



**Response to consultation on the
NIAUR Forward Work Programme 2010-11**

January 2010

Introduction

This is the Department for Regional Development's comments on the consultation paper on the Utility Regulator's Forward Work Programme 2010-11 as they relate to water and sewerage services in Northern Ireland.

Forward Work Programme

- 2 The format of the Forward Work Programme is clear, concise and easy-to-read. However in line with Article 4 of the Water and Sewerage Services (Northern Ireland) Order 2006 (see Annex A), we believe that it should include a more detailed estimate of costs than currently available on page 26.
- 3 The sum total the Water Directorate is claiming for the forthcoming financial year is £1,399,000. It appears to represent a considerable reduction on the last two years. We note, however, that this reduction can be explained by the fact that this year's budget does not include Corporate Affairs and Chief Executive costs which last year were calculated for the Water Directorate on a pro-rata basis. The fact that this has not been done in this year's FWP means that budget costs for the Water Directorate remain unclear.
- 4 The 'Background' to the Forward Work Programme 2010-2011 makes no mention of the current political and strategic circumstances facing the water sector. We suggest that the Utility Regulator should acknowledge the impact of key external drivers - such as the continued deferral of domestic payments; the implementation of the outcome of public consultation on the Independent Review and continued public funding of water. There is no acknowledgement of issues such as the need to amend the Licence.
- 5 'Establish a monitoring regime to ensure that the company delivers all of the outputs funded in the Price Control final determination' (pages 5- 6) does not seem to take into account the continuation of the subsidy or the likely funding pressures facing the Executive. There is no acknowledgement of the need to work with DRD or the limitations that current arrangements place on NIAUR.

- 6 There is no mention of the need for the PC10 process to embrace policy decisions from NI Assembly on issues such as charging policies, affordability and IWRP recommendations. This seems to under-estimate the importance of these issues and gives the impression that they are merely a part of PC10 rather than issues which set the overall strategic direction of which PC10 is a part.
- 7 The Forward Work Programme moves swiftly on to the development of PC13 identifying future priorities as 'climate change, security of supply, sustainability, leakage and water resource management plans.' Again no mention is made of continuing funding and policy issues and the Executive's role in setting future strategy. This seems premature given the current state of PC10.
- 8 We note that NI Water will be expected to submit a strategic direction statement early in the PC13 process. What is the statutory basis for this demand? Once again there is no acknowledgement of key drivers such as deferment and budgetary pressures on NIW.
- 9 Paragraph 2.67 highlights work on a cross-directorate work programme on price control and metering. As stated on a number of previous occasions NIAUR must exercise great caution in carrying out work which assumes that water is in the same regulatory position as energy or gas.
- 10 Paragraph 2.33 of the Electricity section of the FWP deals with a cost benefit analysis to help determine a smart metering implementation policy. This will be carried out using studies currently being carried out in GB. We note the commitment to examine distinctive Northern Ireland circumstances including any future decisions on the introduction of water metering. However, once again we would caution against allocating significant resources to the implementation of a smart metering policy in the water sector in the absence of an Executive decision on future strategy.
- 11 The FWP acknowledges the need to deliver objectives through partnership and consultation. It would have been appropriate to include reference to the 'Partnership Agreement' which all stakeholders endorsed.

12 The FWP outlines NIAUR commitment to manage risk in the most general terms and does not identify significant risks involved. These may be identified and addressed in the risk register but in the case of the water industry cannot be ignored in the FWP.

13 Specific action priorities are set out in relation to water in the tables on pages 18-23. However, there are a number of issues which require further consideration:

- a) There is a commitment to implement and monitor General Service Standards. This cannot be done in the absence of domestic charging.
- b) There should be a specific reference to amending the Licence to reflect the Water and Sewerage Services (Amendment) Bill.
- c) Under 'Projects' the Price Control Value for Money, Review Performance against sustainability, and Monitoring Performance (Protection/Sustainability) we would welcome the inclusion of the words "in conjunction with statutory partners".
- d) There is a commitment to review Walker and Cave Reports. These are policy matters for the Executive. There should be a commitment to 'take into account local circumstances';
- e) Under 'Act on Outcome from Executive Consultation' the document states that NIAUR will 'work with statutory stakeholders to interpret and implement necessary changes'. Surely this is for DRD to take forward in consultation with NIAUR and the other key stakeholders.

14 The development of the Forward work Programme should focus on aligning work with other stakeholders much more closely to avoid duplication of effort and demand on NIW. This should be accompanied by a commitment to reduce regulatory burdens on NIW in line with regulatory principles espoused by NIAUR.

Annex A

4. —(1) The Authority shall, before each financial year, publish a document (the "forward work programme") containing a general description of the projects which it plans to undertake during the year in the exercise of its functions under this Order (other than projects comprising routine activities in the exercise of those functions).

(2) That description shall include the objectives of each project.

(3) The forward work programme for any year shall also include an estimate of the overall expenditure which the Authority expects to incur during the year in the exercise of its functions under this Order.

(4) The forward work programme prepared under this Article may, if the Authority so decides, be combined in a single programme with the forward work programme of the Authority prepared under Article 5 of the Energy Order.

(5) Before publishing the forward work programme for any year (other than one which is combined as mentioned in paragraph (4)), the Authority shall give notice—

(a) containing a draft of the forward work programme; and

(b) specifying the time within which representations or objections to the proposals contained in it may be made,

and shall consider any representations or objections which are duly made and not withdrawn.

(6) The notice under paragraph (5) shall be published by the Authority in such manner as it considers appropriate for the purpose of bringing the matters contained in it to the attention of persons likely to be affected by them.

(7) The Authority shall send a copy of any notice given by it under paragraph (5) to the Council and the Department.

