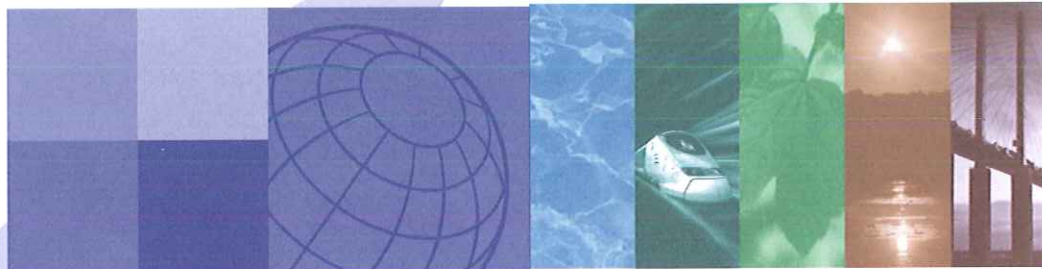


Northern Ireland Water

Reporter's Report on the Service Target Report 2010



Public Domain Submissiion

Reporter's Submission

By

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Northern Ireland Water

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Service Target Report

Commentary by Reporter

1. Introduction

The Service Target Report (STR) has been designed to assist in the establishment of a baseline of service performance for the Company, which will also assist the Regulator in reviewing the quality of service.

The STR reports targets and outturn performance for a range of service indicators in four categories: Water Service, Sewerage Service, Customer Service and Environmental Impact / Sustainability. The data presented within the report is a combination of information in the main Annual Information Return (AIR) supplemented by additional information.

Where appropriate we have commented on the consistency of data and methodologies to the Annual Information Return, identifying areas of inconsistency, change or non-compliance with the Reporting Requirements. Where appropriate we cross refer to our main AIR commentaries.

The format of the Reporter's commentary follows the same structure of the STR report as follows:

- Section 2 – Table 1: Water Service
- Section 3 – Table 2: Sewerage Service
- Section 4 – Table 3: Customer Service
- Section 5 – Table 4: Sustainability

1.1 Key Findings and Recommendations

- We found a high degree of consistency between the STR submission and the AIR
- In relation to compliance statistics and, specifically turbidity, we noted an error in the data presented. Following their submission the Company reworked their analysis and the correct values are reported in our commentary below.
- When the Quality Regulators complete their reports for 2009, we recommend that the water quality and wastewater compliance figures are revisited to ensure consistency of these reports to the STR.
- We challenged the performance reported in lines 9, 22 and 23 of Table 2 of the STR but have not been able to review the derivation of these lines. NI Water explained they had noted a discrepancy in the audit trail presented and were unable to supply the supporting evidence for these lines within the timescales of this report. Whilst NI Water advised that they intend to follow up this issue, and will provide any updates to the values reported to both the Regulator and Reporter, we recommend that robust audit trails are maintained in the future for these lines.

2. Table 1: Water Service

2.1 Block A – Providing Adequate Pressure

NI Water has not reported outturn figures against Line 1 for connected properties experiencing inadequate pressure below 7m static head on two occasions lasting greater than one hour in a period of 28 consecutive days. The Company explains that a comprehensive pressure monitoring system is required for such data to be monitored and reported. Whilst implementation of such a system commenced during the Report Year this is not yet complete.

For line 2 - “properties below the reference level of 10 metres head of pressure, at a flow of 9 litres per minute”, the Company has reported the number of properties on the DG2 Register at the end of the 2009/10 Report Year. For a comprehensive review on the Company’s methodology to report DG2 related properties see our AIR10 Table 2 commentaries. The following table provides a summary of the movements on the DG2 register during the Report Year.

	STR No. of Properties
DG2 Properties at start of reporting period	5770
Additions due to better information	713
Reductions due to asset improvements – capital works	572
Reductions due to better information	3606
Reductions due to operational changes	57
Allowable exclusions	94
Under investigation	1
DG2 Properties at end of reporting period	2154

We confirm that the percentage reported in the STR is calculated using the AIR10 Table 2, lines 1 and 3.

