 9). This could include information on, for example, whether the company has a rolling program of efficiency initiatives, whether it has processes in place to improve procurement or how it uses business management or energy management techniques to make efficiencies.
- Confirm that the process undertaken by the company to include the assumed efficiency forecasts into the projections of operating expenditure is appropriate and has been applied consistently throughout the plan.
- Confirm the stage at which the company has applied its efficiency targets to its future costs.

3.19 With respect to operational efficiencies the Reporter will:

- Verify and confirm or otherwise that the table has been completed in accordance with the company guidance.

⁹ To include both Omega and Alpha PPP.

- Review the assumptions the company has made for both its continuing level of efficiency and catch-up efficiency. In particular the Reporter should comment on whether the process used to derive them was robust.

Water and Sewerage Opex Expenditure Projection

Outline

- 3.20 Water and Sewerage Opex Expenditure Projections are captured in Table 2.2 (for Water) and Table 2.3 (for Sewerage) of Annex A.
- 3.21 In Block A the company is required to input the operating expenditure for 2025/26 (excluding PPP costs). This should be consistent with the relevant data reported in the Annual Information Return 2025/26.
- 3.22 In Block B the company should report the net adjustments to the Block A number that it regards as being above (positive number) or below (negative number) normal continuing expenditure for the base service. Full explanations of these adjustments should be included in the text. If this area includes any changes in pension provision or methodology from PC21, this should be fully explained in the text with appropriate justifications.
- 3.23 Unusually low expenditure, for example arising from a temporary reduction in pension contributions, should also be quantified and explained. Such adjustments will generally reflect exceptional, atypical and un-appointed activities. It may be the case that there are pension considerations in other blocks and any change in cost or methodology from PC21 should be highlighted in the relevant block with appropriate justification provided.
- 3.24 However, certain cost elements which have been excluded from the efficiency analysis should still remain part of the baseline cost in these tables as they are (at least in part) of a controllable nature. Specifically, no adjustment should be made for rates, third party costs, or doubtful debt.
- 3.25 Block C provides for the company adjustments (up or down) to the adjusted base year to reflect its assessment of its base service needs for the PC28 period.
- 3.26 The company should quantify and explain the components of these adjustments in the supporting text, providing supporting information where appropriate. NI Water should detail the base year cost (in 2025/26) for particular opex lines and provide reasons and justification for any change in PC28.

- 3.27 Block D brings forward the company assumptions on efficiency improvements from the efficiency table. This facilitates the calculation of a forecast for base service operating expenditure.
- 3.28 Block E details the costs set aside for business transformation. This includes expenditure associated with Voluntary Early Retirement / Voluntary Severance (VER/VS) packages and Business Improvement Plan projects. How these costs are allocated between Tables 2.2 (water) and 2.3 (sewerage) is of little importance but should be detailed in the chapter.
- 3.29 The current table format does not include an efficiency challenge for these costs as a final decision has yet to be reached. However, UR is 'minded to' impose a challenge on the business improvement expenditure (not VER/VS) deemed business-as-usual.
- 3.30 Within the Business Plan commentary, NI Water should include a short chapter on progress to date. This should include a summary of:
- BI opex spend in the SBP, PC10, PC13, PC15, and PC21 years.
 - Summary of projects, deliverables and realisation of benefits by year.
 - VER/VS spend since 2007/08.
 - Numbers impacted by schemes and overall changes to staff levels.
- 3.31 The company must provide justification for any PC28 proposed transformation expenditure, consisting of an analysis of costs, benefits and their timings. Business cases to support expenditure ought to be linked to the company's strategic direction and be informed by company analysis of its scope to deliver improved services, value and compliance on behalf of consumers. See Paragraphs 4.19 to 4.53 for our expectations for the structure and content of business cases.
- 3.32 NI Water should provide assurance that any claimed transformation expenditure does not represent double funding. VER/VS costs should be supported by details of headcount reduction, both on an individual basis and on the total company staff levels.
- 3.33 A detailed analysis of proposed headcount reduction and the cost of release are required on a year-by-year basis, profiled against the company's previous track record for the 2007/08 period onward. The company must produce evidence that its human resources plans support any planned headcount reduction for PC28 and, regardless of any absence of any planned reduction, that overall headcount is being actively managed to achieve the company's overall strategic direction.

- 3.34 Block F details the opex costs arising from capital expenditure throughout the PC28 period. These lines are split along the traditional enhancement allocations i.e. quality, enhanced service level and growth.
- 3.35 The company should provide detail as to how these figures have been arrived at. NI Water should further detail where opex costs are expected to decrease as a result of capital expenditure.
- 3.36 Block G brings forward the company assumptions on efficiency improvements from Table 2.1 to calculate a forecast of enhancement operating expenditure.
- 3.37 Block H reflects the total PPP unitary charge expenditure including PPP interest, performance deductions, atypicals and capital repayments. The PPP opex element is subject to the assumed efficiency profile as detailed in Table 2.1.
- 3.38 Block I provides a sum total of all the elements of opex costs. This should align with the comparable costs in the financial model.

Reporter Guidance (Water and Sewerage Opex)

- 3.39 The Reporter shall:
- Confirm or otherwise that the operating expenditure figures for the base year agrees with comparable figures reported in Tables 21 and 22 of the 2025/26 Annual Information Returns.
 - Consider the appropriateness of the information provided to support changes in base operating expenditure including any benchmarking that has been undertaken.
 - Comment on any steps the company has taken to mitigate against increasing costs to ensure that the additional opex is the minimum required.
 - Confirm that the opex from capex aligns with data provided in the capital investment section.
 - Comment on the reasonableness of future forecasts of PPP¹⁰ expenditure. More detailed commentary on PPP should be provided in the Financial Model section.
 - Verify if the table has been completed in line with table guidance.

¹⁰ PPP schemes for the moment to include both remaining PPP Omega and the PPP Alpha.

Total Operational Expenditure

3.40 The final table simply provides an overall sum of water and sewerage opex split by:

- Base opex.
- Transformation costs.
- Opex from capex.
- PPP costs.
- Total operational expenditure.

Reporter Guidance (Total Opex)

3.41 The Reporter shall confirm that the table has been completed in line with the reporting guidance.

Special Factors and Atypical Expenditure Claims

3.42 This section outlines our intended approach to the above for PC28 which is largely unchanged from our PC21 approach based upon our regulatory letter “WR18” issued to the company on 27th Oct-11 for PC13, which in turn followed in general terms our approach to these matters at PC10.

3.43 We feel it important to outline at an early stage the process and timeline for submissions, noting that we have not so far decided upon the precise path we shall travel when establishing NI Water’s efficiency gap and targets for PC28.

3.44 Atypical expenditures will remain an important consideration for the company’s submission of its operational expenditure baseline for 2025/26 whatever our decision on approach to efficiencies.

3.45 The criteria we shall apply in determining their applicability and timeline to the setting of new efficiency targets are set out below:

Special Factor Assessment Criteria

- 3.46 The means by which UR shall assess the company's submission will include examination of each claim against the following criteria:
- (i) What is different about the circumstances that cause materially higher costs ("material" claims have previously been agreed by company and UR as those individual claims which amount to greater than 1% of total modelled opex¹¹)?
 - (ii) Why do these circumstances lead to higher costs?
 - (iii) What is the net impact of these costs on prices over and above that which would be incurred without these factors? What has been done to manage the additional costs arising from the different circumstances and to limit their impact?
 - (iv) Are there any other different circumstances that reduce the company's costs relative to the industry norms? If so, have these been quantified and offset against the upward cost pressures?

Treatment of Atypical Operating Costs

- 3.47 NI Water may wish to declare such "one-off" expenditure as "exceptional" within its accounts. Alternatively, our approach to the Annual Information Return allows NI Water to flag specific cost items it considers atypical. We can then consider making adjustments to exclude them from our modelling and benchmarking analysis.
- 3.48 Some examples of such costs taken from Ofwat might include:
- Extreme climatic events.
 - Unusual compensation payments to customers.
- 3.49 If any changes are as a result of pension costs or provisions, this should be fully identified with appropriate explanation and justification provided.

¹¹ The adoption at PC28 of previous price controls approach to constructive engagement between UR and NI Water is continuing. The regular Cost Assessment Working Group (CAWG) process is expected to agree any new materiality threshold to apply to the emerging suite of new efficiency models.

Timeline

3.50 Below are indicative dates for submissions relating to the opex efficiency. Engagement through the Cost Assessment Working Group will be ongoing throughout the PC28 process:

- 18 June 2026 – NI Water submits draft special factors claim for early “comprehensibility” testing and feedback on areas where additional company information might provide greater clarity for UR in coming to its determinations.
- 3 September 2026 – UR provides feedback on draft special factors for subsequent consideration by NI Water in its business plan.
- 12 November 2026 – NI Water submits PC28 business plan, including final special factors submission.

Reporter Guidance (Special Factors and Atypical Expenditure Claims)

3.51 The Reporter is not asked to comment on or otherwise confirm a special factor exists prima facie as this will be the decision of UR. The audit is however expected to cover a number of issues. Consequently, the Reporter may be asked to focus on two main areas:

- a) Background to the claim and reasoning.
 - (i) Within this section the reporter should:
 - ◆ Draw on industry knowledge and experience to evaluate the information provided. You should include a review of any offsetting factors the company may benefit from.
 - ◆ Comment on the nature and reasonableness of the circumstances that have given rise to a special factor.
 - ◆ Comment on whether the special circumstances were unavoidable or have wholly or in part arisen from management decisions.
 - ◆ In relation to modelling issues, the Reporter must confirm the importance of the explanatory variable and the model it affects, as well as the reasons which make the variable significant to the company.
 - ◆ If an accounting issue, the Reporter should investigate the reason why costs have been treated this way and the likely impact this will have on efficiency assessments.

- b) Monetary impact of the Special Factor
- (i) As part of the audit the Reporter will have to advise on the nature of the monetary impact of the claim. Specifically, commentary might focus on:
- ◆ Where financial calculations have been used, the Reporter must verify that explanations are robust and underlying base data has been properly extracted.
 - ◆ Provide comments on the appropriateness of the choice of data i.e. its independence, reliability, comparability etc.
 - ◆ Analyse the appropriateness of any choice of benchmarking information.
 - ◆ Comment on the appropriateness of any judgements or assumptions the company has made in its calculations.
 - ◆ Assess any claims the company has made in relation to actions taken by the company that have limited the financial impact of the special factor.
 - ◆ Provide opinion on whether you feel all appropriate mitigating actions have been taken.
 - ◆ Comment on whether the company has taken account of any other obvious special factors that reduce its costs relative to industry norms.

4. Capital Investment

Introduction

- 4.1 This chapter sets out the information requirements for NI Water's submission to UR in respect of capital expenditure (Capex) in the PC28 period at project and sub-programme level.
- 4.2 The information requirements are based on the PC21 information requirements and include key changes which are summarised below:
- Table 3.1 Inflation Indices – Lines have been added for CPIH indices which will be required for PC28.
 - Table 3.3 Block H - The identification of investment scenarios. Scenario A should be based on UR's key principles as outlined in the Approach Decision. The company may wish to propose alternative scenarios which also meet UR's key principles, and are based on, for example, the company's view of affordability or deliverability.
 - Table 3.3 Blocks I and J – new blocks have been introduced to differentiate between the capex investment at pre-efficiency and post- efficiency.
- 4.3 Table 3.3 Block K – this allows the capex investment to be categorised for scope certainty and the Living with Water Programme. The PC28 capital investment submission shall comprise:
- A data submission consisting of 6 tables setting out historic and proposed capital investment in PC15 (from year 2018-19), PC21, PC28 and first three years of PC33, at project and subprogramme level.
 - Supporting business cases to explain and justify the proposed investment.
 - A statement of the variance between the PC21 final determination as updated by the PC21 Mid-Term Review, and the actual capital investment out-turn for the PC21 period.
 - An asset maintenance plan.
- 4.4 The six tables forming the capital investment submission are:
- Table 3.1 – Inflation indices.
 - Table 3.2 – Capital budget statement.

- Table 3.3 – The proposed expenditure by project or sub-programme [also referred to as CIM].
- Table 3.4 – Gross and net capital expenditure summary.
- Table 3.5 – Capital grants and contributions for water and sewerage service.
- Table 3.6 – Additional Opex from Capex and supporting project information.

4.5 Individual line entry definitions are set out in Capital Investment Definitions (Annex C). Guidance for completing Business Plan tables and the provision of supporting information is set out below.

4.6 Further information and guidance on specific topics is given in:

- Annex D – Asset Inventory Submission.

See also Annex A to the Approach Decision for the Approach to Asset Maintenance.

4.7 The format of the capital investment submission is based around identified subprogrammes of work. It is expected that the company's submission will follow this subdivision of the programme, with the commentary on each sub-programme making reference to other programme allocations such as purpose or service allocation.

Scope of the Capital Programme

4.8 The Business Plan should include the activities and expenditure necessary to deliver the services which consumers, the environment and the economy requires and then build the financial case for investment.

4.9 The Business Plan capital submission should include outputs broken down into individual project estimates and outputs. The company should highlight any issues raised by possible interdependencies and interactions with the PC28 programme such as base maintenance allocation, opex from capex and commitments to consumers.

4.10 The Business Plan should include the work necessary to address any lack of capacity which is constraining current or planned development. As part of its submission, the company should identify investment linked to addressing development constraints setting out the area or community affected. The company should set out the growth in flow and load which leads to the development constraint and describe the methodology it has used to estimate the capacity of the existing plant. The company should comment on how it has estimated future flows/loads and the reliability of

the source data used in this analysis. The company should set out its methodology for allocating investment as development needs are confirmed and how it has moderated its investment plan accordingly.

- 4.11 Scenario A (in Table 3.3, Block H) should be based on UR's key principles as outlined in the Approach Decision. The company may wish to propose alternative scenarios which also meet UR's key principles, and are based on, for example, the company's alternative views of affordability or deliverability. The company should provide commentary to accompany any alternative scenarios.

Treatment of Inflation

- 4.12 Current, actual or projected, capital expenditure should be expressed in nominal prices (money of the day) unless stated otherwise. Selected sections of the summary tables require expenditure to be converted to 2025/26 base year prices which should be consistent with the data entered in the financial model.
- 4.13 In Table 3.1, the company is required to provide its estimate of future output price inflation for capital investment which it has used to convert between nominal process and real prices at 2025/26 baseline prices. The company's estimate of future output price inflation for capital investment should be consistent with the costing methodologies used to estimate the nominal costs of sub-programmes and projects included in the Business Plan. The company shall describe how the various estimating techniques used to prepare the Business Plan produce nominal prices at a common price base in any one year and demonstrate that this is consistent with the future inflation indices in Table 3.1.
- 4.14 The company's commentary should describe how it has estimated output price inflation for capital investment relative to the Consumer Prices Index-Housing (CPIH) indices¹².

Planning for PC33

- 4.15 The company should set out its plans to maintain the continuity of investment into PC33¹³. The company's Business Plan should include:

¹² The basis of inflation up to PC21 was Retail Price Index (RPI), and CPIH will be used from PC28 onwards.

