

(a) **Consultation Response Pro Forma WATER UK**

<b>Chapter 1</b>
<b>1.1 Respondents to the consultation are asked to comment on whether or not they think any of the proposals in this paper would impact on equality of opportunity or good relations for any of the Section 75 Groups.</b>
<i>Sustainability initiatives may result in increased costs to NIWater and as such there may be an impact on its vulnerable customers..</i>
<b>Chapter 3</b>
<b>3.1 Respondents are asked to comment on the balance between present and future climate change costs.</b>
<i>Climate change will result in increase costs for NIWater in respect of both adaptation and mitigation requirements. Climate change will have a big impact on the water industry in respect of water resources, flooding and water quality and investment is necessary to meet the needs of future predicted scenarios. Current research is enabling better planning in this respect. For an economic regulator we hope that this problem is dealt with by ensuring that whole life costs and climate change proofing are taken into consideration in respect of investment decisions rather than short term bottom line which might meet targets but are not in the long term interest of the customer. In this respect the recommendations of the Stern Review on investing now are pertinent. There is also a need to consider how any potential requirements on NIWater in respect of the new Climate Change Bill will be financed.</i>
<b>3.2 Respondents are asked to give their views on the relationship between sustainability and security and diversity of supply.</b>
<i>We have no comment to offer.</i>
<b>3.3 Respondents are asked to give their views on the degree to which sustainability issues should drive the Utility Regulator's first NI water price review.</b>
<i>We believe that the price review should not be focussed on lowest possible costs but rather the best value for customers and the environment. This means that consideration should be given to climate proofing to protect assets, quality of service and environmental impact. Within this it is important to factor in the cost of carbon to encourage energy efficiency, generation of energy from renewable sources and maximising the use of more natural sustainable treatment systems. The latter may require some discussion with the environmental regulator to assess discharge treatment requirements in respect of the total impact on the environment and not just water quality. There should also be wide stakeholder consultation which is essential in</i>

*establishing the most sustainable approach.  
believe this approach should be developed within PC 10 and fully implemented in PC 12.*

**3.5 Respondents are asked to consider whether a monetary value of CO<sub>2</sub> equivalent or shadow price of carbon ought to be included within guidance on use of business cases.**

*Yes this is essential to avoid hard no risk solutions which have high energy requirements or lowest cost scenarios which have not been fully examined in respect of total whole life impact on the environment including climate change. We therefore believe that the monetarised cost of carbon should be included in all investment decisions.*

*We also hope that you will consider longer pay- back periods within these assessments.*

*As stated above we believe this approach could be developed in PC10 and fully implemented in PC12*

**3.6 Respondents are asked to indicate their preference for inclusion of “carbon footprint” monitoring and target setting within the new regulatory contract at the first NIW price review.**

*Yes we think that this is a good idea although there will be a significant revenue cost to NIWater in respect of engaging appropriate staff and in maintaining their environmental management system.*

*We believe that it is important to have sustainability indicators which demonstrate progress. NIWater already have these and this information contributes to the Water UK sustainability indicators which give a picture of progress in the whole UK Water industry*

*It is also important that key stakeholders such as CCNI accept this approach.*

**3.7 Respondents are asked to consider the benefits of going beyond the “Economic Level of Leakage”, possibly by the inclusion of the carbon shadow price in calculations.**

*We believe that leakage should be minimised as treatment and supply of water to customers requires energy and other resources such as chemicals which also require energy for their production and transport..*

*Reduction in leakage will also reduce the need for new assets to meet growth.*

*We hope that the regulator will incentivise leakage reduction and water efficiency.*

**3.8 Respondents are asked to consider the degree to which NIW should be incentivised to increase its uptake of renewable energy and reduce its non-CO<sub>2</sub> gas emissions and mechanisms by which this might be achieved.**

*NIWater will be obliged to comply with the Water Industry Carbon Reduction Commitment.*

*We believe that the priority should be to reduce energy consumption through energy efficiency programmes and new assets. This will require considerable investment in new equipment and systems.*

*There will be opportunities for NIWater to allow the production of energy from hydraulic or wind power systems on its sites and we hope that the regulator will support such proposals.*

**Chapter 4**

**4.1 Respondents are asked to rate the following existing instruments from 1-10 (1 being poor 10 being excellent) for the following characteristics:**

- A Profile (do enough people know about the work)**
- B Ability to protect customers**
- C Ability to influence consumers to be more energy / water efficient or change to a lower carbon fuel**

<b>Measure</b>	<b>Profile</b>	<b>Ability to protect customers</b>	<b>Ability to influence</b>
<b>The NIE SMART Programme</b>			
<b>Gas Industry Promotion</b>			
<b>The Energy Efficiency Levy</b>			
<b>Price Controls</b>			
<b>Key Pad Metering</b>			
<b>Energy Efficiency Advice Provision</b>			
<b>NIW Sustainability Report</b>	<b>5</b>	<b>6</b>	<b>8</b>
<b>NIW Environment Management System</b>	<b>6</b>	<b>8</b>	<b>6</b>
<b>NIW promotion of water efficiency</b>	<b>6</b>	<b>8</b>	<b>9</b>