2.2 Block B – Planned Interruptions to water supply

For line 3, “the percentage of properties experiencing a planned interruption which overran” is based on the DG3 measure reported in Table 2 of the AIR10. Within their commentaries NI Water explains the basis of their calculation and confirm this is based on interruptions of greater than 6 hours duration. We noted a very small discrepancy within the summary information presented by the where the number of unplanned interruptions: overruns of planned interruptions in line 17 in AIR10 table 2 (452 properties) did not equate to the corresponding information presented by NI Water in the audit trail for this line (456 properties) in the STR. NI Water explained this difference is accounted for by 4 properties in September should have experienced a planned and warned interruption but they were re-categorised as unplanned because the interruption lasted 8 hours and the warning notification was less than 48 hours. In

addition, the interruption finished 2 hours later than the time specified on the warning card. NI Water took the decision to include the 4 properties when reporting on this service target because the properties were issued a reconnection time for a planned interruption where the supply of water was not restored within the time period specified by NI Water in its advance notice.

For line 4, the Company have been able to identify the number of properties experiencing a planned interruption which were not given adequate warning, and detail these within their commentary. Within our DG3 audits we reviewed the Company's reporting process for the warning and recording of planned interruptions. From the checks undertaken we are content that for both of these components the Company's methodology is appropriate.

For both lines 3 and 4 the Company have outperformed the targets laid out within the STR.

2.3 Block C – Unplanned Interruptions to water supply

NI Water has reported figures consistent with Table 2 of its AIR10 submission.

During our AIR10 audit campaign, we discussed their interpretation of planned, unplanned, overruns on planned interruptions. On the basis of the discussions held (and incidents reviewed) we are satisfied that the Company's interpretation of the guidance is sound. We also reviewed the Company's methodology for collating interruption data and based on the audit checks carried out believe this to be reasonably based.

We confirm that the lines 5 to 8 of the STR are calculated using the appropriate processing rules for each line.

The Company has reported values in both Lines 9 and 10 and whilst we have not undertaken any specific checks on this data in our review of the OMIS system, we have seen evidence of the relevant fields being completed.

In populating line 10 – “alternate water supplies”, the Company has made allowance for properties who did not request supplies and for all properties which were affected by the frozen supply/communication pipes. The confidence grade for line 10 has also been amended from that submitted previously to account of the uncertainty associated with the severe weather. For a full review of the properties affected by the severe weather please see our commentaries to Table 2 of AIR10.

2.4 Block D – Water service (infrastructure)

With respect to the reported information for line 11 “mains bursts”, we confirm the value reported reconciles to line 11 of Table 11 of AIR10. The figure reported is derived from the total number of recorded burst events, divided by the total length of mains. The

calculation applies a total length of 26,626km which is greater than that reported in Line 12 of Table 11 as it includes 276km of compensatory mains. The number of bursts is calculated directly from data compiled and reported by field managers within the Leakage Function and Networks Water.

For line 12 “percentage mean zonal compliance with PCV for Iron at the tap” the Company report 97.24% compliance. This is consistent with the data set supplied to the DWI for their year end assessments. The Company was able to demonstrate the audit trail to this line but we have not undertaken any more detailed checks on this data.

2.5 Block E – Water service (non-infrastructure)

To verify line 13 “WTW coliform non-compliance”, the Company supplied a spreadsheet which detailed the water quality tests carried out during the year. We understand that this information is forwarded to the DWI for inclusion in their year end assessments (which are yet to be published). We confirm the consistency of the information reported in the STR to this spreadsheet but have not sought to undertake any more detailed audit checks on this data.

We have not undertaken any checks on the data provided by the Company for lines 14 to 17. We recommend that this and other drinking water quality figures are confirmed when the Drinking Water Inspectorate publishes its report on Drinking Water Quality for 2009.