¹³ The Approach Decision is that PC28 will be a five-year price control, which will result in the following price control being PC33.

- a) An estimate of the expenditure in the first three years of PC33 for any discrete project where the company plans to start construction in the PC28 period. The company is expected to provide firm estimates where possible for this expenditure which may form part of the PC28 determination.
 - b) Indicative estimates of rolling sub-programmes of work such as asset maintenance or new connections into the PC33 period. This investment will not form part of the PC28 determination but will be reviewed and determined in the PC33 Price Control.
 - c) Indicative estimates for discrete projects expected to start construction in the first three years of PC33. Priority projects for the first three years of PC33 should be agreed with the relevant regulator or supported by reference to other assessments such as the Water Resources and Supply Resilience Plan. This investment will not form part of the PC28 determination but will be determined in the PC33 Price Control.
 - d) Estimates of the development, design, approval and any other preparatory work such as surveys or land purchase necessary in PC28 to facilitate the start of construction in the first three years of PC33 for the work outlined in items (b) and (c) above. The company is expected to provide firm estimates for this expenditure which may form part of the PC28 determination. The company should demonstrate that the cost of this work is in addition to any other investment included in the business plan including estimates based on the historic run rate of programmes of work.
- 4.16 The estimates outlined above should be included in the Business Plan tables.
- 4.17 The objectives of the information outlined above are:
- To ensure that expenditure committed in PC28 which carries over into PC33 can be included in the PC28 determination.
 - To ensure that the revenue necessary to develop the early stages of the PC33 capital programme is identified through the PC28 determination.
 - To prompt early planning of the transition between PC28 and PC33 to ensure that priorities are identified and continuity of investment is maintained.
- 4.18 In addition to providing the detailed project information set out above, the company should:

- Consider the objective of maintaining continuity of investment into PC33.
- Describe how its Business Plan aims to achieve this objective.
- Outline any barriers it sees to achieving this objective.
- Suggest steps which the company or other stakeholders could take to overcome the barriers it has identified and manage the transition between Price Control periods effectively and efficiently.

Business Case Structure

4.19 As a minimum business cases should include the basic steps of an economic appraisal prepared to Better Business Cases NI | Department of Finance standards, which provides guidance for the Five Case Model as described below.

- a) **The Strategic Case** - make the case for change and demonstrate how it provides strategic fit by:
 - (i) Explaining the strategic context – how does the project fit/link with the company’s overall strategic direction.
 - (ii) Presenting a robust case for change by considering:
 - ◆ What are the investment objectives and existing arrangements/problems to be addressed?
 - ◆ What are the current and future business needs?
 - ◆ What are the potential scope and service requirements (e.g. how does the investment link to outputs such as service and/or compliance)?
 - ◆ What are the main benefits and risks?
 - ◆ What are the constraints (i.e. limiting factors on the development of this project) and dependencies?
- b) **The Economic Case** - to identify the proposal that delivers best public value to society, including wider social and environmental effects.
 - (i) Outline the critical success factors.
 - (ii) Identify and describe the options (long-list and shortlisted) – as a minimum, the options list must include the "Business as Usual" and “do minimum” options.

- (iii) Identify and quantify the monetary costs and benefits of options – detailed costs and supporting calculations must be appended, adopting a proportionate approach.
 - (iv) Appraise risks and adjust for optimism bias – to include the risks from overoptimistic estimation of costs and benefits.
 - (v) Weigh up the non-monetary costs and benefits – compare each option’s expected impacts upon outputs and outcomes for consumers, including service and/or compliance.
 - (vi) Calculate Net Present Values and assess uncertainties – establish the project’s whole life costs.
 - (vii) If required, undertake a sensitivity analysis.
 - (viii) Identify the preferred option - assess the balance of advantage between options and conclude the preferred option.
- c) **The Commercial Case** - to demonstrate that the preferred option will result in a viable procurement and a well-structured deal between the public sector/client and its service providers.
- (i) Outline the procurement strategy and route.
 - (ii) Outline the service requirements and outputs.
 - (iii) Consider any appropriate risk allocation.
 - (iv) Outline any known charging mechanisms or contractual arrangements.
- d) **The Financial Case** - to demonstrate the affordability and funding of the preferred option, including the support of stakeholders and customers, as required.
- (i) Outline the capital and revenue requirements (i.e. costs, whole-life costs).
 - (ii) Outline the project/investment affordability and funding.
 - (iii) Confirm the stakeholder or customer support.
- e) **The Management Case** - to demonstrate that robust arrangements are in place for the delivery, monitoring, and evaluation of the scheme, including feedback into the organisation's strategic planning cycle.
- (i) Outline arrangements for:

- ◆ Programme (or project) management governance.
 - ◆ Change and contract management.
 - ◆ Benefits realisation.
 - ◆ Risk management.
 - ◆ Post-implementation and evaluation.
 - ◆ Contingency plans.
- (ii) Confirm any specialist advisors required.

4.20 It is acknowledged that the Five Case Model may not be practical or appropriate for projects or sub-programmes that are at conceptual stage or require smaller scale investment, as is common when preparing a business plan. It is expected that the Five Case Model is used as the standard for NI Water's A1 or A3 business cases (i.e. advanced stages of design or delivery) however NI Water may use an alternative format for the PC28 business cases.

4.21 NI Water has now provided an alternative format for its PC28 business cases for UR's comment, and UR is content for business cases provided within its Business Plan to be submitted in these formats:

- PC28 business case for larger or more complex projects.
- Short form business Case for smaller or less complex projects.
- M&G business case for projects that fall under this sub-programme.

Business Cases Content

4.22 The company should provide business cases which explain and justify the proposed investment at project or sub-programme level. As a minimum, a separate business case should be provided for each sub-programme providing more detailed project information as appropriate. The company should provide individual business cases for major projects or where the individual projects within a sub-programme require substantially different supporting information.

4.23 As a minimum the business cases provided for the PC28 Business Plan should include information on the following:

- Linking investment to outputs.
- Assessing the scope of work.

- Costing estimating systems.
- Assessing deliverability and project expenditure profile.
- Assessment of Opex from Capex.
- Purpose allocation.
- Service allocation.
- Carbon impact of investment.
- Innovation.

4.24 Further guidance on each of these headings is set out below.

4.25 NI Water should determine the format for the supporting business cases which should, where possible, draw on best practice (e.g. the Five Case Model, particularly cases a and b described in paragraph 4.19 which are especially applicable for regulatory business cases), internal processes and existing methodologies. Where possible the company should submit data and supporting calculations as spreadsheets referenced to the business case to ease analysis of the submission. Where possible, the individual business cases should refer to and not repeat information which can be readily established from other sections of the Business Plan.

Linking investment to outputs

4.26 The project or sub-programme business case should set out the need for the proposed investment and provide a clear link to the outputs it will deliver. This assessment should:

- Demonstrate that the outputs are consistent with any Social and Environmental Guidance issued by the Department for Infrastructure including any PC28 investment priorities.
- Identify outputs required by the water and environmental quality regulators and set out the detailed requirements for and timing of the implementation of new consent conditions or other improvement.
- Demonstrate how the company has determined appropriate activity rates for water mains and sewerage to maintain performance, improve quality, support investment and accommodate growth.

- Demonstrate the need for the improvement for all outputs not specifically required by an external stakeholder (for example new trunk mains or new or increased service reservoir or clear water tank capacity).
- 4.27 Where possible, the company should identify individual outputs in Table 4.4 of the submission. If it is not possible to identify individual outputs by project or sub-programme, the company should provide an aggregated balancing line in Table 4.4, of the submission by sub-programme to ensure that Table 4.4 provides a complete listing of relevant outputs. Where the company provides an aggregated output balancing line in Table 4.4, the company should describe how it calculated the aggregated output quantity against the proposed level of investment without identifying individual outputs and projects.
- 4.28 Each project or sub-programme business case should include sufficient information to define the scope and scale of the nominated outputs included in the Business Plan. For example:
- Wastewater treatment works improvements should include information on the current and future consent (including storm tank volume) and the current and future design population equivalent (PE) and/or flow to full treatment (FFT).
 - Unsatisfactory Intermittent Discharge (UID) upgrades should include information from the regulatory Statement of Need (SoN) defining the output including a statement of the storage volumes, pass forward flows and screening requirements for each discharge. If the estimate is based on a developed solution, the business case should include a plan showing the layout of the sewerage system and the UID improvements proposed.
 - Trunk main schemes should include a schedule of pipe length and diameters, and details of the size of associated assets such as pumping stations and service reservoirs. The justification and drivers for investment should also be included. A drawing should be provided showing the intended route of the trunk main, the location of associated assets and the location of connections to the existing systems. Drawings should also include the location of any crossings or other factors which incur significant cost.
 - Improvements to water treatment works should include the current and future design flow of the works and the water quality parameters to be addressed by the improvement. This should align with the Annex A documents as agreed with DWI.

- The existing and new capacity of any proposed new service reservoir should be identified in addition to justification for the increase in storage volume.
- 4.29 Where possible, the company should identify specific projects which will improve supply pressure and reduce the risk of sewer flooding. The company should provide a link between these projects and the properties to be removed from the low pressure register and the property flooding register.
- 4.30 Where the output is justified through a separate internal regulatory or statutory process undertaken by the company (such as the Water Resource and Supply Resilience Plan or the Economic Level of Leakage assessment), the company shall provide the supporting information required in this section for the project unless this detailed information has already been submitted to UR. The company shall describe how its proposals address any issues raised by UR in response to the previous submission or process.
- 4.31 The guidance for Chapter 5 of these information requirements (Outputs) requires the company to provide all information necessary to explain its assessment of the proposed links between the proposed expenditure, outputs and serviceability. This supporting information may be submitted as part of the capital investment business cases or should be referenced to the capital investment business cases.

Assessing the scope of work

- 4.32 The company shall describe the options it has considered to identify the least whole life cost to deliver the required PC28 output accounting for the critically and condition of the existing assets and remaining life expectancy.
- 4.33 The company shall describe how it has defined the scope of works for the options considered and how it developed the scope of works priced for each project or sub-programme of work.
- 4.34 The company shall describe how it has taken account of potential synergies between different projects and sub-programmes of work when assessing the minimum cost required to deliver the programme. This consideration should include potential synergies arising from: the integration of asset maintenance and enhancement works; and, potential synergies from integrated procurement.

Cost estimating systems

- 4.35 The company shall describe the cost estimating systems used to develop the PC28 estimates for each project or sub-programme of work.
- 4.36 The description of the cost estimating system should highlight how the various components of the cost estimate have been developed, including:
- Base costs.
 - Contractor's on-costs.
 - NI Water costs including management costs and land purchase.
 - Any risk or tender to out-turn adjustment.
- 4.37 In its description of the cost estimating systems the company should demonstrate that:
- The various components included in the cost estimating system are complete and mutually exclusive, including a description of the coverage rules for each component.
 - The total cost estimate is reasonable and consistent with NI Water's current costs including benchmarking with historic out-turn costs of completed work.
 - Any component of the cost estimating systems which rely on tender or outturn costs for other regions have been adjusted to take account of regional price variations.
 - Nominal costs estimates have been prepared to a constant cost base for each year which is consistent with the inflation indices entered in Table 3.1.
- 4.38 In each business case the company shall quantify the capital efficiency challenge applied to each project or sub-programme of work to convert the estimated cost based on NI Water current prices to a PC28 out-turn estimate.

Assessing deliverability and project expenditure profile

- 4.39 The business case should include an assessment of the impact of risk on project delivery and expenditure profile. This should include an assessment of the key third party risks which impact on project definition and development, and inhibit start of construction on site, including:
- Land purchase and access arrangements.

- Agreement of consent with Northern Ireland Environment Agency (NIEA), in particular the completion of Drainage Area Plans (DAPs) to determine storage volumes at intermittent discharges and agreement of the same with NIEA.
 - Power supply.
 - Planning permissions.
 - Buildability.
 - Environmental studies and permissions.
 - Social and political constraints.
- 4.40 During the development of the Business Plan submission, the company should consider the status and potential impact of third-party risks and discuss these with the relevant stakeholder responsible for the output. Where possible the company should plan to prioritise schemes with a low third-party risk in preference to schemes with a high third-party risk.
- 4.41 The company should profile project development and start of construction to reflect the assessment of third-party risk. The business case should highlight significant third-party risks and describe how these have been taken into account when determining the project or sub-programme expenditure profile and the milestone dates included in Table 3.3.

Assessment of Opex from Capex

- 4.42 The company shall describe the methodology and key cost parameters used to estimate the impact of capital investment on operational expenditure for each project or sub-programme of work. The additional opex from capex shall be identified in Table 3.6.

Purpose allocation.

- 4.43 The company should describe the methodology used to determine the purpose allocation of each project or sub-programme.
- 4.44 Where the purpose allocation is based on allocations derived from a set of previous projects, the company should define how the allocation was calculated and state why it is reasonable to apply this to the future projects.
- 4.45 Where the purpose allocation is based on an average of a set of projects in PC28, the company should identify the projects used to calculate the

average allocation and state why it is reasonable to apply to the projects under consideration.

- 4.46 The methodologies used by the company to allocate expenditure by purpose should reflect specific methodologies adopted for PC21 including leakage and water mains rehabilitation. If specific methodologies or key parameters used for purpose allocation for PC21 are revised for PC28, the company should highlight this in the business case and set out the reason for adopting a revised methodology.

Service allocation

- 4.47 Where a project or sub-programme is allocated across more than one of four service areas, the company shall outline the basis of the service allocation in the business case.

Carbon impact of investment

- 4.48 The company should include the cost of carbon in the whole life costing assessments for material schemes in PC28. The company should outline its methodology for including the cost of carbon in its whole life costing assessments and how it has identified material schemes. The company should identify where the cost of carbon has had an impact on the least whole life cost scheme proposed in PC28 and whether the company has proposed to invest additional capital as a result of including carbon in the whole life cost assessment.

Innovation

- 4.49 Innovation and the productivity improvements it delivers is a key driver for improved service and efficient delivery. The purpose of any innovation must be to reduce costs and/or to improve outputs that benefit customers. Therefore, we would normally expect that any costs will be funded within the overall price control package and not from increased prices.
- 4.50 Where NI Water proposes that innovation is funded through increased prices for customers, we would regard the bar as being set high in terms of the evidence it would need to provide to justify such a request.
- 4.51 Firstly, we would expect NI Water to set out clearly in its business plan submission why the cost of innovation, balanced by the cost reduction delivered, cannot be delivered within the overall price control package and articulate its rationale for it being funded through higher prices.
- 4.52 Our criteria for assessment of NI Water rationale will include, and may not be limited to, the following:

- Quantified and robust costs and benefits.
- Need for, or rationale in support of, additional funding.
- How NI Water has arrived at their chosen bid for innovation(s) and how this interacts with other innovation investments it plans to deliver under the normal price control regime.
- How such a bid was identified/prioritised and justified in consultation with consumers and NI Water's wider stakeholders.
- Why a barrier exists towards innovation which requires some form of regulatory action to allow it to progress and the consequences of the innovation(s) not happening.
- What deliverables may be expected for local consumers from research and development or trials.
- The proposed treatment of risk and reward.
- A description of how successful innovation(s) would be efficiently rolled out and how NI Water's innovation strategy would be reviewed and updated across PC28.
- How innovation planned for PC28 is different to anything that has occurred previously, whether within N Water or within the wider water sector.

