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Dear Elena

UTILITY REGULATOR 5-YEAR CORPORATE STRATEGY: RESPONSE TO CONSULTATION ON KEY ISSUES

On behalf of DRD Water Policy Division I would like to respond to your consultation exercise on key issues surrounding the development of the NIAUR 5-year Corporate Strategy. I will provide some introductory comments before responding to each of the consultation questions in turn. Inevitably my response will relate solely on key issues affecting water and sewerage:

Introductory Comments

2. We welcome this consultation exercise as an opportunity to enhance engagement and co-operation between key stakeholders in the water and sewerage industry. However, I would reinforce the point raised by John Mills in his letter dated 10 June 2008 that the definition of specific strategic goals should await the outcome of the Executive's decisions on the future of water and sewerage.

3. I would emphasise the importance of establishing an effective regulatory regime as an immediate priority. To that end, DRD is pleased to note that the Regulator's relationship with NI Water will, in its early years, focus on the development of the data systems and analysis required to establish a new price control regime (page 9 refers).

Q1. We would welcome views as to whether there are other significant challenges which we ought to have reflected here?

4. With regard to **sustainability and environmental challenges**, we believe that the Regulator's role in supporting the Executive's strategic decisions on policy would be enhanced by awaiting the outcome of the planned review of the Direct Rule sustainability strategy (p11 refers).
5. We believe that the **new water regulatory regime** will be the major challenge during over the next 5 years (p12 refers). Again, I would emphasis that the Corporate Strategy should focus on the implementation of agreed regulatory structures and management arrangements arising from the Executive's decisions following public consultation on the Stand 2 recommendations. Because of this it is important that the Regulator adopts a flexible approach.

Q2. We would welcome views as to whether there are other significant opportunities which we ought to have reflected here?

6. The **strengths of the organisation** would be enhanced by developing an effective network with other key stakeholders in the water and sewerage industry. The ongoing work with regard to the Stakeholders Water Workshops and the establishment of an Output Review Group can facilitate this. This is very much in line with the Regulator's intention to deliver on its strategic goals through partnership as set out in chapter 5 of the consultation document. However, this does mean that a cooperative and agreed approach is taken to prioritising future work in line with the Minister's and Executive's policy priorities. We assume that the Authority will seek to agree this with the DRD Minister when future work plans are drawn up.

Q3. We would welcome views as to whether there are additional significant “context” issues which we ought to have reflected in this chapter but have omitted.

7. Much emphasis seems to be placed on social policy issues relating to less well off domestic consumers and on metering but in both cases these areas need to await policy direction from the Executive. In contrast there does not appear to be any reference to non-domestic consumers where the independent review, supported by Ministers, recommended that the Regulator keep some matters under review. .

Q4. We would welcome views as to whether there are significant issues within the context issues already identified which we should have noted?

8. We agree that the interface between the Government’s policy decisions and the regulatory regime must be transparent and joined-up (p15 refers). At the same time there is a need to recognise the difficulties of the decision-making process for the Executive and other stakeholders – particularly NIW - who must be given time and space to ‘get it right’.
9. We note that the Regulator has taken on board the need to await the full outcome of the policy decisions following public consultation on Strand 2 issues such as metering, social tariffs and affordability and that the final strategy will align with the outcome of these outcomes (p18 refers).
10. There does not appear to be recognition of the difficulties facing NIW or any actions that the Authority could take to help. For example, consideration does not appear to have been given to how the burden of regulation could be made more efficient, whether the requirements of fully developed regulatory models – as in GB – are disproportionate at the moment.
11. With regard to **longer-term influences**, issues such as **competition** (p17).and **future ownership models** (p22) must be considered as longer-term priorities (possibly outside the timescale of this 5-year Corporate Strategy).

Q5. We would welcome views as to whether there are other significant “wholesale” issues which we ought to have reflected here.

12. We have no specific comments with regard to wholesale markets.

Q6. We would welcome views as to whether there are other significant “network” issues which we ought to have reflected here.

13. In building a ‘**green agenda**’ into network policy-making and decisions - particularly with regard to developing sustainability with NIW price control - NIUAR must ensure that it meets its statutory duties and obligations under the environmental/social guidance issued by the DRD Minister (P31 refers).

14. As with other outstanding Strand 2 issues, the future of **metering** (p33) and **future ownership models** (p36) remain subject to public consultation and Executive decision.

Q7. We would welcome views as to whether there are other significant “retail” issues which we ought to have reflected here.

15. We have no additional comments with regard to retail issues.

Q8. We would welcome early views from respondents on the urgency, importance and thus prioritisation of strategic goals and work priorities.

16. In summary, we believe that the first NIAUR 5-year Corporate Strategy should focus on:

- Implementation of Executive decision on Strand 2 recommendations
- Evolution of a regulatory regime for water
- Action necessary to ensure immediate environmental pressures are met
- Building an efficient regulatory regime with statutory partners

17. The definition of further strategic goals and work priorities should await the outcome of the Executive’s decisions on the future of water and sewerage.

Please do not hesitate to contact me if you require clarification on any point raised in my response.

A handwritten signature in dark ink, appearing to read 'Ian Maxwell', with a stylized flourish at the end.

IAN MAXWELL

cc: John Mills
Andrew Grieve
Stuart Wightman
Joanne Adair