

L4/11/09

Mr Keith Hunt
Water Regulation Directorate
Northern Ireland Authority for Utility Regulation
Queens House
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BELFAST
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Utility Regulator GAS WATER	
Utility Regulator ELECTRICITY GAS WATER NIAUR WATER GROUP	
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Date: 30 October 2009	
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Dear Keith

WATER AND SEWERAGE SERVICE PRICE CONTROL 2010-2013 DRAFT DETERMINATION

Thank you for the opportunity to comment on the draft determination of the overall revenue requirement for Northern Ireland Water (NIW) for the three year period 2010-2013 for the provision of a water and sewerage service in Northern Ireland.

Northern Ireland Environment Agency (NIEA) staff have studied the Draft Determination Report and had the benefit of a briefing from both the Authority and NIW.

The strategic priorities for investment priorities in the water industry in the price control 2010/2013 period (PC10) were outlined previously in the draft Social and Environmental Guidance published by the Minister for Regional Development.

NIEA has worked closely with NIW and DRD to establish the investment priorities for inclusion in the Guidance and subsequently, along with NIW, developed a prioritised list of schemes for inclusion in the draft Business Plan.

NIEA welcomes the additional outputs to be provided through the return of £38m of the £139m of savings generated through a combination of scope and cost challenge and benchmarking for efficiency. It is anticipated that the £30m of this additional capital allocated to waste water will mean the upgrade of up to ten additional treatment works depending on the cost of individual schemes on the priority list.

Even though some of the additional £30m will be directed towards catering for future growth, the overall limitation on funding may result in an increase in the number of areas where infrastructure provision cannot keep pace with development pressures. Ideally the infrastructure investment would match development requirements in each area, however because of the history of underinvestment particularly in sewerage infrastructure there is often a miss-match between the capacity of the system and demand. In these circumstances NIEA indicates its concern to Planning Service in response to applications for permission for development.



NIEA notes that the proposed operating expenditure has been reduced by a further £106m (19.5%) over and above NIW's own efficiency target. This represents an additional risk to compliance with environmental standards and a potential for increase in pollution incidents. NIW has a greater number of waste water treatment works under its control relative to its customer base than other comparator companies. These works generally require a greater operator input to maintain the required performance due to lack of investment in technology such as telemetry alarm systems.

It is also worth noting that the decrease in the allowed infrastructure renewals charge will depress the level of activity in refurbishing and replacing infrastructure in the longer term, unless there is an understanding that this will be allowed to increase significantly in the PC10 period and beyond.

You may be assured that NIEA will cooperate with the Authority in monitoring the outputs of the capital works programme and validating the compliance with the environmental KPIs.



DAVE FOSTER
Head of Water Management