NI Water should address these criteria in any business case relating to innovation funding.

- 4.53 A five-year cycle of price controls provides a framework for the development and testing of innovation proposals in the early years of the period, moving to implementation in the later years. Innovation projects should be identified as development outputs with a defined scope, outcome and timelines.

PC21 Out-turn Report

- 4.54 The company shall also provide a report on the actual and projected outcome of the PC21 period comparing expenditure and outputs with the PC21 final determination and providing an explanation of the variance. The assessment of expenditure and outputs should be presented at sub-programme level. The level of detailed explanation of the variance from the PC21 final determination should reflect the level of detailed definition of outputs included in the PC21 final determination.

- 4.55 The assessment of expenditure and variance from the PC21 final determination should be 2018/19 prices, consistent with the base year for the PC21 final determination. Inflation of prices shall be assessed using the latest RPI index published by the Office for Budget Responsibility (OBR) and the indices used should be consistent with the indices up to the end of PC21 included in Table 3.1.
- 4.56 For each sub-programme the company should:
- Assess the baseline and out-turn expenditure in 2018/19 prices and calculate the variance.
 - Assess the baseline and out-turn purpose allocation in 2018/19 prices and calculate the variance.
 - Identify any material changes in the allocation of expenditure by purpose between PC21 final determination baseline and out-turn.
 - Provide an explanation of the variance between the PC21 final determination baseline and out-turn including an assessment of the quantum of the variance attributed to the following:
 - ◆ An increase or reduction of expenditure on a project or sub-programme in 2020/21 resulting in a change in carry over to the PC21 period.
 - ◆ A delay in the delivery of project or sub-programme outputs in the PC21 period resulting in a reduced expenditure in PC21 and increased carry over to PC28.
 - ◆ The addition, deletion or change of an output dictated by an external stakeholder such as the quality regulator.
 - ◆ A change in the cost of the output over the life of the project (taking account of changes in carry over from PC21 into PC28).
 - ◆ Account for and reference sub-programmes and projects affected by the PC21 Mid-Term Review.
- 4.57 Where the company identifies an additional output or change to an output dictated by an external stakeholder the company should maintain sufficient information to:
- Identify the scope of the change and the reason for the change.

- Demonstrate that the output was not part of the PC21 final determination and that the costs identified for the change are the net cost of the new obligation.
- Demonstrate that it has reviewed the options open to meet the new obligation and chosen an efficient and cost-effective option.

4.58 The company should highlight the impact of additional expenditure incurred in 2020/21 which was not taken into account in the PC21 final determination. The company should identify the additional outputs delivered for the additional investment. We will log-up the efficient delivery of additional outputs associated with this investment in our determination for PC21¹⁴.

Asset Maintenance Submission

4.59 The company should submit a plan for asset maintenance which sets out its approach to asset maintenance planning and explains how it has assessed the changes in operational practice and investment required to at least maintain serviceability to consumers during PC28.

4.60 UR set out its approach to asset maintenance in its PC28 Approach Decision, Annex A – PC28 Approach to asset maintenance. The approach document describes a range of techniques which are likely to be used when developing a plan for asset maintenance. We expect the company to develop its assessment in a practical way based on improving information quality. It is for the company to decide how it can best make this assessment taking account of its data, systems and capability.

4.61 Within its plan for asset maintenance, we expect the company to:

- Assess and report on its asset maintenance planning capability. To make this assessment, we expect the company to adopt a recognised methodology which it considers to be relevant and useful. We expect the company to advise us of its preferred methodology for our approval.
- Provide historical information on asset maintenance expenditure and explanatory data to allow us to reassess the econometric level of asset maintenance investment. The information requirements for this information submission are set out in Chapter 3 - Operational Costs and Efficiency.

¹⁴ The exact methodology that UR will use for the PC21 Out-turn Report is yet to be determined.

- Provide an assessment of serviceability. The requirements for a serviceability assessment are set out in Chapter 5 - Outputs.
 - Provide an assessment of its asset inventory and costing systems.
 - Set out its assessment of future asset maintenance needs, describing and critically appraising the techniques, methodologies and data used to make this assessment.
 - Set out its plan to improve its asset planning capability taking account of any weaknesses identified through its planning for PC28.
- 4.62 Further details of our requirements for an asset maintenance submission are set out in PC28 Approach Decision, Annex A – PC28 Approach to asset maintenance.

Asset Inventory Submission

- 4.63 The company shall provide an asset inventory submission which summarises the quantity and age profile of its asset base banded by asset size.
- 4.64 The requirement to complete an asset inventory as part of the Business Plan submission was introduced for the first time in PC21. In previous price controls we have asked NI Water to provide an assessment of its asset inventory and costing systems with a view to providing an asset inventory and asset valuation in future price controls. In our Approach to Asset Maintenance we concluded that the PC28 Business Plan submission should include an asset inventory developed so that:
- The level of granularity is proportional to the service risk of the need.
 - It is based on information collected by the company to manage its business.
 - It has a level of granularity which can be used to apply cost curves to support an asset valuation.
 - It reflects the information used to develop the plan for asset maintenance for PC28.
 - It distinguishes between data which is known and data which is estimated, setting out how estimated data has been in-filled to provide a complete picture.

- 4.65 This submission is an initial step in the collection of summary asset data to inform UR's decisions on revenue allowance and outputs. At this stage we have not asked for either:
- An assessment of residual asset lives.
 - A total or net asset valuation.
- 4.66 We will consider whether such further submissions are useful and when they can be delivered once we have reviewed the asset inventory submission with the company.
- 4.67 Details for our requirement for an asset inventory submission are set out in Annex D of these information requirements.

Planning Sustainable Solutions

- 4.68 In our approach to PC21, UR set out the need to consider how sustainable solutions can be delivered in the context of a changing environment. We noted that it was unlikely that the best solutions to these emerging issues will be delivered by NI Water in isolation. We noted that a key barrier to the delivery of integrated sustainable solutions is the time it can take to plan, test and assess solutions which may have uncertain outcomes and require the support or active participation of a number of stakeholders. We highlighted the need for careful planning of strategic investigations, trial projects and solution development (including planning permission and land acquisition) leading up to project delivery.
- 4.69 In its business plan, the company should set out how it has:
- Considered interventions in a single catchment to ensure that outputs have been prioritised to promote catchment-based solutions.
 - Identified opportunities to develop integrated sustainable solutions.
 - Assessed the risks and benefits of progressing integrated sustainable solutions including engagement with the key stakeholders whose support or active participation will be required to deliver them.
 - Identified outputs which cannot be delivered as part of an integrated solution or where the barriers to progressing an integrated solution out-weigh the potential benefits.
 - Planned early investment in schemes where an integrated solution is not deemed to be viable.

- Set out a clear programme of strategic studies, pilot trials and other work necessary to develop and test potential integrated solutions including an indicative timescale for next deciding on whether or not to revert to a substantive capital investment intervention.
 - Identified the appropriate level of investment which water consumers should make when developing and delivering integrated solutions, respecting the polluter pays principle.
 - Confirmed that other stakeholders can commit to the timescale and funding necessary to deliver an integrated solution.
- 4.70 The individual plans to develop integrated catchment-based solutions, including the programme of development measures, will form nominated outputs for PC28.
- 4.71 The company should include an initial assessment of this work in the Outline Capital Programme submission on 9 April 2026. The company should continue to engage with stakeholders to develop these opportunities as it develops its Business Plan submission.
- 4.72 The company should continue to consider how the funding provided in the PC21 determination to develop the PC28 programme can be prioritised to prompt the development of integrated sustainable solutions.

Long-Term Investment Need

- 4.73 In support of its long-term strategy, the company should provide an estimate in respect of Regulated Asset Expenditure required to be made by the company over a 25-year period from the 1 April 2028. In the past, the company has indicated that it would need to increase investment to improve consumer service, to maintain its assets generally, to replace aging water mains, to replace water mains which affect water quality, to address perceived historic under-investment in the sewerage service, to address the risk of flooding, to meet current and future wastewater discharge consents for continuous and intermittent discharges, to release development constraints, to provide for growth and development, to improve the resilience of the water supply system, to mitigate the impact of climate change and adapt to climate change. The company should breakdown its estimate in respect of Regulated Asset Investment to identify these categories and other categories of investment necessary to provide a complete breakdown of asset investment.
- 4.74 The company should provide sufficient commentary to describe how it has estimated investment over a 25-year period including how the need, solutions and level of activity have been assessed and how the indicative

solutions have been costed. In particular, where the company believes it is necessary to increase the level of future investment in any area, the company should describe how it has arrived at this conclusion and set out the evidence supporting its conclusion.

- 4.75 The company's estimate should consider known issues. For example, the company should identify the work necessary to meet the requirements of existing directives such as the Water Framework Directive or the Bathing Waters Directive. We do not expect the company to speculate about the impact of changes in legislation or standards which cannot be foreseen. Where appropriate, the company should state its assumptions in respect of issues which are uncertain. For example, the company should state the scenario it plans to work to in respect of climate change and the assumptions it has made about continuing growth and development. Where possible, the company should draw on existing long-term plans such as the current Water Resource and Supply Resilience Plan or describe why this is not appropriate and how it has arrived at an alternative planning assumption.
- 4.76 Where the company is not able to estimate future need, the company should set out why this is the case and the steps it needs to take to establish the right level of long-term investment. The company should show how the steps it has identified to establish long term need will be delivered through PC21 or have been included in the PC28 Business Plan.
- 4.77 Taking account of its estimate of long-term investment need and limits of what can be delivered during PC28, the company should describe how it has struck the right balance between competing demands for investment in the PC28 period. The company should identify any statutory outcomes or immediate consumer needs it will not be able to deliver in the PC28 period and estimate the cost of meeting those needs.

Outline Capital Programme Submission - April 2026

- 4.78 NI Water should submit an Outline Capital Programme for PC28 by the 9 April 2026. At the same time, the company should copy the Outline Capital Programme to the principal stakeholders, namely CCNI, DfI, DWI, and NIEA.
- 4.79 The outline capital programme should take account of:
- Any draft or final Social and Environmental Guidance which DfI has issued to UR.

- The information provided by stakeholders on the general and specific outputs which will be included in the PC28 Business Plan taking account of the work of the PC28 working groups on Social Policy, Environmental Quality, Drinking Water Quality and Consumer Engagement.
- 4.80 The outline capital programme submission should include commentary in sufficient detail to inform stakeholders how the company has struck a balance between competing demands for capital investment.
- 4.81 To support the outline capital programme, NI Water should provide an assessment of the outputs it will deliver in PC28. The company should include information on the proposed quality outputs using the formats agreed with the relevant quality regulator. The company should outline the changes in service levels it plans to deliver over the PC28 period and show how this links to capital investment or changes in operational practice.
- 4.82 Where possible, the company should refer to the relevant tables and schedules of outputs to identify the quantum and detail of the outputs it will deliver. Where this is not possible, the company should provide an additional schedule of outputs setting out the objective it plans to achieve and describing and quantifying the outputs it plans to deliver.
- 4.83 The company should identify opportunities to develop integrated and sustainable solutions. The company should set out the work which would be necessary to deliver these opportunities and describe how it has programmed outputs and investment to allow these opportunities to be realised.
- 4.84 The company should highlight further work required from other stakeholders and identify further studies and investigations it will undertake to better define the PC28 outputs and investment programme. The company should set out a programme for this work.
- 4.85 The company should submit the following business plan tables to support the outline capital submission:
- PC28 Table 3.2 – Capital Budget Statement.
 - PC28 Table 3.3 – Proposed Expenditure by Project or Sub-programme.
 - PC28 Table 3.4.A – Gross and Net Capital Expenditure Summary.
 - PC28 Table 4.1 – Water Provision and Service Outputs.
 - PC28 Table 4.2 – Sewerage Provision and Service Outputs.

- PC28 Table 4.4 – Outputs delivered by PC28 Capital Projects and Programmes of Work.
- 4.86 In respect of Tables 4.1 and 4.2, the company should identify any additional outputs it believes would be useful to define and monitor the services it will deliver to consumers in PC28. Where there is insufficient confidence to provide a figure for any of the output targets, these may be left blank for the OCS.
- 4.87 The company should include an indication of issues which it cannot address within the PC28 period including: WWTW upgrades to achieve current consents or meet new consents; unsatisfactory intermittent discharges which it cannot upgrade; hydraulic improvements to address sewer flooding which will not be delivered; development constraints which will not be alleviated; and any investments outside the wastewater enhancement programme which cannot be delivered during PC28.

Table 3.1 - Inflation Indices

- 4.88 Actual and projected inflation indices for RPI (up until to end of PC21) and CPIH (from the PC28 base year 2025/26 onwards) should be submitted in Table 3.1.
- 4.89 Figures presented in this table should agree with those submitted as part of the financial model tables.
- 4.90 The company's estimate of output price inflation for capital investment in percentage terms from the base year 2025/26 Inflation of construction output prices shall be entered in Table 3.1
- 4.91 The company's commentary should:
- Set out the sources of information and other analysis it has used to estimate future CPIH indices.
 - Describe how it has estimated output price inflation for capital investment relative to the CPIH index, including how it has taken account of real price effects and future productivity improvements.
- 4.92 The company should provide a copy of its calculation of output price inflation for capital investment relative to the CPIH index in excel format.

Table 3.2 - Capital Budget Statement

- 4.93 A capital budget statement is required for each year from 2018/19 to 2035/36; the last three years of PC15, PC21 and PC28 periods and the first three years of PC33.

- 4.94 NI Water shall confirm the capital expenditure budget as advised by DfI and provide a statement of any adjustments necessary to arrive at the revised capital expenditure stated on a basis consistent with the regulatory accounting guidelines, PC21 and GAAP accounting standards.
- 4.95 The statement should be provided in Table 3.2 and include the following items:
- The PE capital budget as required from DfI.
 - The PE capital expenditure which NI Water proposes to use.
 - Any allocation for Alpha PPP maintenance.
 - Any allocation for the residual interest off-balance sheet in respect of the PPP concessions.
 - Any adjustment to account for different treatment depreciation, infrastructure renewals charge between the IFRS and UK GAAP accounting standards.
 - Any other adjustments identified by NI Water to explain the difference between the PE capital budget and the NI Water capital budget net of grants and contributions.
 - Capital grants and contributions.
 - Capital grants and contributions transferred to deferred credits.
- 4.96 Expenditure for 2025/26, 2026/27 and 2027/28 should be the current best estimate of outturn expenditure for the completion of PC21.
- 4.97 All expenditure should be stated so that the sum of the data equals the NI Water gross capital budget.
- 4.98 The company should provide a description of each adjustment made to the PE capital budget to arrive at its estimate of the “NI Water’s gross capital budget” with supporting calculation for the submitted values.
- 4.99 Any adjustment to account for different treatment depreciation, infrastructure renewals charge between the IFRS and UK GAAP accounting standards should be off-set by a consistent adjustment in the operational budget statement.

