

**NORTHERN  
IRELAND WATER**

**PC21 PRICE  
CONTROL  
EXTENSION YEAR**

**Consultation on allowed revenue  
16 June 2026**

[www.uregni.gov.uk](http://www.uregni.gov.uk)

**Utility  
Regulator** 

## 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 Millennium 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

NI Water's PC21 Price Control has been extended by an additional year, covering the 2027/28 period, to allow stakeholders more time to prepare for and develop the next price control. This extension requires a determination of the revenue that will form the basis of NI Water's charges for 2027/28. The purpose of this document is to consult on our proposals for the PC21 extension year allowed revenue and resulting price limits K adjustment factor.

## AUDIENCE

Principal stakeholders (i.e. Department for Infrastructure, NI Water, Northern Ireland Environment Agency, Consumer Council for Northern Ireland, Drinking Water Inspectorate), consumers and their representatives.

## CONSUMER IMPACT

This document sets out our proposals for NI Water's allowed revenue for the 2027/28 year. This revenue is recovered through Government subsidy and non-domestic consumer bills.

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## Executive Summary

NI Water provides the water and sewerages services in Northern Ireland, and its charges are subject regulation through a price control. The Utility Regulator (UR) sets the price control through a periodic review process conducted in consultation with stakeholders.

NI Water's current price control, PC21, was set to run for a six-year period from April 2021 until March 2027. PC21 has since been extended for a further year to allow stakeholders more time to prepare for and develop the next price control.

As a result, we are required to set the price limits for NI Water for the extension year, based on our determination of allowed revenue. Our proposals for the allowed revenue are mainly based on a roll-forward of the allowance set for the original final year of PC21 (2026/27). We consider this approach to be appropriate, as undertaking a detailed line-by-line cost review would undermine the intended purpose of keeping the extension as simple as possible.

However, NI Water requested adjustments to its allowed revenue in certain cost areas where it considers it has been disadvantaged by the extension of the price control. This mainly impacts the allowed revenue for interest payments on its capital financing requirements.

We propose to accept NI Water's adjustments as we consider they are consistent with the PC21 determination approach and only reflect updates to the interest rate and inflation data used at that time.

We have updated the NI Water financial model with these adjustments. This provides a total of £693m (nominal) in allowed revenue for the 2027/28 year, and overall price limits K adjustment factor of 3.4% in real terms (before inflation).

### About this document

The purpose of this document is to consult on our proposals for the PC21 extension year allowed revenue and resulting price limits K adjustment factor. Stakeholder engagement plays an important part in our regulation process, and we encourage you to become part of this. We are keen to hear the views of consumers and stakeholders on our proposals.

The closing date for consultation responses is 24 July 2026 and details of how to respond to this consultation are provided in Chapter 3 below. It is our intention to publish our final decision in August 2026.

# 1. Introduction and background

## Overview

- 1.1 Water and sewerage services are typically delivered as natural monopolies, with a single supplier operating within a defined geographic area. In Northern Ireland, NI Water is the sole statutory water company and therefore functions as a monopoly provider.
- 1.2 Given NI Water's monopoly status, a regulatory framework has been established to safeguard consumer interests and to ensure that the company is properly carrying out its functions for the benefit of all the residents of Northern Ireland and of the natural environment. As the economic regulator, we monitor the company's performance and efficiency relative to its peers from other jurisdictions. Where necessary, we intervene and set challenging yet achievable targets to drive continuous improvement.
- 1.3 One element of the regulatory framework which NI Water is subject to is the price control process. Each price control ensures that consumers receive value for money through a challenging and achievable determination of the future revenues and charges necessary to deliver a defined set of outputs.
- 1.4 PC21, NI Water's current price control was set to run from April 2021 to March 2027. PC21 has been extended by one year to provide additional time to allow stakeholders to work constructively in developing the next water price control and support NI Water in developing its business plan in a complex environment.

## Price Limits

- 1.5 NI Water's allowed revenue for the price control period is determined through the price control review process. This includes assessment of appropriate operational running costs, capital investment requirements and return on capital.
- 1.6 NI Water's allowed revenue is funded through direct charges to non-domestic consumers, charges for road drainage, and a government subsidy in lieu of domestic water charges. The charges consist of a mix of unit rates and standing charges to a variety of consumer types. The charges are grouped into tariff baskets that relate to each customer type. The use of tariff baskets aims ensure the revenue raised by each customer group is reflective of the services they receive and there is no cross-

subsidy. The tariff baskets are defined in Condition B of NI Water's licence to cover the regulated (core) services provided by NI Water.