For lines 18 and 19, we challenged the consistency of the information reported in the STR and AIR09 Table 11a. The processing rule for these lines indicates that the data should be fed directly from this table but in checking the consistency of this information we found this not to be the case. NI Water outlined that the information submitted within their STR submission is incorrect. The Company advised that line 18 should be reported as 10% and line 19 should be 90%. We queried the derivation of these percentages and NI Water advised discounting the 6 NI Water sites which went out of service, 3 sites had a 95%ile turbidity greater than 0.5 NTU. Overall (including the 5 PPP sites) 27 sites had a 95%ile turbidity less than 0.5% NTU.

2.6 Block F – Security of Supply

We confirm that the security of supply index reported reconciles to that reported in Table 10a of the AIR.

We identified that the changes to the parameters of the SOSI calculations, at Company level since AIR08, have resulted in a significant improvement in SOSI from -26 (AIR08) to 45 (AIR09) to 88 (AIR10) for the dry year average planned Levels of Service (LoS) conditions. Changes primarily result from revisions made during the analysis to support the development of the draft Water Resources Management Plan (dWRMP). We have checked for consistencies with the dWRMP, although we note that this has not been

audited at this stage.

We are satisfied that the Company has followed the NIAUR guidelines for the preparation of this index for the planned levels of service for average demand in a dry year.

2.7 Block G – Restrictions on water use

The Company has not reported any restriction on the use of water.

2.8 Block H – Leakage

We confirm the leakage estimate reported is consistent with that reported in Table 10. We understand that NI Water's leakage targets are for the value in each report year as opposed to the historic three year rolling percentage calculation set out in the STR Reporting Requirements for this line.

We confirm that the Company has adopted the principles of NERA/UKWIR Demand Forecasting Methodology for estimating the components of the water balance. The Company highlighted the extreme weather conditions from December 2009 to January 2010 which has had a significant impact on reported leakage calculated. Please see our Table 10 commentaries for further detail on the challenges made and discussion on the leakage targets set.

2.9 Block I – Drinking Water Quality

To demonstrate their methodology for reporting lines 31 to 35 the Company supplied a spreadsheet which detailed the water quality tests carried out during the year. We understand that this information is forwarded to the DWI for inclusion in their year end assessments (which are yet to be published). We confirm the consistency of the information reported in the STR to this spreadsheet but have not sought to undertake any more detailed audit checks on this data.

We recommend that this and other drinking water quality figures are confirmed when the Drinking Water Inspectorate publishes its report on drinking water quality for 2009.

3. Table 2: Sewerage Service

3.1 Block A – Sewer Flooding

We confirm the sewer flooding data reported in Table 2 is consistent with the data reported in AIR10 Table 3. Whilst the methodology adopted to populate this line is unchanged from that adopted for AIR09, within our commentaries we noted several concerns relating to the data reported. Please see our AIR10 Table 3 commentaries for further details.

3.2 Block B – Sewerage Service (infrastructure)

The Company reports a rate of sewer collapse per 1000km of 68.7 and we confirm that this is the same as the equivalent figure reported in Line 12 of Table 16 of AIR10. No future targets have been set. This estimate is based on NI Water only data and excludes the length of sewers associated with the PPP works.

3.3 Block C – Sewerage Service (non-infrastructure)

For line 9 “PE served non-compliant STW’s”, please see our Block D commentary below.

For line 10, “percentage of sewage sludge disposed of in an unsatisfactory manner”, the Company reports no sludge has been disposed of in an unsatisfactory manner. This is consistent with the Company’s performance target and with that reported in Table 15 of AIR10.

3.4 Block D – Sewerage Service Serviceability Indicators

The sewerage serviceability indicators reported by the Company reconcile to those reported in Table 16b of AIR10.