Table 3.3 - Proposed expenditure by project or sub-programme

Overview

- 4.100 Table 3.3 - proposed expenditure by project or sub-programme - consists of a single excel worksheet and substantially mirrors that of the capital investment monitoring (CIM) submissions.
- 4.101 The company should provide data for all projects and sub-programmes of work expected to incur expenditure in PC21, PC28, and beyond. The submission should include information on investment for relevant projects or sub-programmes for:
- a) All actual investment in and the last three years of PC15.
 - b) All actual and projected investment in PC21.
 - c) All projected investment in PC28.
 - d) An estimate of the expenditure in PC33 for any discrete projects where the company plans to start construction in the PC28 period. The company is expected to provide firm estimates for this expenditure which may form part of the PC28 determination.
 - e) Indicative estimates of rolling sub-programmes of work such as asset maintenance or new connections in the PC33 period. This investment will not form part of the PC28 determination but will be reviewed and determined in the PC33 Price Control.
 - f) Indicative estimates for discrete projects expected to start construction in the first three years of PC33. Priority projects for the first three years of PC33 should be agreed with the relevant regulator or supported by reference to other assessments such as the Water Resource and Supply Resilience Plan. This investment will not form part of the PC28 determination but will be reviewed and determined in the PC33 Price Control.
 - g) Estimates of the development, design, approval and any other preparatory work such as surveys or land purchase necessary in PC28 to facilitate the start of construction in the first three years of PC33 for the work outlined in items (b) and (c) above. The company is expected to provide firm estimates for this expenditure which may form part of the PC28 determination. The company should demonstrate that the cost of this work is in addition to any other investment included in the business plan including estimates based on the historic run rate of programmes of work.

- 4.102 The structure and order of the data table should be maintained. Additional data columns should not be introduced. The blank table has been provided with 10 data rows. Before completing the table, the company should insert sufficient additional rows in the data block to ensure that the data fits within the defined area. Additional blank rows or descriptive rows should not be introduced into the data.
- 4.103 The data should be submitted in the required format. Where appropriate zero entries should be entered as zero as opposed to blank cells. Where it is appropriate to leave a cell blank, it should be blank and not include a text space or other entry which might be interpreted as data.
- 4.104 The spreadsheet is formatted to present data to an appropriate number of decimal places. However, if the data are generated by the company to a greater number of decimal places it is not necessary to round the data before they are entered into the table.
- 4.105 Table 3.3 consists of 8 sections (Blocks A to K):
- Block A - Project identification.
 - Block B - Current actual or projected milestone dates.
 - Block C - Current actual or projected service allocation.
 - Block D - Current actual or projected capital expenditure profile.
 - Block E - Current actual or projected purpose allocation.
 - Block F - Current actual or projected IRE.
 - Block G - Nominated output identification.
 - Block H - Scenario markers.

The following blocks have been added for PC28, in order to differentiate between pre- and post- efficiency for the PC28 period and categorisation for different types of investment:

- Block I – Pre-efficiency CAPEX total.
 - Block J – Efficiency applied to CAPEX.
 - Block K – Categorisation.
- 4.106 Guidance on the content of each block of Table 3.3 is set out below.

Block A – Project Identification

- 4.107 The submission will consist of a series of project or sub-programme lines.

- 4.108 The level of granularity in Table 3.3 should reflect at least the level of granularity in the company's internal capital monitoring system. The company should not aggregate data from discrete projects on its capital management system for the Table 3.3 submission unless this has been agreed with UR in advance.
- 4.109 The level of granularity of projects in the Table 3.3 submission should be sufficient to allow PC28 outputs to be attached to individual projects and to allow relevant milestone dates to be reported.
- 4.110 The expenditure submission should cover the complete programme of capital expenditure by NI Water. Sufficient projects and sub-programmes of work should be reported to meet this requirement.
- 4.111 Each project line entry shall be tagged with a PC period identifier as set out in Table 4.1 below.

Table 4.1 - PC Period Identifiers

PC Period Identifier	Definition
00	A rolling project which delivers outputs on a continuous basis which can be allocated to different price control periods, for example the water-mains rehabilitation programme.
01	Not used <<< A project completed before the start of PC13 with no allowance made for carry over expenditure into the PC13 period or beyond in the company's PC13 Business Plan submission. >>>
02	Not used <<< A project planned to begin in the PC10 period or before which was included in the PC13 Business Plan submission as a specific carry over project. >>>
03	A project planned to begin in the PC13 period and to deliver its outputs in the PC13 period.
04	A project planned to begin in the PC13 period but to deliver its outputs in PC15.
05	An additional PC13 project where the company plans to commit expenditure in the PC13 period which was not identified in the PC13 Business Plan and determination.
06	Not used <<< Any PC15 project not included in the categories above. >>>
07	A project planned to begin in the PC15 period and to deliver its outputs in the PC15 period.
08	A project planned to begin in the PC15 period but to deliver its outputs in PC21.
09	An additional PC15 project where the company plans to commit expenditure in the PC15 period which was not identified in the PC15 Business Plan and determination.
10	Not used <<< Any PC21 project not included in the categories above. >>>
11	A project planned to begin in the PC21 period and to deliver its outputs in the PC21 period.
12	A project planned to begin in the PC21 period but to deliver its outputs in PC28.
13	An additional PC21 project where the company plans to commit expenditure in the PC21 period which was not identified in the PC21 Business Plan and determination.
14	Any PC28 project not included in the categories above.

4.112 The majority of projects where base maintenance is the largest individual driver are expected to be reported under period identifier 00 (i.e. rolling

programme). However, where a significant maintenance project is identified as a nominated output, it should be allocated with the period identifier which indicates when it will be delivered.

- 4.113 Each project shall be tagged with a primary asset category to identify the main asset type where the investment is taking place. An allocation between asset categories is not required. The primary asset categories are set out in Table 4.2 below. The asset categories are consistent with the definitions for Table 32 of the AIR.

Table 4.2 - Primary Asset Categories

Primary asset reference	Description
01	Water resource facilities
02	Water treatment works
03	Water distribution mains
04	Service reservoirs and water towers
05	Water pumping stations
06	Water management and general
07	Sewerage
08	Sea outfalls and head-works
09	Sewage treatment works
10	Sludge treatment works
11	Sludge disposal
12	In-line sewage pumping stations
13	Terminal sewage pumping stations
14	Sewerage management and general
15	Management and general (not allocated to a specific service area)

- 4.114 Each project shall be tagged with a sub-programme identifier which is set out in Table 4.3. The sub-programme identifiers broadly align with the sub-programmes used in the analysis of the capital programme in the PC21 final determination with some aggregation and disaggregation of sub-programmes. The table includes commentary indicating our expectations on the content and project disaggregation of each sub-programme.

Table 4.3 - Primary Investment Sub-Programme Identifiers

Ref	Name	Commentary
00	Capitalised salaries and on-costs	A single line entry would be sufficient. The business case for this sub-programme should set out how the costs have been assessed and provide further granularity.
01	Base maintenance (water)	<p>Projects or sub-programmes in PC21 known to carry forward into PC28 should be itemised.</p> <p>Sub-programmes of work the company intends to carry out should be itemised and the scope and purpose of these sub-programmes included in the business case.</p> <p>Specific projects identified by DWI (say as part of the DWSP or major WTW upgrades) should be itemised. These may be included as nominated outputs.</p> <p>A balancing item should be included for unallocated work if necessary.</p>
02	Base maintenance (sewerage)	<p>Projects or sub-programmes in PC21 known to carry forward into PC28 should be itemised.</p> <p>Sub-programmes of work the company intends to carry out should be itemised and the scope and purpose of these sub-programmes included in the business case.</p> <p>Specific projects identified by NIEA (say membrane plant or specific failing works) should be itemized. These may be included as nominated outputs.</p> <p>A balancing item should be included for unallocated work if necessary.</p>
03	Water resources	Specific line should be included for impounding reservoir maintenance and specific resource or treatment capacity scheme arising from the WR&SRP (other than trunk main schemes which have a separate allocation).
04	Water treatment works	Upgrades to WTW to meet drinking water quality which are required by DWI should be itemised.
05	Water trunk mains	<p>Individual trunk mains should be itemised. The need for each main should be clearly set out in the business cases and consistency with the WR&SRP or other driver established.</p> <p>Trunk main projects might include linked outputs such as service reservoirs or pumping stations. The company should confirm whether these are included in the trunk main sub-programme or identified under other sub-programmes.</p>

Ref	Name	Commentary
06	Service reservoirs and clear water tanks	Individual projects to provide new service reservoirs or increase the capacity of existing service reservoirs should be included.
07	Service reservoir rehabilitation	The sub-programme covers the rehabilitation of service reservoirs.
08	Water mains rehabilitation	This sub-programme should cover the planned water mains rehabilitation programme. A separate sub-programme (23) exists to cover minor ad hoc new and renew programme of mains work. Work should be identified by individual projects with a balancing line or lines for work yet to be identified.
09	Leakage	Sub-programme 9 is a leakage programme. A breakdown of items of work should be provided in either the business case or Table 3.3 of the submission.
10	Ops capital (water)	The PC28 Business Plan (BP) should provide a suitable granularity of sub-programmes to identify the scope of work included under the Ops capital programme. For example: connections work, lifting equipment regs, electrical regs, etc with the balance of minor maintenance clearly identified. To include: <ul style="list-style-type: none"> • Water mains on developments. • New connections.
11	Named sewerage projects	This sub-programme is retained for the defined set of SBP carry over projects only. New projects will be carried out under sub-programme 12 with appropriate period identifiers.
12	Sewerage programme - Sewerage maintenance work (N&R) DG5 flooding programme UID programme	This sub-programme should cover the planned programme of sewerage schemes to include the UID programme and the flooding programme. Individual projects should be identified with defined outputs with a balancing line or lines for work yet to be identified. These projects may also deliver other outputs including sewer repairs and connections. A separate sub-programme (24) exists to cover minor ad hoc new and renew programme of mains work.
13	Not used.	DG5 now included in sub-programme 12.
14	Not used.	UID now included in sub-programme 12.

Ref	Name	Commentary
15	Wastewater treatment (carry-over projects)	This sub-programme is retained for the defined set of SBP carry over projects only. New projects will be carried out under sub-programme 16 with appropriate period identifiers.
16	Wastewater treatment (new starts)	This is the main sub-programme for wastewater treatment works projects to deliver defined quality improvements or major upgrades to address growth and release development constraints. Individual projects supported by the quality regulator should be identified.
17	Small wastewater treatment works	The programme should be reported as the individual projects of the PC28 BP. Where the total planned expenditure is greater than the sum of the individual projects the balance may be reported as a single line entry.
18	Ops capital (sewerage)	The PC28 BP should provide greater granularity of subprogrammes to identify the scope of work included under the Ops capital programme. For example: connections work, lifting equipment regs, electrical regs, etc with the balance of minor maintenance clearly identified. To include new connections.
19	Metering programme	Sub-programme 19 is a metering programme. A breakdown of items of work should be provided in either the business case or Table 3.3 of the submission.
20	Management & General	Sub-programme 20 is the M&G programme. Individual projects or programmes should be identified in Table 3.3 with further breakdown included in business cases.
21	Not used	Additional outputs programme. The “additional outputs” programme in PC28 should not be used. “Additional outputs” identified in PC28 should be allocated to the relevant sub-programmes above. The appropriate PC identifier should be allocated to the projects.
22	Management adjustment	It is expected that there will be no adjustments submitted against this category for the PC28 Business Plan. The sub-programme identified is retained for future monitoring purposes.

Ref	Name	Commentary
23	Water mains new and renew	<p>Sub-programme 23 should include the minor ad hoc new and renew programme of mains work separate from the planned water mains rehabilitation sub-programme 08.</p> <p>Work will include:</p> <ul style="list-style-type: none"> • Water main requisitions • Public realm work • Diversions including diversions due to road works and development. • Other ad hoc work not included under sub-programme 08 <p>Planned work should be identified in as much detail as possible with a balancing line or lines included for work yet to be identified.</p>
24	Sewerage new and renew	<p>Sub-programme 24 should include the minor ad hoc new and renew programme of sewerage work separate from the individual project identified under sub-programme 12.</p> <p>Work will include:</p> <ul style="list-style-type: none"> • Sewer requisitions • Public realm work • Minor diversions • Other ad hoc work not included under sub-programme 12 <p>Planned work should be identified in as much detail as possible with a balancing line or lines included for work yet to be identified.</p>
25	Wastewater catchment optimisation	<p>This new sub-programme for PC28 is focused on catchment-wide optimisation to unlock development and improve environmental performance. It covers studies, treatment optimisation, unwanted water reduction and UID improvements.</p> <p>The aim is to provide a clear focus on this important area of work, enabling innovative, cost-effective solutions while maintaining compliance and supporting sustainable growth.</p>

4.115 Where regulatory sign-off is appropriate, the project will be tagged to indicate the relevant regulator which would be responsible for sign-off. The regulator identifiers are set out in Table 4.4 below.

Table 4.4 - Regulator sign-off identifier

Identifier	Description
NIEA	Northern Ireland Environment Agency
DWI	Northern Ireland Drinking Water Inspectorate
DfI	Department for Infrastructure
UR	Utility Regulator

Block B - Project milestone dates

4.116 Project milestone dates shall be reported for “current actual or projected” programme reports.

4.117 Seven project milestone dates shall be reported as follows:

- All project inception date.
- Project approval, with project released to the delivery team.
- Start on site, identifying the substantive start of work on site.
- Beneficial use, when all the work required to deliver the benefits of the project outputs is complete. In PC28, this shall be taken as the output delivery date unless the project does not subsequently achieve regulatory sign-off.
- Regulator sign-off date, when projects delivering quality outputs are planned to achieve sign-off by the appropriate regulator.
- Completion of construction, when all substantial construction work is complete as identified by the start of the maintenance period.
- End of the maintenance period. This should be the end of the project maintenance period. We expect that all expenditure should be complete at this stage with appropriate accruals made for any residual liabilities.

4.118 For PC28, projects should be reported at a level of granularity that allows milestone dates to be reported which are in a logical sequence and relate to the PC28 project investment and outputs. Milestone dates entered in Table 3.3 should correspond with dates submitted in Table 4.4 of the submission.

4.119 It is recognised that it will not be possible to report project milestone dates for sub-programmes which deliver multiple or continuous outputs and have not been developed into individual projects.

Block C - Service allocation

- 4.120 The project allocation by service (water and sewerage, and infrastructure and non-infrastructure) shall be reported for the baseline and “current actual or projected” programmes. The allocation by service shall be consistent with the Ofwat Regulatory Accounting Guidelines 2.03 and the approach adopted by the company for the Annual Information Return.