- 1.7 We set price limits on the charges to ensure revenue collected relates to the revenue allowed. Specifically, it is an 'adjustment factor' referred to as K factor that we must legally set. The K factor represents the percentage by which tariff basket price limits may increase or decrease relative to inflation on an annual basis over the price control period. For PC21 the inflation is measured using the Retail Price Index (RPI). The overall change including the K factor and inflation is referred to as the weighted average charge increase (WACI).
- 1.8 We originally set the K factors that would apply for the PC21 Price Control period at the PC21 Final Determination. Following the Mid-Term Review, we updated the K factors that would apply for the final two-years of the planned PC21 period. Table 1.1 below presents these K factors for each revenue group and overall. The revenue groups are an alternative more granular presentation of the tariff baskets.

**Table 1.1 - PC21 K factors by revenue group**

Revenue Group	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Domestic unmeasured water	1.7%	1.0%	0.9%	0.9%	5.3%	5.3%
Domestic unmeasured sewerage	-1.7%	-0.4%	-0.4%	-0.4%	4.2%	4.2%
Non-domestic measured water	-1.8%	-1.8%	-1.8%	-1.8%	2.8%	2.8%
Non-domestic measured sewerage	-1.7%	-0.9%	-0.9%	-0.9%	3.8%	3.8%
Non-domestic unmeasured water	-1.5%	0.2%	-0.3%	-0.3%	4.6%	4.7%
Non-domestic unmeasured sewerage	-1.5%	0.2%	-0.3%	-0.3%	5.3%	5.3%
Trade Effluent	-1.7%	1.5%	1.5%	1.5%	6.0%	6.0%
<b>Overall K factor</b>	<b>-1.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>4.5%</b>	<b>4.5%</b>

- 1.9 As PC21 has been extended to include 2027/28, we are required to set the K factors for this additional year. This consultation invites stakeholder feedback on our proposals for allowed revenue, which will inform the setting of these K factors.

## 2. PC21 Extension Year

### Allowed Revenue

- 2.1 Our proposals for allowed revenue in 2027/28 are primarily based on rolling forward the 2026/27 allowance established through the PC21 Mid-Term Review. We consider this approach to be appropriate, as a detailed line-by-line cost review would undermine the intended purpose of the extension to give stakeholders additional time to develop the next price control.
- 2.2 Through engagement with NI Water on this proposed approach, NI Water identified areas where it considered it had been disadvantaged by the extension. In particular it highlighted the allowed cost of debt, which was set at the PC21 Final Determination in May 2021. Given the increased in interest rates since then, it considers the PC21 cost of debt allowance no longer reflects NI Water's current borrowing costs.
- 2.3 NI Water formally submitted its request to adjust the allowed revenue for the extension year in May 2026. It proposed the following changes from the 2026/27 year allowed revenue:
- a) Increase the allowed rate of return for the cost of capital from 1.67% to 2.51% by increasing the allowed cost of debt component.
  - b) Increase the allowance for the Public Private Partnership (PPP) unitary charge by £7.3m (nominal).
- 2.4 We have analysed the submitted cost of debt calculations and reviewed the approach applied in the PC21 Final Determination. NI Water's proposal is consistent with the PC21 methodology, reflecting both the actual cost of current embedded debt and forecast new debt for the extension year, based on the UK government gilt yield forward curve plus 0.85%<sup>1</sup>.
- 2.5 The PC21 rate of return was calculated using a real post-tax (vanilla) weighted average cost capital (WACC). NI Water has not proposed any changes to the cost of equity or gearing assumptions used in this calculation. A comparison of the WACC for 2026/27 year and the proposed WACC for the extension year is set out in Table 2.1 below. This adjustment results in an additional £43.9m (nominal) of allowed review.

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<sup>1</sup> [Annex O - NI Water PC21 cost of capital report - section 5](#)

**Table 2.1: Proposed adjustments to the allowed WACC**

Data	PC21 Final Determination for 2026/27	NI Water proposal for 2027/28
Nominal cost of debt	3.40%	5.09%
Forecast RPI Inflation	3.00%	2.94%
Real cost of debt	0.39%	2.09%
Gearing	50%	50%
Post-tax cost of equity	2.94%	2.94%
<b>Vanilla WACC</b>	<b>1.66%</b>	<b>2.51%</b>

- 2.6 We have also reviewed the proposed change to the PPP unitary charge. This allowance was set in nominal terms for PC21 based on RPIX<sup>2</sup> forecasts at that time. The proposed adjustment reflects the updates to the actual and forecast RPIX index.
- 2.7 We consider that NI Water's proposed adjustments are consistent with the PC21 determination approach and reflect only updates to the data used at that time. We therefore propose to accept these adjustments in calculating allowed revenue for the extension year.
- 2.8 In its submission NI Water also highlighted that the PPP project clear customer saving, which was deducted from NI Water's revenue allowance, was specific to the original PC21 6-year period. Therefore the £9.3m (nominal) deducted in 2026/27 should not roll forward.
- 2.9 In addition to NI Water's requests, we have removed the allowed revenue deduction for the PC15 revenue over recovery. This was also profiled over the original PC21 6-year period. Therefore the £15.2m (nominal) deducted in 2026/27 should not be rolled forward
- 2.10 We have updated the NI Water financial model to reflect the above adjustments for our proposals. This results in an overall allowed revenue of £693m (nominal) for the 2027/28 year. The key revenue components for 2027/28, before and after these adjustments, are set out in Table 2.2 below.

