



1 Queen Anne's Gate
London SW1H 9BT
Telephone 020 7344 1844
Fax 020 7344 1866
e-mail bwallis@water.org.uk
website www.water.org.uk

Pamela Taylor
Chief Executive

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Elena Ardines
Strategy Branch
The Utility Regulator
Queens House
Queen Street
BELFAST
BT1 6ER

email: elena.ardines@niaur.gov.uk

Dear Ms.Ardines,

Development of NIAUR 5 year Corporate Strategy Consultation on Key Issues

Water UK represents all the regulated UK water and wastewater service suppliers, including Northern Ireland Water, at national and European level. On behalf of our members we provide a positive framework for engagement with the government, regulators, stakeholder organisations and the public. Water UK therefore welcomes this opportunity to respond to your consultation on Key Issues in respect of your five year Corporate Strategy.

Our comments are mainly targeted at regulation of the water industry in Northern Ireland. We are of course happy for our comments to be in the public domain.

We believe that the Utility Regulator has the opportunity to develop innovative ways of regulation, building on experience in GB, to the benefit of NI Water customers.

Consultation Question 1:

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

- *A challenge is to ensure that the price control process results in affordable charges which are recognised by customers as being fair and representing good value whilst meeting all necessary regulatory requirements.*

- *There is also the challenge of fully understanding the views and aspirations of stakeholders which can be achieved by comprehensive consultation.*
- *Charging for water, particularly in the domestic sector is very different from other utilities. We understand the need for price control but there is the challenge of managing risk within this due to unforeseen factors and events. The consideration of a financial buffer on the lines of the Scottish Water model would be useful in this respect.*

Consultation Question 2:

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

- *Regulation of the water sector is new in NI and there is the opportunity to build on experiences of GB water service providers.*
- *In particular there will be opportunities to allow innovation which will enable step changes in NI Water efficiency.*
- *Customers must also be confident that NI Water operates in a sustainable way and that price control is focused on overall value and not just bottom line. There will be benefits from a greater focus on the “whole-life” costs and benefits of options, to avoid sub-optimal solutions due to the constraints of a 5-year regulatory cycle*
- *We also believe that the Utility Regulator has the opportunity to influence new legislation in respect of the Water Industry based on its own experience and assessment of what has happened elsewhere in GB.*

Consultation Question 3:

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.

- *The competition regime in Scotland has already been established and is restricted to the provision of retail service. So far stakeholders appear to be comfortable with this as the legislation continues to ensure that Scottish Water is responsible for provision of a wholesale service of water and waste water services.*
- *The utility regulator will be able to influence the NI Assembly on new legislation in the area of competition and we believe that the Utility Regulator is correct at present int in focusing on periodic reviews in the period relevant to this consultation.*
- *In the new regulatory regime for NI Water there is an important role for the Utility Regulator as a surrogate for competition through the use of comparative competition between companies and the development of capital market competition. This was shown to be a valuable approach in GB following privatisation of E&W Water Authorities and the formation of Scottish Water.*

Consultation Question 4:

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

- *Price control is a key duty for the Utility Regulator. The associated processes can be complex and time and resource consuming and there may be opportunities for simplification. The efforts required for a price review will be*

considerable, more so for the proposed 10 and then 5 year regulatory periods. It is important that these efforts do not distract NI Water from its focus of achieving its business plan.

Consultation Question 5:

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

No comment

Consultation Question 6:

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

- *Careful consideration should be given to ensuring that the needs of servicing new development and other new water service demands can be met-this is essential for economic development in NI. This was an area of concern in Scotland which has since been resolved.*

Consultation Question 7:

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

- *The issue of metering requires careful consideration. There are of course many benefits and opportunities in respect of potentially fairer charging and control of water consumption but there is an associated cost issue.*
- *Retail is customer facing and customer service is how an organisation is judged. Benchmarking and comparative competition using Overall Performance Assessment will be useful and provide transparency.*

Consultation Question 8:

The Utility Regulator has limited resources, both as a whole and also within each operational Directorate, to deliver priorities in the coming 5 year period. We would welcome early views from respondents on the urgency, importance and thus prioritisation of strategic goals and work priorities.

- *Consider the resource balance between your regulatory needs from NI Water and their own operational activities*
- *Develop stakeholder engagement*
- *Ensure that potential risks within price control are addressed*
- *Influence future legislation*

Should you wish to clarify any of our points please do not hesitate to contact me.

Yours sincerely

Bryan Wallis

Policy Development Consultant