Block D - Capital expenditure

- 4.121 Any project or sub-programme of work which has expenditure in the last three years of PC15, PC21 or PC28 periods or the first three years of PC33 should be reported in the table. Expenditure should be reported as nominal post efficiency.
- 4.122 Projects which are not expected to incur expenditure in the last three years of PC15, PC21, PC28 or the first three years of PC33 should not be included in the detailed data submission.
- 4.123 Capital expenditure should be reported before the deduction of capital grants and contributions.
- 4.124 The Programme total expenditure reported in Excel spreadsheet line 8 of columns 19 to 36 (last three years of PC15, PC21, PC28, and first three years of PC33) should reconcile to Table 3.2 line 9.

Block E - Purpose allocation

- 4.125 The project allocation by purpose (quality, base, enhanced service level and supply demand balance i.e. growth) shall be reported for current actual or projected programmes. The allocation by purpose shall be consistent with the Ofwat Regulatory Accounting Guidelines 2.03 and the approach adopted by the company for the Annual Information Return.

Block F – Infrastructure Renewals Expenditure

- 4.126 The project percentage allocation relating to Infrastructure Renewals Expenditure (IRE) shall be reported for current actual or projected programmes. The percentage allocation shall be consistent with the Ofwat Regulatory Accounting Guidelines 2.03.

Block G - Nominated output identification

- 4.127 Where a project is either an existing PC21 nominated output or a PC28 proposed nominated output, this shall be identified by inserting either “PC21” or “PC28” as appropriate into the relevant project line under Block

G column 43. Where a project is not linked to a nominated output the cell should be left blank.

Block H – Scenarios

- 4.128 Scenario A is the level of capital investment which aligns with UR's key principles i.e. NI Water's view of an investment scenario which seeks to achieve a balance between established need and what the company regards as efficient, deliverable and affordable from a tariff perspective. The company may wish to include in its Business Plan submission other scenarios.

Block I – Pre-efficiency CAPEX Total

- 4.129 This is an additional block for PC28. It is to provide the project capital cost included in the PC28 period before any efficiency adjustments have been applied by NI Water.

Block J – Efficiency Applied to CAPEX

- 4.130 This is an additional block for PC28. The company shall quantify the capital efficiency challenge applied to each project to convert the estimated cost based on NI Water current prices from pre-efficiency (Block I) to post-efficiency (Block D). UR assumption is that outside the PC28 period no efficiency will be applied, and the company should explain and quantify any differing position.

Block K – Categorisation

- 4.131 This is an additional block for PC28. The company shall categorise each project line for scope certainty and the Living With Water Programme.

Table 3.4 - Gross and net capital expenditure totals

- 4.132 In addition to the detailed project and sub-programme information, the company should provide expenditure totals for each cost category identified in Tables 3.4A and 3.4B.
- 4.133 The gross expenditure in Table 3.4A should reconcile to an extension of the expenditure, purpose allocations and service allocations in Table 3.3.
- 4.134 The net capital expenditure in Table 3.4B should reconcile to data in Tables 3.4A and 3.5. The company should provide a statement of the allocation of enhancement grants and contributions by the four service areas required to calculate the entries in Table 3.4B and provide an explanation of how these grants and contributions were allocated between infrastructure and non-infrastructure.

- 4.135 Data submitted in Table 3.4B (2025/26 prices) should be the same as the data submitted in the business plan financial model "Inputs" tab (lines 39-43). The company should confirm that this is the case or provide a reconciliation between the data in Table 3.4B and the data in the model "Inputs" tab.

Table 3.5 - Capital grants and contributions for water and sewerage services

- 4.136 The submission shall include a statement of the company's estimate of capital grants and contributions for each year from 2018/19 to 2035/36.
- 4.137 The statement should be provided in Table 3.5 and include the following items:
- Grants and contributions in respect of infrastructure and non-infrastructure maintenance.
 - Grants and contributions in respect of enhancement sub-divided by: infrastructure charge receipts; requisitions, grants and contributions; and, other categories which NI Water may identify.
 - A statement of the capital grants and contributions treated as deferred credits.
- 4.138 The company should provide supporting calculations for its assessment of grants and contributions, relating the level of capital income to development activity.

Tables 3.6A and 3.6B - Assessment of additional opex from capex

- 4.139 The company should provide a statement of the additional opex arising from delivery of the capital programme. Additional opex (prior to any company efficiency challenge) should be estimated relative to the base year 2025/26 and should include additional opex arising from the completion of the capital investment in the last two years of the PC21 period.
- 4.140 The company should ensure that base year opex from capex does not carry forward into the figures for future years in Table 3.6B. This opex will have already been captured in the baseline opex figure for 2025/26.
- 4.141 It is likely that additional opex will arise from the creation of new assets to meet enhancement drivers. The company need not provide information on individual projects or groups of projects which do not result in an aggregate change in opex.

- 4.142 Where the delivery of a project results in a reduction in operating expenditure, these savings should also be identified and reported.
- 4.143 Additional opex resulting from the delivery of M&G projects should be in the submission with the additional opex associated with individual M&G activities and initiatives itemised.
- 4.144 Table 3.6A provides a summary of the additional opex from capex by service. Block A, in nominal prices, should reconcile to the sum of detailed project information in Table 3.6B. Block B, in base year prices, is calculated from Block A using RPI for PC21 and CPIH for PC28 as a deflator. Block B should reconcile to the total additional opex from capex in Section 2 of the submission.
- 4.145 Table 3.6B provides a detailed breakdown of additional opex by project or subprogramme. The project reference, project name, sub-programme identifier and service allocation should cross reference to the project information in Table 3.3. Opex data should be completed for:
- The opex profile by year. The opex profile should be cumulative. Where the additional opex starts part way through a year, the proportion of additional opex should be entered in the first year and the full additional opex entered in the next and subsequent years.
 - A breakdown of opex by type should be completed for based on the first full year the additional opex is incurred.
- 4.146 The company should provide supporting calculations for individual projects or sub-programmes which result in a major change in opex.
- 4.147 If the opex change is material, we may seek further detailed supporting information to allow us to challenge the company's assessment.

Reporter Guidance

- 4.148 The Reporter should liaise with the company to prepare an assessment of the company's plans for capital investment for PC28 before preparing an audit plan. The Reporter should assess the quality of the information available and assess the material issues and level of testing which will be necessary to challenge the company's plans and output and expenditure projections. The Reporter should then advise UR on the scope and timing of the audit taking account of the quality of information available. Where necessary, the company shall liaise with UR and Reporter to provide sufficient information to allow a robust audit plan to be developed.

4.149 The reporter shall base his audit of capital investment on the business cases provided by NI Water, assessing and commenting on:

- The link between investment and outputs.
- The development of the scope of work.
- The cost estimating systems used.
- The assessment of risk, deliverability and expenditure profile.
- The impact of capital investment on operating expenditure.
- Cost allocation.
- Other aspects of the business plan such as grants and contributions, PC21 Out-turn Report and continuity into PC33.

4.150 In relation to the link between investment and outputs, the reporter shall:

- a) Challenge and comment on the company's assessment of the outputs which will be delivered by the capital investment.
- b) Confirm that all outputs of the proposed investment are clearly stated and check that they are consistent with the outputs in Section 4 of the Business Plan.
- c) Identify any additional information which the reporter considers would be appropriate to include in any business case to provide sufficient information to define the scope of any output included in the Business Plan.

4.151 In relation to the development of the scope of works, the reporter shall:

- a) Assess and comment on how the company has determined the scope of works selected to deliver the outputs included in the Business Plan.
- b) Assess and comment on the range of options (including options other than capital investment) considered by the company to ensure that the least whole life cost scope of works has been selected to deliver the outputs included in the Business Plan.
- c) Comment on the potential for value management and value engineering as schemes are developed and describe how the company has taken account of these opportunities in the development of its Business Plan.

- d) Assess and comment on how the company has taken account of potential synergies between different projects and sub-programmes when assessing the minimum cost required to deliver the outputs included in the Business Plan.

4.152 In relation to cost estimating systems, the reporter shall:

- a) Assess and comment on the cost estimating systems used to develop the PC28 estimates.
- b) Assess whether the methodology and data sources used by the company to develop its cost estimates are complete and mutually exclusive.
- c) Describe how the reporter has confirmed that the total estimates are reasonable and consistent with NI Water's current cost, including any external cost benchmarks used by the reporter.
- d) Assess and comment on whether the company has prepared the 'nominal' expenditure figures presented in the Business Plan to a common cost base consistent with the inflation indices entered in Table 3.1.

4.153 In relation to assessing deliverability and expenditure profile, the reporter shall:

- a) Challenge and comment on the company's assessment of third-party risk which impact on project definition and development and inhibit the start of construction on site.
- b) Challenge the company's planned expenditure profiles and comment on whether these reflect previous experience of NI Water and are reasonable in light of the reporter's experience.

4.154 In relation to opex from capex, the reporter shall:

- a) Comment on the company's methodology for assessing additional opex arising from capital investment, including the opportunity for cost savings from investment in improvements to capital assets.
- b) Challenge and comment on the unit rates used by the company to estimate additional opex and confirm that these are consistent with the company's current cost base.
- c) Confirm whether the company's bottom up estimates of additional opex is reasonable in the light of previous experience in NI Water and consistent with the reporter's experience.

4.155 In relation to cost allocation, the reporter shall:

- a) Comment on the allocation of costs by service and purpose.
 - b) Challenge and comment on any change in the company's methodology for cost allocation from the PC28 Business Plan and/or AIR26 or any material change in the cost allocation of individual projects or groups of projects.
- 4.156 With reference to grants and contributions, the reporter shall:
- a) Challenge and comment on grants and contributions entered into Table 3.5.
 - b) Confirm that the data used to calculate grants and contributions are based upon historic trends, unit cost rates and forward projections for new development.
 - c) Confirm that development numbers or activity rates used to calculate grants and contributions are consistent with those used to estimate expenditure on growth and development.
- 4.157 With reference to the PC21 Out-turn report, the reporter shall:
- a) On a sample basis, comment on the reasonableness of the scope and cost of the additional investment reported by the company in the PC21 period in response to new obligations imposed on the company.
- 4.158 With reference to continuity into PC33, the reporter's audit should address the company's plans to maintain continuity of investment into PC33. The reporter should:
- a) Ensure that the audit covers a sample of projects which bridge the PC28-PC33 transition and projects planned to commence at the start of PC33.
 - b) Comment on the quality of these cost estimates relative to PC28 projects.
 - c) Comment of the allowance made by the company to develop projects planned to start in PC33 and the profile of this investment.

General guidance

- 4.159 The reporter shall also:
- a) Describe how the reporter has assessed the investment submission. This description should include a table setting out the level of audit of each business case and each set of supporting information provided by the company.

- b) Confirm that expenditure figures in Table 3.2 are an extension of the detailed information in Table 3.3.
- c) Identify where other processes (such as the Water Resource and Supply Resilience Plan or the Economic Level of Leakage assessments) are used as a basis of investment proposed in the Business Plan and highlight any concerns the reporter may have had on the previous submissions relevant to these outputs.
- d) Comment on the methodology used by the company to identify the level of future growth included in the development of individual schemes and confirm that this is consistent with growth estimates in other parts of the Business Plan (customer numbers and volumes for example) and the growth estimates included in other submissions such as the Water Resource and Supply Resilience Plan.

5. Outputs

Introduction

- 5.1 This chapter sets out the information requirements for NI Water's submission to UR in respect of the outputs it intends to deliver during the PC28 period and for the company's submission in respect of serviceability.
- 5.2 The information requirements are largely based on the PC21 information requirements and aligned to the outputs agreed at the PC21 Mid-Term Review and reported within the latest Annual Information Requirements (AIR25). The key changes since PC21 are summarised below:
- Table 4.3 Overall Performance Assessment has been retired, as was agreed at PC21 Mid-Term Review. This table is not required for PC28. All of the OPA lines are contained within Table 44 of the annual information return, and UR's intention is to also retire this AIR Table 44 for PC28 whilst ensuring that the data is captured in the remaining tables of AIR.
 - Table 4.1 Water Provision and Service Outputs, a number of retired metrics were removed, including:
 - ◆ DG6 % billing contacts dealt with within 5 working days
 - ◆ DG7 % written complaints dealt with within 10 working days
 - ◆ Total contacts
 - ◆ Unwanted contacts as % of total contacts
 - ◆ Omnibus survey question lines
 - ◆ DG9 % calls not abandoned and calls not receiving engaged tone
 - Table 4.2 Sewerage Provision and Service Outputs, Line 10a was removed. It was Investment in improvements to small wastewater treatment works as part of the rural wastewater investment programme.
- 5.3 The PC28 Output submission shall comprise:
- A data submission consisting of five tables setting out the proposed outputs for PC28.
 - Supporting information to explain and justify the data entered in the tables.

- 5.4 Outputs submitted for the periods specified in each table should reflect actual or projected performance as appropriate. The company should provide a clear explanation if the actual or projected performance in PC21 does not achieve the target levels set out in the PC21 Final Determination.
- 5.5 As stated in the section above “Outline Capital Programme Submission - April 2026”, where there is insufficient confidence to provide a figure for any of the output targets in Tables 4.1 and 4.2, these may be left blank for the OCS. We expect the output targets to be fully completed for the Business Plan.
- 5.6 When setting out its proposed targets for PC28 the company should take account of the target levels for PC21 and current or projected performance for PC21. The company should provide an explanation of any target for PC28 which is less than either the target set for the end of PC21 or the actual or projected performance at the end of PC21. The explanation should provide the reasons, and whether it was within or outside NI Water’s control.
- 5.7 The PC28 outputs proposed by the company should:
- Be consistent with any Social and Environmental guidance issued by the Minister for Infrastructure and the Long-Term Water Strategy.
 - Reflect the individual drinking water quality and environmental quality improvements agreed by the quality regulators.
 - Reflect the level of investment proposed for PC28.
 - Take account of consumer preferences and views, expressed through the PC21 consumer engagement process and survey work.
 - Include those associated with any Living with Water Programme investment included in the PC28 capital investment tables.
 - Take account of other long-term planning assessments such as the Water Resource and Supply Resilience Plan, incorporating Drought Management, and the sustainable Economic Level of Leakage assessment.
- 5.8 The serviceability information requirements reflect previous guidance issued by UR including the definitions agreed with NI Water prior to implementation of the assessment process for the PC21 period.

Defining additional output measures

- 5.9 The outputs and target measures included in the information requirements reflect those adopted for the PC21 period, including the new customer satisfaction measures.
- 5.10 NI Water is encouraged to propose any additional service measures which better reflect the qualities of service which consumers' value and which are relevant to their needs, taking account of:
- New consumer service measures developed through the company's consumer engagement processes.
 - Stakeholder opinion on the current water quality measures and potential alternatives.
 - The company's strategies to reduce consumption and waste which might address issues such as water demand management, leakage, stormwater and infiltration management, and reduced energy and chemical consumption.
 - Activities necessary to deliver more sustainable approaches to achieving environmental and drinking water quality outcomes and water distribution and drainage outcomes.
 - Preparatory work such as strategic studies, pilot trials and other work which will support the development of sustainable solutions, improved planning capability or improved service delivery in the longer term.
- 5.11 The company should include these in its submission by adding additional lines to the relevant output tables.
- 5.12 The company should discuss its proposals with UR in advance of the Business Plan submission to agree the definition of any additional outputs.

