

**\*\*Strictly embargoed to 06.00 on Friday 18 September 2009\*\***

### Key Questions and Answers on PC10

#### **Q.1 What exactly is PC10 and why does it happen?**

PC10 is the acronym for the price control process carried out by the Utility Regulator for Northern Ireland Water (NI Water). It includes the Regulator's assessment of the organisation's funding required for the three year period from 2010 - 2013.

At this stage, a draft determination has been proposed by the Utility Regulator. A consultation period will now begin, closing on 6 November 2009, following which a final determination will be published on 18 December.

This is the first price control process carried out and constitutes the core of the regulatory regime for NI Water which aims to ensure that the monopoly supplier acts in the interests of consumers providing value for money. All aspects of NI Water's business are addressed and the objectives to be delivered are tailored in light of costs, consumer needs and the environment.

PC10 proposes NI Water's revenue requirements subject to public expenditure allocations that will be set by the NI Executive.

#### **Q.2 What is the Utility Regulator's role in PC10?**

The Utility Regulator has a statutory duty to protect the interests of consumers. In relation to the supply of water and the provision of sewerage services, the Regulator ensures that NI Water carries out its functions efficiently and effectively across Northern Ireland and that it is properly financed to do so.

The analysis of NI Water's financial, operational and capital performance – in comparison with other water and sewerage services companies – allows the Regulator to identify efficiency savings over the 2012-13 period.

It is important that the assessment of NI Water's revenue requirement and associated charges are determined through a robust and transparent process. The process has involved extensive engagement and briefing of principal stakeholders. This has included the formation of stakeholder working groups. These working groups have been central to the inclusive process underpinning the approach to the PC10 approach and the development of the draft determination.

Subject to a final decision by the NI Executive with regard to the review of water and sewerage services, it is the Utility Regulator's intention to revert to five year price controls from April 2013 as provided for in the Water and Sewerage Services (NI) Order 2006 and NI Water's Licence.

### **Q3. What are the key proposals in the Utility Regulator's draft determination?**

The Utility Regulator's analysis of the company's financial, operational and capital performance, in comparison with other water and sewerage services companies, allows us to identify and impose efficiency targets across regulatory periods. These processes result in greater value for money for the consumer.

The key proposals are as follows:

- A capital investment programme of £520 million (subject to public expenditure allocations that will be set by the NI Executive) aimed at delivering benefits such as improving the security of supply, reducing instances of poor pressure and sewer flooding, reducing the pollution of rivers and bathing waters and to further improve the already high quality of drinking water.
- Lower charges for business customers – an overall reduction of £41 million in revenue.
- A lower subsidy in lieu of water charges – an overall reduction of £95 million.
- Improvements to levels of service – targeting poor pressure and interruptions to supply, 200 domestic properties at risk of flooding, pollution incidents etc.

### **Q.4 What is PC10's relevance given that there are no water charges?**

Although there is currently no water charging for non-domestic customers, businesses are being charged for water and sewerage services.

The funding of NI Water's services is a matter for the NI Executive. However, it is important to ensure that the allocated budget for the three year period delivers the optimum output providing value for money to consumers. This requires the setting of clear objectives, priorities, challenging efficiency targets and a mechanism for holding the organisation accountable. PC10 will provide all of this in a consistent, proportionate, robust and transparent manner.

As the draft determination proposes a lower subsidy to NI Water – this would free up large sums for other frontline public services.

**Q.5 What is the impact of PC10 on consumers?**

PC10 brings to the fore consumer priorities that were identified in the research carried out jointly by NI Water and the Consumer Council. The outcome of the research, combined with the social and environmental guidance from the Minister for Regional Development, informs and identifies the priorities for NI Water's capital expenditure during the PC10 period and beyond.

Proposed additional investment will improvements to security of supply and poor pressure; further improve water quality; and reduce out of sewer flooding and pollution incidents.

If water charges are introduced, which is a matter for the NI Executive, PC10 will ensure that the charges are kept as low as possible.

The process will also drive efficiency savings on NI Water which will be reflected in the cost of water and sewerage services regardless of the funding source.