3.5 Block E – Wastewater quality

Wastewater quality compliance is reported in Lines 9 and 20-25 of Table 2 of the STR and also in Table B of the Board Overview. We queried the source of these numbers and the Company forwarded a spreadsheet to support the compliance percentages reported. We reviewed this spreadsheet and found it supported the majority of data reported in the lines above. We further challenged the derivation of lines 9, 22 and 23 and the Company advised that they had noted a discrepancy in the audit trail presented and were unable to supply the supporting evidence for these lines within the timescales of this report. NI Water further advised that they intend to follow up this issue and will provide any updates to the values reported to both the Regulator and Reporter. We recommend that all wastewater compliance figures in the STR (and the AIR Board Overview) are confirmed when the NIEA publishes its annual report.

4. Table 3: Customer Service

4.1 Block A – Making and keeping appointments

The Company advised that it has not been able to introduce the monitoring of appointments during the year. Since the end of the 2008/09 Report Year, NI Water has taken direct control of its customer contact and billing services which should help facilitate implementing change.

We propose to report on the progress of these initiatives and improvements in our AIR11 commentaries.

4.2 Block B – Responding to account queries

The Company has not been able to complete lines 5 and 6 (responding to account queries and change of payment methods).

NI Water has been able to complete line 7 and we confirm the percentage of billing contacts answered within 5 days reconciles to the data reported in Table 4 Line 4 of AIR10. The 2009/10 target performance (98% of billing contacts answered within 5 working days) is in line with the reported performance for the year.

In reviewing the Company's reporting methodology we noted a number of areas where the actual practice was not in line with their stated methodology e.g. holding responses. In addition we also discussed the Company's reporting methodology used to report their DG6 performance. Currently NI Water report performance based on contacts closed in the year as a proportion of the contacts received in the year.

Due to the back log of contacts which are open and subject to holding responses, in the future it may be possible for the Company to report more contacts closed than received in the Report Year. In this scenario NI Water could potentially report over 100% of contacts resolved in the year and this should be considered when assessing future performance against the targets set.

4.3 Block C – Responding to customer complaints

NI Water has completed Line 8 "percentage of written complaints answered within 10 working days" and we confirm the consistency of the information reported in Table 5 Line 3 of AIR10. However, we noted the confidence grades assigned to this line and those assigned in the AIR are inconsistent. As the data is transposed from that reported in Table 5 of the AIR we believe the grades assigned to this data should be consistent and line 8 of the AIR should be graded as B4 rather than B2.

The Company has not been able to complete lines 9 to 11 (% of contacts resolved at first contact/visit or failure demand).

4.4 Block D – Bills for metered customers

As domestic customers were not billed in the Report Year, the Company has not completed line 12.

NI Water has completed line 13 and we confirm the consistency of the information reported in Table 5. Whilst a service target for 2009/10 has not been set, we noted a deterioration in performance from that reported in the previous year. NI Water explained that this was due to numerous reasons including contractual issues at the start of the Report Year and the severe weather which disrupted read reading routes during the winter months. We would expect the Company's performance to improve during the current Report Year.

4.5 Block E – Ease of telephone contact

We confirm the data reported by the Company in Block E is consistent with the appropriate lines reported in Table 5 of AIR09. We found all call data is derived from the Call Media system.

Due to the cold weather experienced in December and January, NI Water experienced an increase in the volume of calls received from customers reporting incidents caused by the weather. During these exceptionally busy times the Company experienced an increase in abandonment rate which meant they did not meet their 09/10 performance target.

4.6 Block F – Assessed Customer Service information

For line 18, the Company report that their call centre is open 168 hours per 7 day week. This equates to 24 hours a day.

The Company DG9 Levels of Service methodology outlines the call centre opening hours and the Company states that its Waterline, Leakline, and MLA lines are open 24 hours a day. The Company's billing lines are open between 8am to 8pm Monday to Friday, and 8am to 6pm Saturday.