The data submission

Format

- 5.13 The data submission consists of five tables.

Table 5.1 - PC28 Output Submission Tables

Table	Description
4.1	Water Provision and Service Outputs

Table	Description
4.2	Sewerage Provision and Service Outputs
4.3	Overall Performance Assessment (removed for PC28)
4.4	Outputs delivered by PC28 Capital Projects and Programmes of Work
4.5	Serviceability

Tables 4.1 and 4.2 - Water and Sewerage Provision and Service Outputs

5.14 The tables comprise of seven blocks of information.

Table 5.2 - Information Blocks in Output Submission Tables 4.1 and 4.2

Block	Title	Covers
A	Consumer Service	Level of service and sustainability outputs
B	Quality	Water quality and environmental outputs
C	Outputs	Water and sewerage activity and nominated outputs
D	Serviceability	Serviceability for above and below ground assets
E	Additional PC15 Measures	Additional output measures introduced for PC15
F	Additional PC21 Measures	Additional output measures introduced for PC21
G	Additional PC28 Measures	Additional output measures introduced for PC28

- 5.15 Data is to be submitted for the periods specified in each table. The data entered in Tables 4.1 and 4.2 against the outputs listed in Table 5.4 of this chapter should equal the totals of the individual entries in Table 4.4 of the submission.
- 5.16 For serviceability, the company should enter its estimation of the trend in serviceability for infrastructure and non-infrastructure assets in each service area during the period. This should be consistent with the information provided in Table 4.5. A 'stable', 'improving', 'marginal' or 'deteriorating' categorisation should be used.
- 5.17 The sequential numbering used in Tables A and B of the annual information return has been retained in Tables 4.1 and 4.2 for consistency and ease of reference at this stage. Any new or supporting measures in the Blocks are denoted using a letter suffix. The potential for rationalising and renumbering the line numbers will be considered as part of the PC28 process.

- 5.18 Any additional measures proposed by the company for PC28 should be added to Block G of Tables 4.1 and 4.2, along with their units, decimal places and whether NI Water intends them to form part of the monitoring plan. The rationale for their inclusion and their definitions should be provided in the business plan submission.

Table 4.3 - Overall Performance Assessment

- 5.19 In previous price controls, Table 4.3 set out the information required to calculate the Overall Performance Assessment (OPA) score. It replicates Table 44 of the Annual Information Return.
- 5.20 The decision was taken in the PC21 Mid-Term Review Final Determination to retire Table 4.3 as it no longer has a beneficial use. Comparisons with Ofwat data is no longer possible because OPA has not been reported by E&W companies since 2009/10. Several individual OPA components have been superseded whilst many companies are already consistently achieving the maximum OPA score.
- 5.21 In taking this decision, CM/SAT recognised that all of the OPA lines are contained within Table 44 of the annual information return. It has also been agreed that UR will make the minor adjustments necessary to ensure that all critical OPA component data is captured. This will ensure that a comparative year on year score can be calculated in the future if this is ever deemed necessary. UR's intention is to also retire for PC28 the AIR Table 44 whilst ensuring that the data is captured in the remaining tables of AIR.

Table 4.4 - Outputs delivered by PC28 Capital Projects and Programmes of Work

- 5.22 Table 4.4 should be used to record the outputs that are being delivered by NI Water's capital investment programme. Data is to be submitted for the PC10, PC13, PC15, PC21 and PC28 periods. Information dating back to PC10 has been retained in this table to provide a single source of historic data on the delivery of nominated outputs. This will help avoid any potential confusion that might result from trying to assess variances between planned and actual delivery across multiple price control submissions.
- 5.23 In addition, NI Water should record any outputs it expects to deliver in the first three years of PC33 as a consequence of the completion of schemes started in PC28 or ongoing expenditure on programmes of work.
- 5.24 The table comprises two blocks of information

Table 5.3 - Information Blocks in Output Submission Table 4.4

Block	Title
A	Project Information
B	Project Outputs

- 5.25 Common reference codes are included to allow outputs associated with individual capital projects or programmes of work to be identified. These should be completed by the company to allow a clear link to be established between:
- Nominated outputs required by stakeholders.
 - Individual outputs and activities proposed by the company.
 - The detailed capital investment programme at project and sub-programme level.
 - The summary outputs and service levels proposed in Tables 4.1 and 4.2 of the business plan submission.
- 5.26 Project information should be entered in Block A. This information should be consistent with that entered in Table 3.3 of the capital investment submission.
- 5.27 The information requirements for Block A, including those for beneficial use date, are defined in Chapter 4. Table 4.3 in Chapter 4 lists the capital primary investment sub-programme identifiers.
- 5.28 The company should enter the outputs associated with each capital project or programme of work in column 8 to 33 of Block B. Information, including that associated with programmes of work, should be disaggregated as far as possible for the purposes of completing this table and align with the level of disaggregation in Table 3.3 where possible.
- 5.29 Output reference codes should be entered in column 6 of Block B to define each output. Table 5.4 below lists the outputs that are to be recorded in Table 4.4 and their associated reference codes. It also defines the units of measurement to be entered in column 7 of Table 4.4 for each output and the number of decimal places to be used. At this stage all the PC21 reference codes have been retained for consistency, but the potential for rationalising and renumbering the list will be discussed as part of the PC28 process. All potential outputs have been listed in Table 5.4 for completeness. NI Water should however note that the purpose of Table 4.4 is to capture outputs delivered by capex projects and capex programmes only. Outputs delivered solely by opex should therefore not be included in the table.

- 5.30 A separate line should be completed for each type of output that a project or sub-programme of work will deliver. More than one 'output' line may therefore be required for each project or sub-programme of work. Where this is necessary, the same project information should be repeated in Block A for each 'output' line. For example: a sewerage project might deliver multiple outputs including sewerage replacement, sewerage renovation, UID improvement and DG5 improvement. In these circumstances at least one line entry should be provided in Table 4.4 of the submission for sewerage replacement, sewerage renovation and DG5 improvement; and, one line entry would be completed for each UID improved. Where possible, further detailed information on aggregated outputs should be included in the relevant project or sub-programme business case. For example: in the sewerage example outlined above, the individual properties on the DG5 register improved as a result of the scheme should be identified in the business case providing a clear link from the DG5 register to the investment programme.
- 5.31 An additional column (column 34) was added to Table 4.4 in PC21 to identify outputs related to the Living with Water Programme (LWWP). The company should identify whether this is the case by entering "Y" or "N" in the column. Separate lines can be used (as detailed above) to disaggregate outputs if the company considers that a programme of work is delivering outputs which lie both within and outside LWWP.

Table 5.4 - PC28 Output Reference Codes

PC28 Output Description	Table	Line	PC28 Output Ref Code	Unit	DP
DG2 Properties at risk of low pressure removed from the risk register by company action	4.1	1	01	nr	0
DG5 Properties at risk of flooding- number removed from 2 in 10, 1 in 10 and 1 in 20 risk register by company action	4.2	1	02	nr	0
Water mains activity - Length of new water mains	4.1	16a	03	km	2
Water mains activity - Length of renewed water mains	4.1	16b	04	km	2
Water mains activity - Length of relined water mains	4.1	16c	05	km	2
Completion of nominated trunk main schemes	4.1	17	06	nr	0

PC28 Output Description	Table	Line	PC28 Output Ref Code	Unit	DP
Completion of nominated water treatment works schemes	4.1	18	07	nr	0
Completion of nominated improvements to increase the capacity of service reservoirs and clear water tanks	4.1	19	08	nr	0
Sewerage activity - Length of new sewers	4.2	7a	09	km	2
Sewerage activity - Length of sewers renovated	4.2	7b	10	km	2
Sewerage activity - Length of sewers replaced	4.2	7c	11	km	2
Delivery of improvements to nominated UIDs as part of a defined programme of works	4.2	8	12	nr	0
Delivery of improvements to nominated WWTWs as part of a defined programme of work	4.2	9	13	nr	0
Number of small wastewater treatment works delivered as part of the rural wastewater investment programme	4.2	10	14	nr	0
Number of catchments where management plan recommendations have been implemented	4.1	25	15	nr	0
Number of lead communication pipes replaced under the proactive lead replacement programme	4.1	22	16	nr	0
Number of school visits	4.1	23	17	nr	0
Number of other education events	4.1	27	18	nr	0
Number of treatability studies completed	4.1	24	19	nr	0
CSO and EO discharges at which event and duration monitoring equipment has been installed	4.2	13	20	nr	0
Number of qualifying WWTWs assessed and/or upgraded if required to comply with PPC Regulations	4.2	14	21	nr	0

PC28 Output Description	Table	Line	PC28 Output Ref Code	Unit	DP
Impermeable surface water collection area removed from the combined sewerage network	4.2	15	22	m ²	0
Number of sustainable WwTW solutions delivered (p.e. ≥ 250)	4.2	16	23	nr	0
Number of sustainable WwTW solutions delivered (p.e. < 250)	4.2	17	24	nr	0
Number of economic constraint areas eased	4.2	18	25	nr	0
Number of serious development restrictions eased	4.2	19	26	nr	0

- 5.32 The blank table issued with these information requirements has 10 data rows. NI Water should insert sufficient additional rows to ensure that all outputs associated with capital investment projects or programmes of work are captured.
- 5.33 When summed, the individual entries for each type of output in Table 4.4 should equal the associated entries in Tables 4.1 and 4.2. Summary programme lines should be used where appropriate to ensure that this is the case.
- 5.34 For nominated output lines, the number “1” should be entered in the column relating to the year that ‘beneficial use’ was, or is to be, achieved.
- 5.35 Nominated outputs should include any work delivered as a consequence of quality regulator requirements, irrespective of whether the associated investment is categorised as ‘Quality’ or ‘Capital Maintenance’. The company should explain the rationale for any ‘Capital Maintenance’ inclusions.

Table 4.5 - Serviceability

- 5.36 Table 4.5 records the data that will be used to assess whether asset serviceability is improving, stable, marginal or deteriorating. It also records the company’s own assessment of historic and projected serviceability.
- 5.37 This table comprises of four blocks of information.

Table 5.5 - Information Blocks in Output Submission Table 4.5

Block	Title
A	Water infrastructure
B	Water non-infrastructure
C	Sewerage infrastructure
D	Sewerage non-infrastructure

- 5.38 The basket of indicators included in each block will together inform the assessment of serviceability to customers for the service area as a whole.
- 5.39 UR issued information requirements for the completion of an initial serviceability assessment to the company on 4th May 2013. This has subsequently been updated and incorporated into the annual information return reporting requirements. The guidance issued previously for these purposes provides details on the information to be submitted in each Block of the table and should be referred to by the company when completing its submission. The line definitions are restated in Annex E of the PC28 information requirements for ease of reference.

Serviceability indicator data requirements

- 5.40 The company should enter historic data in the table as far back as practically possible for the period commencing 2003/04. Cells have been shaded to reflect the history submitted in the annual information returns. However if the company believes historic information is available for these years it may enter it in the shaded cells in the table.
- 5.41 It is recognised that the quality and availability of historic data may vary for each indicator. The company should therefore explain any limitations in quality or availability in its submission. This should include an explanation of any changes in the methodology used to capture or report data and where possible an assessment of the impact that such changes may have had on the reported figures and the data trends.
- 5.42 We expect the company to submit the best historic data available. If better information exists than was previously provided by the company in other submissions, for example the annual information return or its initial serviceability assessment, the improved information should be entered in the table. Where data is not consistent with that previously submitted, the company should clearly identify and explain the reasons for any differences.
- 5.43 The submission should also identify performance in any year which the company considers to be atypical. The company should explain the cause

of atypical performance and the basis of its assessment, quantifying the impact on performance as far as possible. The supporting information submitted by the company should include an estimate of performance which excludes the impact of any extreme or atypical events and explain how the company has arrived at the revised assessment. If the company is unable to provide such an estimate it should explain why.

- 5.44 The data entered for 2026/27 should reflect the company's best estimate of outturn performance for the year. This provisional information will be used to inform the UR's draft determination. Updated serviceability information from AIR27 will subsequently be used to inform the final determination.
- 5.45 The company is not required to submit projections for individual serviceability indicators beyond 2026/27 as this is likely to mainly result in a restatement of target projections and is unlikely to provide a meaningful prediction of serviceability trends.

Company's overall serviceability assessments

- 5.46 The company should undertake and submit an overall assessment of the serviceability for each service area in Table 4.5. Overall performance should be categorised as 'improving', 'stable', 'marginal' or 'deteriorating'. In addition to the current assessment, the company should provide a projection of overall serviceability in each service area for PC28.
- 5.47 The company will be expected to propose reference and control limits for the PC28 period and to explain how they have been determined through reference to historic performance and the company's investment proposals.
- 5.48 We would expect the PC28 projections for each service area to be 'stable' or 'improving' in line with the requirements of any Social and Environmental Guidance. If this is not the case the company should clearly explain how it has come to a 'marginal' or 'deteriorating' assessment.
- 5.49 The supporting information provided with the serviceability submission should explain the basis of the company's overall assessments, including the projections for PC28.
- 5.50 This should include how historic trends in performance for individual indicators have been assessed, how individual assessments have been combined to come to the overall assessment for each service area, how the company's PC28 investment proposals for maintaining its asset base and the associated service provided to consumers has been accounted for and any other assumptions made in the process. An explanation of the

approach adopted for establishing reference levels of service and control boundaries for assessing performance should also be provided where appropriate.

Supporting Information

- 5.51 The company shall provide all information necessary to explain its assessment of the proposed outputs and the links between the proposed outputs and the capital investment programme in its submission. The company should demonstrate:
- That the investment proposed represents the least cost balance of capital and operational expenditure required to deliver the proposed outputs.
 - That outputs are consistent with any Social and Environmental Guidance issued by the Minister for Infrastructure and the Long-Term Water Strategy.
 - That outputs are consistent with requirements of the quality regulators and other long-term planning assessments.
 - How consumer preferences, expressed through the PC21 consumer engagement process and previous surveys or other engagement have been addressed.
- 5.52 The supporting information provided by the company should include:
- All the base data, assumptions and calculations that are necessary for the derivation of the data entries to be clearly understood.
 - Reference to any historic activity rates, expenditure and outputs used to support the derivation of future outputs.
 - Reference to any comparative industry data used to support the derivation of future outputs.
- 5.53 The company should summarise the output from the consumer research carried out for PC21, including survey data and reports. The company should set out how it has used consumer preferences, expressed through PC21 consumer engagement, previous consumer surveys as well as any other actionable consumer feedback data it has collated, to define the outputs it plans to deliver in PC28. The company should outline and schedule any further consumer engagement which it intends to carry out to inform the development and delivery of its plan and this work should be identified as outputs.