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<sup>2</sup> RPIX - Retail Prices Index excluding mortgage interest

**Table 2.2: 2027/28 allowed revenue proposals (£m nominal)**

Revenue component	2027/28 based on 2026/27 roll forward	2027/28 after adjustments
Operating costs	276.2	276.2
Maintenance non-infrastructure	154.9	154.9
Infrastructure renewals charge	56.2	56.2
Return on the RCV	87.4	131.3
PPP unitary charge	62.8	70.1
PPP project clear depreciation	4.3	4.3
PPP project clear customer saving	-9.3	0
PC15 over recovery	-15.2	0
<b>Total</b>	<b>617.3</b>	<b>693.0</b>

### Price Limits K factor

- 2.11 We have allocated our 2027/28 revenue proposals between the tariff baskets and revenue groups to calculate the price limits. The allocation is based on volumes of water consumed and wastewater returned, using the same assumptions applied in the PC21 Final Determination for 2026/27. This approach is intended to ensure that each customer group pays for the services it receives and to avoid cross-subsidisation between groups.
- 2.12 The calculated price limits give rise to the proposed 2027/28 (year 7) K factors for each tariff basket, as set out in Table 2.3 below. The K factors established at the PC21 Final Determination (years 1 to 4) and Mid-Term Review (years 5 and 6) are also included.

**Table 2.3 - PC21 (including extension year) K factors by tariff basket**

Tariff basket	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28
Unmeasured Water Supply	1.7%	0.9%	0.9%	0.9%	5.3%	5.3%	3.1%
Unmeasured Sewerage Services	-1.7%	-0.4%	-0.4%	-0.4%	4.2%	4.2%	3.5%
Measured Water Supply	-1.8%	-1.8%	-1.8%	-1.8%	2.8%	2.8%	3.6%
Measured Sewerage Services	-1.7%	-0.9%	-0.9%	-0.9%	3.8%	3.8%	3.7%
Trade Effluent	-1.7%	1.5%	1.5%	1.5%	6.0%	6.0%	3.4%
<b>Overall K factor</b>	<b>-1.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>3.4%</b>

2.13 The proposed K factors allocated by revenue group are provided in Table 2.4 below.

**Table 2.4 - PC21 (including extension year) K factors by revenue group**

Revenue Group	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28
Domestic unmeasured water	1.7%	1.0%	0.9%	0.9%	5.3%	5.3%	3.1%
Domestic unmeasured sewerage	-1.7%	-0.4%	-0.4%	-0.4%	4.2%	4.2%	3.5%
Non-domestic measured water	-1.8%	-1.8%	-1.8%	-1.8%	2.8%	2.8%	3.6%
Non-domestic measured sewerage	-1.7%	-0.9%	-0.9%	-0.9%	3.8%	3.8%	3.7%
Non-domestic unmeasured water	-1.5%	0.2%	-0.3%	-0.3%	4.6%	4.7%	3.9%
Non-domestic unmeasured sewerage	-1.5%	0.2%	-0.3%	-0.3%	5.3%	5.3%	4.9%
Trade Effluent	-1.7%	1.5%	1.5%	1.5%	6.0%	6.0%	3.4%
<b>Overall K factor</b>	<b>-1.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>3.4%</b>

### 3. Consultation and Next Steps

- 3.1 Stakeholder engagement plays an important part in our regulation process, and we encourage you to become part of this. We are keen to hear the views of consumers and stakeholders on any issues connected to our proposals.

#### **Responding to this consultation**

- 3.2 Responses should be received on or before 5:00pm on Friday 24 July 2026 and should be addressed to:

Dwayne Boyle

Utility Regulator

Millennium House

Great Victoria Street

Belfast

BT2 7AQ

Email: [uregni\\_water\\_responses@uregni.gov.uk](mailto:uregni_water_responses@uregni.gov.uk) with cc to [dwayne.boyle@uregni.gov.uk](mailto:dwayne.boyle@uregni.gov.uk)

Our preference would be for responses to be submitted by email

- 3.3 Your response may be made public by the Utility Regulator. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'.
- 3.4 If you want other information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential.
- 3.5 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 and the Data Protection Act 2018).
- 3.6 As stated in the GDPR Privacy Statement for consumers and stakeholders, any personal data contained within your response will be

deleted once the matter being consulted on has been concluded, though the substance of the response may be retained.

- 3.7 Copies of all documents can be made available in large print, Braille, audio cassette and a variety of relevant minority languages if required.

### **Subsequent decisions and key milestones**

- 3.8 Once we have considered the responses to this consultation, we will publish our decision in August 2026.