5. Table 4: Environmental Impact/Sustainability**5.1 Block A – Sustainability indicators**

In reviewing Line 1, “percentage of NI Water’s power usage derived from renewable sources”, we met with the Company who described their approach. The Company has set targets for renewable energy and their approach is detailed within their AIR10 Board Overview commentary. In 2009/10 approximately 13% of NI Water’s total power usage came from renewable sources. NI Water advised that this target is planned to increase over time.

For Line 2, “percentage of water mains and sewers installed using trenchless technologies”, we questioned the Company on their approach to populating this line. NI Water explained that all projects where infrastructure work is taking place make a monthly return in the AIR format. NI Water further advised that within this return information is completed on the installation type of the work carried out e.g. open cut or trenchless technologies and this is uploaded onto Captrax. Data is then extracted from this system to report internally within the Company and to populate the STR. Whilst the methodology described by the Company appears reasonable, we have not undertaken any checks on the data reported to confirm the accuracy of the percentage reported.

During our audit, the Company explained that the reports had previously been manually uploaded by project managers onto Captrax. From this year, the contractors have an access to external portal to upload their reports. We checked the Company’s monthly reports and found that there are 2 reports on the same project in the same month. The Company explained that one of the reports is for an alteration by NI Water’s delivery team. We questioned the Company whether this could lead to double counting and checked the monthly report of this incident which was not the case. We also asked the Company whether they have a ‘cut off’ date for the contractors to upload their reports onto the portal. They explained that their contractors have a target of 2 weeks to submit the report after the completion of projects. We found one case where the contractor seemed to complete a project in October 2009, but did not submit the reports until May 2010. The Company explained that their delivery team chases the contractors to submit the reports so NI Water does not have any shortfall in reporting figures. We did not check how many were outstanding however we believe their explanation is reasonable.

For Line 3, “percentage of NI Water’s excavated material that was reused during the year”, the Company advised that it follows a similar process to that identified in Line 2. All data is received from the field and collated on the Captrax system. NI Water also advised that this data is used to complete their controlled waste documentation to the NIEA. Whilst the methodology described by the Company appears reasonable, we have not undertaken any checks on the data reported to confirm the accuracy of the percentage reported.

During our audit, we checked the monthly construction waste returns for one of their

projects and confirm that the monthly reports from the Captrax are consistent with the spreadsheet for STR Table outputs.

We understand that performance targets for both Lines 2 and 3 are based on an analysis of the planned programme of work for the forthcoming year.

For Line 4, “Carbon Emissions profile”, we confirm the value reported is consistent with the value reported in the Company’s Board Overview and we met with NI Water to discuss their methodology for reporting carbon emissions. Whilst NI Water currently does not have a fully formulated strategy in place for managing carbon emissions we generally found the Company’s methodology appropriate and consistent with the UKWIR methodology.

The Company has not reported tonnes of carbon offset in the reporting period.

5.2 Block B – Pollution incidents

NIEA monitors and records pollution incidents attributable to NI Water and forwards these to the Company on a regular basis. This report provides a breakdown of incidents by location, cause and severity and we sought to confirm the consistency of this information to that stated in the Company’s commentary. NI Water was able to provide a copy of the final NIEA 2009 audit record to substantiate the number of incidents reported and provides further breakdown on the type of incidents reported. We confirm the number incidents reported but have not sought to verify the location or severity of each incident. Within their commentaries the Company provides detail on the breakdown.

To populate Lines 6 to 9, the Company advised it had used a population value of 2.207m which was derived from Table 15 Line 6 of the AIR10. Previously the Company excluded the population served by their PPP works from calculating Lines 6 – 9. NI Water confirms that reported figures in Lines 6 – 9 are associated with NI Water assets and include PPP contractor performances, which were nil. This would appear reasonable.

Lines 10 and 11 relate to pollution incidents resulting from water treatment and distribution. NI Water reports a total of 10 incidents during the year.

Date: 2 August 2010

Prepared by: [x]