- 5.54 The company should clearly demonstrate the link between the outputs in its business plan and the PC28 investment priorities included in any Social and Environmental Guidance. This should allow UR to cross reference the PC28 outputs and individual priorities.
- 5.55 The company should provide a report which summarises delivery against the development outputs set out the PC21 final determination. The exact format is a decision for the company, but it should:
- Provide sufficient detail to clearly explain the work undertaken to date, the outcomes of that work and the plans for further delivery.
 - Include quantitative assessments, delivery programmes and planned delivery dates where appropriate.
 - Clearly explain any variance to original plans for delivery, including the reason and any associated impact for the company.
- 5.56 The company should also provide a report which sets out the development objectives it plans to deliver in PC28. This should include the preparatory work, strategic studies and pilot trials necessary to:
- Confirm investment proposals for the later stages of the price control period.
 - Improve planning capability and service delivery in the medium to long-term.
 - Support the development of sustainable solutions in the medium to long-term.
- 5.57 The company should set out its plans for continuing consumer engagement in PC28 to inform service improvements. These plans should build on its on-going consumer engagement activities, the consumer engagement undertaken for the PC21 Business Plan and the analysis of actionable data from consumer contact, works management and other sources. This provided the foundation for a consumer engagement Development Objective and the company should indicate if it plans to continue with this as a Development Objective for PC28.
- 5.58 The PC28 development output submission should clearly set out the investment requirements and the programme for delivery, including key milestones and delivery targets. The company should give equal weight to the development of these targets as it does to identifying targets for the activity, nominated and service level outputs for PC28.
- 5.59 The format of the supporting information submission is a matter for the company to decide. The format used should be proportionate to the need

to set out the company's assessment of the proposed output and how it links to the capital and operational activities and expenditure proposed. The company should review the format used for reporting progress on Development Objectives within its annual information returns.

- 5.60 It is anticipated that the supporting information will consist of calculations and explanatory text. NI Water is asked to submit calculations in the form of spreadsheets, so that the submission can be more easily analysed. Where the calculations include a statement of the base data, the assumptions made, and clearly demonstrate the calculations made, it is not necessary to repeat this information in the supporting text. Supporting information can also be submitted in database format if this is appropriate.
- 5.61 Where possible, NI Water should provide the supporting information as part of its business case submissions, with appropriate cross-reference to the individual project or sub-programme outputs reported in Table 4.4.

Output table definitions

- 5.62 Individual line entry definitions are set out in Annex E.
- 5.63 The output information requirements for PC28 are based on other established reporting requirements such as the annual information return and the guidance previously issued for NI Water's serviceability assessments. Where appropriate, the more detailed definitions and reporting requirements contained in these documents apply.
- 5.64 Data is to be reported using the same detailed methodologies established for PC21, where appropriate. Where this is not the case the reason for any change in methodology should be provided. In addition, the process for back-casting data to ensure that historic performance has been reported on a consistent basis with any revised methodology should be explained.

Output monitoring during PC28

- 5.65 Table 4.1 and 4.2 will form the basis of the PC28 Monitoring Plan. The column titled "PC28 MP Target" in Tables 4.1 and 4.2 indicates the targets that will be carried forward into the public facing monitoring plan.
- 5.66 Table 4.4 and the supporting information submitted in the business cases will form the basis of monitoring and managing change control in PC28.

Reporter Guidance

5.67 The reporter shall base his audit of outputs on the output tables, supporting documentation and business cases submitted by NI Water, assessing and commenting on:

- The audit process
- Compliance of the submission with the reporting requirements
- The basis of the company's output assessments including the link to investment
- The comprehensiveness and consistency of the information submitted by the company.

5.68 The reporter shall:

The audit process

- a) Describe how the reporter has assessed the outputs submission. This description should include a table setting out the level of audit of each business case and each set of supporting information provided by the company.

Company compliance with the reporting requirements

- b) Confirm that the company has fully completed the tables and supplied supporting information in accordance with the information requirements. The reporter shall provide a schedule summarising any gaps identified in the company's submission or non-compliance with the information requirements.

The basis of the company's output assessments including the link to investment

- c) Audit the supporting information and calculations provided by the company and:
 - ◆ Confirm that they are accurate and comply with the information requirements.

- ◆ Challenge the company's assessment of the outputs it can deliver for the level of investment proposed and comment on the company's ability to maximise the benefits which will be delivered for the investment provided and identify the marginal cost of delivering additional investment. Where the company has indicated the level of additional investment beyond that included in the Business Plan required to deliver defined benefits, provide a brief report on the basis of these estimates and whether they are robust.
 - ◆ Provide a commentary on the company's assessment of future output projections, confirming that the future outputs relate to the proposed investment plan or other activities proposed by the company.
 - ◆ Identify material assumptions made by the company in its assessment of future outputs and comment on the factual information underpinning these assumptions.
 - ◆ Identify any additional information that the Reporter believes the company should submit to provide a clear, robust assessment of future output projections.
 - ◆ Comment on future projections of outputs in light of historic trends and current performance as well as any justification provided for any PC28 target that is less than the target or projected performance for the end of PC21.
- d) Assess and comment on the company's justification for any changes in methodology adopted compared to PC21 and any processes used by the company to back cast data to ensure that historic performance has been reported on a consistent basis.
- e) Comment on any output "balancing item" included in Table 4.4 which is not linked to specific projects. The reporter should provide an opinion on the assumptions made by the company when calculating any "balancing item" and propose any additional definition of the output to ensure a clear link between the company's investment and outputs identified by the company in its Business Plan.
- f) Discuss the company's serviceability assessment with UR following an initial review of the company's approach and conclusions. UR will assess and advise on the extent to which further audit work is necessary following this discussion.

Comprehensiveness and consistency of the information submitted by the company

- g) Confirm that the information in Table 4.4 sums to the equivalent lines in Table 4.1 and 4.2 and comment on the reason if this is not the case.
- h) Confirm that the project data (including beneficial use dates) in Table 4.4 correctly links to relevant projects in Table 3.3 and that common information has been reported consistently and that the beneficial use dates relate to the delivery of PC28 outputs (or PC21 outputs as appropriate).
- i) Challenge and comment on whether the company could have disaggregated the project/programme information in Table 4.4 to a lower level. Confirm that all relevant associated outputs have been reported separately.

6. Financial Model and Financial Tables

Introduction

- 6.1 In this outline version of the information requirements, we have included:
- Business plan tables 5.1 to 5.8 (Annex A).
 - Financial tables definitions (Annex F).
 - PC28 financial model¹⁵ (Annex G)
- 6.2 We are conscious of the impact of our PC28 approach decisions on the financial model. One of the options within the PC28 Approach Decision is whether to change the financial framework from the traditional building blocks to Cash In Cash Out (CICO). Our current intention is to maintain the financial model (in Annex G), and if the decision is to move to a CICO approach, the existing model could be linked to an additional stand-alone Excel CICO model. This would facilitate a CICO approach whilst ensuring we continue to monitor the Regulatory Capital Value (RCV) and depreciation. This may require an adjustment to the return on RCV line in the revenue building blocks in the original financial model (in Annex G).
- 6.3 Further discussions with NI Water will establish the optimum methodology for the financial framework and our aim is to provide the final information requirements, where possible, in January 2026 to facilitate NI Water's submission of its business plan in November 2026.
- 6.4 Within the PC28 Business Plan, a commentary should accompany all tables and a description included of any assumptions made therein.

Table 5.1 - Change caps and Price Limits

- 6.5 Table 5.1 collects the outputs of the financial model. NI Water should include in Block A the 'calculated' charge caps from the financial model. These are the charge caps which match revenue from the 'building blocks' (or CICO) approach to the tariff baskets.
- 6.6 NI Water should use Block B if it decides to apply any 'smoothing' to the resultant charge caps in Block A. NI Water must explain the basis for this adjustment and justify its 'equivalence' to the revenue calculated through charge caps.

¹⁵ This is the financial model that was simplified for use on the PC21 draft determination.

- 6.7 NI Water should provide a comprehensive commentary in relation to the charge caps and price limits proposed for PC28 and additionally details of any assumptions made.

Table 5.2 - Business Plan to Public Expenditure Reconciliation

- 6.8 This table aims to reconcile between Business Plan Operating Costs and Public Expenditure (PE) limits.
- 6.9 NI Water is required to input a number of lines in relation to operating cost elements from the financial model and additionally include other aspects which it must add or deduct from operating costs in order to determine PE levels. These should be inputted into lines 11a-h and 15a-h, respectively, with a line description for the adjusting element included.
- 6.10 NI Water should also include any required adjustments as a consequence of other potential adjusting factors within lines 11a-h and 15a-h as required, e.g. IFRS, as well as details of any assumptions made.

Table 5.3 – Additional Information - Financial Modelling

- 6.11 This table summarises the asset lives of new non-infrastructure asset additions. The asset lives are split into different sections whether it pertains to sewerage or water, there is also a distinction if the addition is an enhancement asset or a base asset.
- 6.12 This table also contains information on interest and dividends payments in year. As part of the CICO approach these variables may be required to determine the allowances, however given the unique funding situation UR makes no commitment to consider the payment of a dividend at this time. We will continue to review our legal position on this issue.
- 6.13 NI Water should provide details of any assumptions made and their basis.

Table 5.4 – Forecasts of New Connections and Metering Programme

- 6.14 This table summarises the forecasts of new connections and metering programme for household and non-household properties
- 6.15 NI Water should state any relevant assumptions made in forecasting new connection and metering levels and their rationale.

Table 5.5 – Third-Party Contributions for Water and Sewerage Services

- 6.16 This table relates to third-party contributions for water and sewerage services to capital expenditure.

- 6.17 NI Water should state any relevant assumptions made in forecasting third-party contributions for water and sewerage services and their rationale.

Table 5.6 – Unmetered water and sewerage volumes

- 6.18 This table requires NI Water to state water and sewerage volumes associated with unmetered household and non-household customers assumed in the tariff basket.
- 6.19 NI Water should provide details of any assumptions made in setting unmetered water and sewerage volumes and their basis.

Table 5.7 - Large users

- 6.20 Table 5.7 requires NI Water to provide additional detail regarding large users of water, sewerage and trade effluent services. NI Water should provide details of any assumptions made in the completion of this table and its basis and this table should be consistent with the assumptions made in the financial model in relation to large user customers.
- 6.21 NI Water is required to complete the number of large user customers within each charging band for water and sewerage and should provide details of any assumptions made.
- 6.22 NI Water is also required to complete the number of trade effluent customers and the chargeable volume in order to derive the total revenue for trade effluent large user customers. NI Water should provide details of any assumptions made in this regard.

Table 5.8 – Miscellaneous and unregulated income

- 6.23 NI Water is required to complete this table for miscellaneous and unregulated income in terms of a number of unregulated activities.
- 6.24 NI Water should provide details of any assumptions made and their basis

Financial model

Introduction

- 6.25 The financial model tables which NI Water is required to complete are the Input (all lines), Customer Versions (lines 1 to 69), Calculations (columns G-P), Solve Tariffs (columns M-P), Tariffs (columns L-Q) and Differentials. These tables collect all the financial inputs which determine NI Water's revenue requirement for the 2028/29 to 2032/33 regulatory period. It also collects data for the UR's financial model in order to determine charge caps and reference ratios.
- 6.26 NI Water should state in its commentary all assumptions made to complete the tables in this section. All tables relate to the appointed business only. A commentary should accompany all tables and a description included of any assumptions made therein.

Inflation (Input tab lines 1-4)

- 6.27 RPI inflation inputs refer to financial year averages. NI Water should input both historic RPI figures and its CPIH forecast for 2028/29 onwards.
- 6.28 CPIH inputs refer to financial year averages. NI Water should input historic figures and its CPIH forecast for 2028/29 onwards.

RCV (Input tab lines 5-14)

- 6.29 Line 14 is the assumed closing RCV at the financial year end 2027/28.
- 6.30 Commentary to the table should confirm that assets disposed of are surplus to requirements, have been classified as such and have not been incorporated with a value into the RCV. Where this is not the case, the total amount for each line of the table should be disclosed separately in commentary.

Capex (Input tab lines 19-50)

- 6.31 Capital expenditure should be split between enhancement and maintenance expenditure on infrastructure and non-infrastructure assets. The company should allocate this expenditure over asset lives and state in commentary the assumed asset lives in years of the life categories set out in the table (short, medium, etc.).
- 6.32 NI Water should also comment on the basis of, and level of confidence in, current cost depreciation (CCD) and infrastructure renewals charge (IRC) forecasts, including the relevant assumptions made. The company should ensure that it conducts a reasonableness check on CCD and IRC with

reference to actual maintenance expenditure levels (MNI and IRE). The commentary should include a description of this check and of any adjustments made as a result of it.

- 6.33 UR does not expect strict application of broad equivalence, but the company should provide commentary on the steps taken to allow broad equivalence and proposed timescale for implementation.
- 6.34 NI Water should also reconcile in its commentary the capital expenditure assumptions in lines 19 to 50 from the Input tab against the capital expenditure information submitted in other sections of the Business Plan.

WACC (Input tab lines 51-54)

- 6.35 The cost of capital assumptions are input in 'real' terms, i.e. net of inflation. Actual costs of financing assumptions are input in nominal terms.
- 6.36 As the decision has not yet been finalised to apply the standard building block approach or a CICO approach to PC28, the WACC section still requires completion. In the instance where the WACC is not used to determine allowances, this will still be necessary for comparative benchmarking.

Opex (Input tab lines 55-57)

- 6.37 Inputs on Profit and Loss items are in base year prices and Balance Sheet assumptions are in outturn prices. In its commentary, NI Water should ensure that it reconciles its assumptions on operating costs with those included in other sections of the Business Plan.
- 6.38 Line 55 Operating Costs; The Company should split operating costs into the following categories which should be set out in a separate table to be included in commentary:
- Wages and salaries, including travel and subsistence expenditure, after capitalisation. Excludes VER costs.
 - Power costs.
 - Materials and Chemicals.
 - Hired and Contracted.
 - Rates.
 - Consultancy expenditure.

- Provisions. Please provide a breakdown into the separate provisions, e.g. bad debt, environmental, and provide rationale for their movement in commentary.
- Other costs.

6.39 Please ensure that the totals of 8 items listed above equals total operating costs in line 55 of the Inputs tab. Single categories of expenditure exceeding £2m should also be separately disclosed in the year of occurrence with explanation for their occurrence.

6.40 Significant non-recurrent items of spend in any one or more years should be separately disclosed with explanations for their occurrence and level of outturn provided in commentary. This should include, for example, Business Improvement Plan expenditure.

PPP Schemes (Input tabs lines 61-77)

6.41 NI Water should provide commentary on the appropriate tables to confirm:

- that the company is effectively managing the PPP contracts.
- that the PPP charges are calculated from the appropriate contract tariffs based on flows and loads.
- whether payments to PPP concessionaires are consistent with the company's estimates of future demands for water production, wastewater treatment and sludge disposal.
- whether NI Water has maximised any benefit of availing itself of potable water from the Alpha Scheme compared with its own works, and whether NI Water has minimised impact on charges to the company, whether NI Water has adequately investigated any gain/share opportunities available under the PPP contracts.
- that the company's estimates of future payments take account of the price escalation mechanisms and fixed cost elements within the PPP contracts; and,
- whether NI Water has penalised the contractors for non-compliance

6.42 Information on submission of PPP costs and corresponding definitions can be found in Annex B and Annex F of the Information Requirements..