## **Chapter 5**

### **5.1 Respondents are asked to comment on the balance of the Utility Regulator's duty to protect present and future customers.**

*It should be on the basis of value and the regulators duty 'to promote economy and efficiency on the part of companies holding an appointment under Chapter I of Part III in the carrying out of the functions of a relevant undertaker'*  
*This should be established through a process of stakeholder consultation.*  
*It is also essential, within this, to take a long term approach to the regulatory process.*

### **5.2 Respondents are asked to comment on the appropriate role of and nature of statutory guidance from Ministers to the Utility Regulator.**

*In respect of the Water Industry the guidance should be based on agreement between customer and environmental regulators and a stakeholder consultation. The guidance should clearly set out the objectives in terms of efficiency and environmental and service improvements and help develop longer term strategy. As part of this process the utility regulator should advise the government on the likely costs and impacts on customers so that the government can take a wider view in terms of the impact on the economy of Northern Ireland.*  
*A successful NIWater is critical for the sustainable development of Northern Ireland*

### **5.3 Respondents are asked to highlight actions that they consider might be appropriate or necessary, but that could not be taken under the Utility Regulator's existing powers.**

*The Utility Regulator could carry out a valuable role in stakeholder consultation and accordingly review NIWater's performance in respect of sustainable development.*

### **5.4 Respondents are asked to comment on whether the Utility Regulator should seek to be designated under section 25 (1) of the Northern Ireland (Miscellaneous Provisions) Act 2006.**

*We have no comment to make*

## **Chapter 6**

### **6.1 Respondents are asked to comment on the three main roles for the Utility Regulator identified in chapter 6 of this paper as:**

- **gathering and publishing evidence,**
- **contributing to wider energy policy,**
- **regulating differently.**

*This question was energy based but we would comment as follows:*

- *In respect of the Water Industry in particular gathering evidence should involve a considerable amount of stakeholder engagement.*
- *NIWater is a high energy user and there are considerable opportunities for energy reduction, generation and carbon accounting*
- *We hope that NIAUR will build on experiences of the WICS and OFWAT and develop innovative ways of regulation in its own right to reflect the specific role of NIWater in the future sustainable development of Northern Ireland.*

**6.2 Respondents are asked to comment on data, which would be useful but, which is currently unavailable on a regular basis in Northern Ireland.**

We have no comment to make.

**6.3 Respondents are asked to suggest innovative methods of developing and promoting the gas industry as a means of reducing Northern Ireland's carbon foot print.**

*We have no comment to make*

**6.4 Respondents are asked how the solid fuel and oil industries could contribute to social and environmental sustainability? In addition what approach will best achieve this aim?**

We have no comment to make

**6.5 Respondents are asked if the regulatory model used to develop the natural gas network could provide lessons for the promotion of efficient and coordinated heat networks? Do respondents believe that better regulation could aid the development of the community heat industry?**

We have no comment to make

## ***Chapter 7***

**7.1 The Utility Regulator considers that the following are important when assessing policy proposals. Respondents are asked to score each of the proposals in chapter 7 of this document from 1-10 on the basis of their potential in relation to the following measures:**

- 1 Potential Certainty of Outcome**
- 2 Potential Cost effectiveness**
- 3 Certainty for investors**
- 4 Potential to provide equity for consumers**

- 5 Potential to encourage innovation
  - 6 Good fit with other NI government departments
  - 7 Good fit with competitive energy markets
- The proposals are summarised as follows:

	1	2	3	4	5	6	7
a. Cross utility licence condition requiring licensees to have in place environmental policies.	10	7	5	7	8	5	5
b. Cross utility requirement to report annually of sustainability activities and initiatives.	7	7	4	7	7	5	5
c. Requirements on licence holders to provide customers with environmental information in relation to fuel mix in a uniform and easy to understand format, on all bills and promotional literature.							
d. Strategic investigation into use of “Smart Meters” as a mechanism for delivering better quality and timely information to customers.							
e. Work with energy licence holders to assess current tariff structures.							
f. Continue to work with partners and stakeholders to ensure renewable generation can be equitably accommodated on the electricity network.							
	1	2	3	4	5	6	7
g. Ensure price control processes take into consideration the effect of climate change on electricity and gas networks.							
h. Carry out a full strategic review of energy efficiency delivery mechanisms							
i. Develop a strategy in relation to gas promotion, which considers the potential benefits of common arrangements for the transmission and distribution of gas on the island of Ireland.							

<b>j. Developing sustainability within the NIW price control</b>	<b>9</b>	<b>10</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>8</b>
<b>Developing sustainability within the NIW price control</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>8</b>

**7.2 Respondents are asked to identify what they consider to be the top three priorities from the above list of proposals and rank them in order of importance.**

- 1) **J** *Developing sustainability within the NIW price control*
- 2) **K** *Developing sustainability within the NIW price control*
- 3) **B** *Cross utility requirement to report annually on sustainability activities and initiatives*

**7.3 Respondents are asked to list any further proposals which they think should be considered.**

- 25 year Strategic Direction Statements such as those prepared by OFWAT regulated companies are useful in respect of transparency for stakeholders and to inform future price reviews.
- Encourage the use of Environmental Management Systems which provide an audit methodology which is a useful tool and discipline. These do however require considerable funding.