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Tax (Input tab lines 78-113)

- 6.43 This table should include forecast tax liability, including capital allowances arising from capital expenditure. NI Water should provide commentary on any assumptions made.
- 6.44 The current table remains unchanged from PC21 and requires updating to align with a calculation of tax prepared under International Financial Reporting Standards (IFRS).
- 6.45 We intend to discuss this further with the company following the issue of the information requirements and will agree a programme for doing so.
- 6.46 Once the amendments have been agreed it will be necessary to reissue the financial model.

Reporter Guidance

Capex- historic and assumptions

- 6.47 Review the rules adopted by NI Water for allocation of expenditure to asset life categories. The Reporter should indicate whether or not NI Water's procedures are reasonable, and whether staff involved in allocation decisions have followed them correctly.
- 6.48 Comment upon any differences from rules and procedures adopted in other submissions (particularly the Annual Information Return), consistency of the reported asset lives with those used for the calculation of depreciation profiles and those of assets and lives reported in the Annual Information Return.
- 6.49 Confirm or otherwise that the depreciation charge stated has been calculated using NI Water's rules on proportional allocation between purpose categories (specifically between base service and all enhancements).
- 6.50 Confirm or otherwise that NI Water's accounting rules used for depreciation on additions and work in progress (WIP) have been stated in the commentary and have been followed in the completion of the tables; and that NI Water has commented on asset life assumptions.
- 6.51 Confirm that the procedures set out in the commentary for the review of asset lives for both new and existing assets have been followed and the results of this review are reflected in the projections set out in the tables.
- 6.52 Confirm that the allocation of capital expenditure across asset life categories is consistent with the assumptions on the capital programme made elsewhere in the plan.
- 6.53 Comment on an exceptions basis where NI Water has not provided commentary on inconsistencies in asset lives and investment allocation between those used in previous years and those reported. Similarly, the Reporter should comment on inconsistencies between engineering and financial judgements on asset lives and investment allocation.
- 6.54 Comment where judgments on asset lives and investment allocation made for engineering purposes are not fully consistent with those used for financial purposes.
- 6.55 Confirm that, where changes have been made to asset values and/or depreciation charges, these have been fully explained in the commentary.
- 6.56 Confirm that the impacts on CCD charges have been accurately calculated.

- 6.57 Comment on the appropriateness of the approach to revaluation and assessment of remaining useful asset lives taken by NI Water.
- 6.58 The reporter shall comment with regard to the data entered in the Input tab lines 19 to 50:
- That the allocation of asset lives is in accordance with industry practice and underlying company records (where relevant).
 - That the allocation of capital maintenance and enhancement appears consistent and appropriately applied and in accordance with industry practice.
 - That capital expenditure investment reconciles to the capital expenditure stated in other relevant Business Plan sections.
 - That expenditure split between infrastructure and non-infrastructure appears reasonable and in accordance with industry practice.
 - That the treatment of grants and contributions reconciles to the grants and contributions stated in other relevant Business Plan section.

PPP Schemes

- 6.59 The Reporter shall investigate the company's future estimates of PPP payments and report on:
- whether the PPP charges are calculated from the appropriate contract tariffs based on flows and loads.
 - whether payments to PPP concessionaires are consistent with the company's estimates of future demands for water production, wastewater treatment and sludge disposal.
 - whether such assumptions for growth underpinning the above are appropriate or otherwise.
 - whether the company's baseline estimate of unitary charges are robust and not likely to support an unsustainable quantum of accruals.
 - whether NI Water has maximised any benefit of availing itself of potable water from the Alpha Scheme compared with its own works, and whether NI Water has minimised impact on charges to the company.

- whether NI Water has adequately investigated any gain/share opportunities available under the PPP contracts.
- whether the company's estimates of future payments have taken proper account of the price escalation mechanisms and fixed cost elements within the PPP contracts; and,
- whether NI Water has penalised the contractors for non-compliance.

Financial Model – Revenue and Tariffs (Tables RG1-RG10)

- 6.60 The financial model contains a series of revenue and tariff tables numbered from RG1-RG10. These tables largely relate to the tariff and revenue data within the financial model. They analyse NI Water’s revenue into its constituent components. NI Water should therefore ensure that the assumptions and outturns in this section are consistent with the financial inputs of the financial model.
- 6.61 A commentary should accompany all tables and a description included of any assumptions made therein.

Breakdown of Revenue

- 6.62 Revenue is broken down in two ways:
- (i) **5 Tariff baskets**, which are the level at which price limits are set and allow flexibility in pricing for the 2027/28 to 2032/33 review; and,
 - (ii) **10 Revenue Groups** which are used to analyse cross-subsidy.

Tariffs, tariff multipliers and revenue

- 6.63 The tables set out the tariffs, tariff multipliers and revenue for each of the revenue groups. NI Water should set out the detail of each of these for 2025/26, 2026/27 and 2027/28 and forecasts for 2028/29 to 2032/33. The tables reflect the existing tariff structure, and the company should use its best estimates to forecast changes to the tariff level, tariff multipliers and tariff revenue and apply the following principles:
- Customer numbers - these should be average numbers in accordance with Table 7 of the Annual Information Return 2019 definitions.
 - Tariff multipliers are the unit (e.g. consumption) by which the tariff is multiplied to generate revenue.
 - Tariffs are the annual tariff (unit rate charge) for the service (e.g. standing or volumetric charges).
 - Revenue is the product of the tariff multiplier and the tariff.
- 6.64 In relation to tariff multipliers, NI Water should set out the actual tariff multipliers where agreed for relevant financial years and forecast these from 2028/29 to 2032/33. In forecasting tariff multipliers, the company should ensure it includes projections of the underlying growth of the

customer base and the effects of any Ministerial guidance for the 2028/29 to 2032/33 period.

Assumptions

- 6.65 An explanation of key assumptions should be set out in commentary to the tables.
- 6.66 NI Water should summarise the key aspects of its forecast charges affecting domestic and non-domestic customers.
- 6.67 NI Water should also include an explanation of any material year-on-year variances in any of the assumptions.
- 6.68 The company should identify and substantiate changes in the customer base, cross-referencing with evidence provided in other parts of the business plan and providing analysis such as historical trends. Reference and comparison to external sources of information such as business demography data from the Office for National Statistics should also be used to complement internal analysis.
- 6.69 The company should input revenue, volumes and customer numbers relating to the particular charges and customer irrespective of how this is funded - whether through subsidy or direct charging. Revenue per tariff is therefore independent of any current or proposed funding arrangements.

Tariffs

- 6.70 NI Water should enter 2025/26 to 2027/28 tariffs (if known) and project tariffs for each year of the 2028/29 to 2032/33 period. It should input all tariffs in projected outturn prices, consistent with the inflation assumptions in the rest of the Business Plan. In the event of any identified cross subsidy, NI Water should illustrate the impact and the proposals for any unwinding of the cross subsidy and the assumptions made.

Trade Effluent

- 6.71 The company should provide input on the volume of trade effluent, the standards sewage strengths, the weighted average trade effluent strengths and the relevant tariffs (as per Mogden, i.e. R, V, B and S). The company should then report the total revenue generated from trade effluent discharge.

Large Users

- 6.72 Large Users – In accordance with Condition B of the company's licence, those customers who are classed by NI Water as large users under Condition B 2 (Excluded Charges (7A)), should be excluded from metered

water, metered sewerage and trade effluent tariff baskets. Data should be entered into the non-tariff basket tables RG10 accordingly. Large user trade effluent revenue should be included in RG10 (other non-tariff basket charges- sewerage) and excluded from RG9 (trade effluent and roads drainage revenue).

Rebalancing of tariffs

- 6.73 UR's financial model projects revenue assuming uniform tariff increases across all tariffs within a revenue group. If NI Water wishes to analyse the impact of rebalancing tariffs within a revenue group, it should input these alternative tariffs in this Section and explain in the commentary how these relate to UR's financial model tariffs. NI Water must explain the rationale behind any unwinding of cross-subsidy and the period over which NI Water considers unwinding of cross-subsidy is appropriate.
- 6.74 NI Water must explain its proposed apportionment of revenue across the customer groups and how the apportionment will ensure there is no cross-subsidy between the customer groups as measured by the indicative tariff differentials.

Revenue assumptions

- 6.75 Revenue is normally calculated automatically as the product of tariff multipliers and tariffs. NI Water should explain in its commentary the impact of:
- any demand forecasts for the service.
 - any relative change in price due to changes in the cost of providing a service, e.g. greater efficiency; and,
 - any relative change in price or revenue due to the unwinding of cross-subsidy or re-apportionment.
- 6.76 Full explanations must be given for revenue totals which are not the product of tariff multipliers and tariffs.
- 6.77 Revenue tab should contain the breakdown of the smoothed revenue among the revenue customer groups. This table should illustrate the percentage of revenue attributed to each revenue group. NI Water should include a comprehensive commentary to this table and include details of any assumptions made and their rationale.

Reporter Guidance – Revenue and Tariffs

6.78 The reporter should:

- Confirm or otherwise that the base year information is consistent with other published/audited information, and, where appropriate, billing records.
- Scrutinise, and provide an assessment of any explanations provided by NI Water for discrepancies.
- Comment on the material assumptions employed by NI Water.
- Scrutinise, and provide an assessment of the basis presented by NI Water for assumptions of the number of properties, discount status and demand, with emphasis on the methods employed for, and appropriateness of, forecasting customer numbers.
- Comment on the match between demand forecasts and other information in the Business Plan on Supply/Demand.
- Comment on the basis for the assumptions employed in forecasting large user/industrial demands.
- Provide an assessment of any explanations provided by NI Water where discrepancies are identified with other parts of the plan.
- In particular, the reporter should confirm that the base year information for customer numbers, property numbers and water and sewerage volumes is consistent with the company's billing records and other published/ audited information and comment on the basis and reasonableness of forward projections for the table entries set out below.

Worksheet RG1: Domestic Measured Water

- The reporter should ensure that total billed properties in lines 1-4 are in accordance with the number of domestic measured water properties (if relevant). In addition, the reporter should comment on the reasonableness of any projected property numbers and the underlying assumptions.
- The reporter should comment on the volume subject to volumetric charge (line 6) (if applicable) plus line 7 'total volume' and the assumptions made for the assumptions in future periods.

Worksheet RG2: Domestic Measured Sewerage

- The reporter should ensure that total billed properties in lines 1-4 are in accordance with the number of domestic measured sewerage properties (if relevant). In addition, the reporter should comment on the reasonableness of any projected property numbers and the underlying assumptions.
- The reporter should comment on the volume subject to volumetric charge (line 6) (if applicable) plus line 7 'total volume' and the assumptions made for the assumptions in future periods.

Worksheet RG3: Domestic Unmeasured Water

- The reporter should ensure that total billed properties in lines 1, 2, 4, 5-7 and 23 are in accordance with the number of domestic unmeasured water properties. In addition, the reporter should comment on the reasonableness of any projected property numbers and the underlying assumptions.
- The reporter should additionally comment on the number of £1000 capital value units charges less than capped value (line 3) and the number of billed properties at capped level (line 8) and the number of void properties (line 23) and the appropriateness of the projections in future financial years.

Worksheet RG4: Domestic Unmeasured Sewerage

- The reporter should ensure that total billed properties in lines 1, 2, 4, 5-7 and 23 are in accordance with the number of domestic unmeasured sewerage properties. In addition, the reporter should comment on the reasonableness of any projected property numbers and the underlying assumptions.
- The reporter should additionally comment on the number of £1000 capital value units charges less than capped value (line 3) and the number of billed properties at capped level (line 8) and the number of void properties (line 23) and the appropriateness of the projections in future financial years.

Worksheet RG5: Non-Domestic Measured Water

- The reporter should comment on the applicability of the tariff multipliers for new and existing non-domestic measured water customers (lines 1-15 inclusive with the exception of line 8) and on the reasonableness of projected tariff multipliers going forward.

- In addition, the reporter should comment on the volume subject to volumetric charges for both new and existing customers and the applicability of the assumptions made for future years.
- The reporter should comment on the applicability of the domestic allowance volume (line 55) and on the forecasted levels and assumptions made.

Worksheet RG6: Non-Domestic measured sewerage

- The reporter should comment on the applicability of the tariff multipliers for new and existing non-domestic measured sewerage customers (lines 1-15 inclusive with the exception of line 8) and on the reasonableness of projected tariff multipliers going forward.
- In addition, the reporter should comment on the volume subject to volumetric charges for both new and existing customers (lines 47 and 48), and the applicability of the assumptions made for future years.
- The reporter should comment on the assumptions made in deriving the total measured sewerage volume (lines 70 – 74) e.g. MUR and MLE.

Worksheet RG7: Non-Domestic Unmeasured Water

- The reporter should ensure that total billed properties in lines 1 and 2 are in accordance with the number of non-domestic unmeasured water properties. In addition, the reporter should comment on the reasonableness of any projected property numbers and the underlying assumptions.
- The reporter should additionally comment on the number of £1000 capital value units charges less than capped value (line 3) and the number of billed properties at capped level (line 4) and the number of void properties (line 8) and the appropriateness of the projections in future financial years.

Worksheet RG8: Non-Domestic Unmeasured Sewerage

- The reporter should ensure that total billed properties in lines 1 and 2 are in accordance with the number of non-domestic unmeasured sewerage properties. In addition, the reporter should comment on the reasonableness of any projected property numbers and the underlying assumptions.

- The reporter should additionally comment on the number of £1000 capital value units charges less than capped value (line 3) and the number of billed properties at capped level (line 4) and the number of void properties (line 8) and the appropriateness of the projections in future financial years.

Worksheet RG9 Trade Effluent, Surface Water Drainage and Roads Drainage

- The reporter should comment on the table with the exception of lines 7-12, 20 and 28-29 and include their commentary on the assumptions, calculations and projections made therein. This should include particular reference to surface water drainage, road drainage and trade effluent categories.

Worksheet RG10: Non-Tariff Basket - Water

- The reporter should comment on large user tariff volumes (lines 11-14) and the forecasts and assumptions made for future years.
- The reporter should also comment on the number of cattle troughs (line 24) and number of lock up garages (line 21) and the assumptions made for future years.

Worksheet RG10: Non-Tariff Basket - Sewerage

- The reporter should comment on large user tariff volumes (lines 38-41 and 53) and the forecasts and assumptions made for future years.
- The reporter should also comment on the number of lock up garages (line 57) and the assumptions made for future years.

Worksheet Differentials: Diff Checks

- The Reporter should comment on the following forecasts and assumptions:
 - ◆ Proportions of the company's total sewerage load that receives (X) no or partial treatment with discharge via sea outfalls; (Y) primary treatment; (Z) secondary treatment.
 - ◆ Billed water delivered to unmeasured non-domestic customers.
 - ◆ Billed water delivered to unmeasured sewerage non-domestic customers.

- ◆ Unmeasured supply side leakage to unmeasured sewerage non-domestic customers.
- ◆ Billed water delivered to unmeasured domestic customers.
- ◆ Billed water delivered to unmeasured sewerage domestic customers.
- ◆ Unmeasured supply side leakage to unmeasured sewerage non-domestic customers.