6

Funding our plan

What customers will have to pay, funding the PC28 Business Plan through revenue and debt, and public expenditure.





At a glance

What this chapter covers

This chapter explains how the costs of delivering our PC28 Business Plan translate into regulated revenue, customer tariffs and public expenditure requirements. It sets out the key financial assumptions and distinguishes the funding required from the public expenditure allocations available to NI Water.

Balancing affordability and investment

We propose an average annual tariff increase of 3% above inflation. The increase is needed to maintain essential services, meet rising statutory and environmental requirements, address ageing infrastructure and support sustainable growth. To limit the impact on customers, we have challenged expenditure and incorporated further operating and capital efficiencies. We will also return the full PC21 revenue over-recovery during PC28 and smooth allowed revenue to keep tariff increases more stable.

Recovering costs fairly over time

We explain the move towards regulatory depreciation for non-infrastructure assets. This better aligns cost recovery with the period over which assets provide services, balancing affordability with fairness between current and future customers.

Managing risk and uncertainty

We propose an uncertainty mechanism to adjust allowed revenue when exceptional events outside NI Water's control have a material financial impact not covered by existing allowances. Adjustments would be subject to agreed materiality thresholds and regulatory scrutiny.

Reflecting NI Water's funding model

The chapter translates our regulatory financial requirements into Resource DEL and Capital DEL requirements, reflecting NI Water's hybrid funding model. Regulatory revenue allowances do not themselves secure the public expenditure allocations needed for delivery. Our forecasts show significant reductions in Resource DEL requirements, driven largely by expiring PPP contracts and our transformation programme.

Overall, this chapter brings together the revenue and public expenditure requirements needed to deliver essential water and wastewater services during PC28. It explains how our funding proposals balance affordability, deliverability and financial sustainability, while passing the benefits of efficiency and PC21 over-recovered revenue back to customers and smoothing the profile of customer bills.

6 Introduction

In this chapter we explain our approach to financing the Business Plan and detail how forecast expenditure and investment are translated into funding requirements, both from customers via bills and from government through public expenditure spending limits.

The remainder of this chapter is structured as follows:

- Section 6.1 provides an explanation of how NI Water is financed and funded;
- Section 6.2 outlines our approach to calculation of allowed revenue;
- Section 6.3 provides an overview of our PC28 customer projections;
- Section 6.4 sets out our proposed PC28 price limits and the impact on customer tariffs;
- Section 6.5 provides details on our borrowing arrangements;
- Section 6.6 sets out our assessment of the financial strength and resilience of our plan;
- Section 6.7 details our proposed approach to managing uncertainty; and
- Section 6.8 covers the implications for public expenditure.

*Unless stated otherwise all figures are quoted in 2025/26 prices. Where nominal figures are presented, these are based on March 2026 OBR forecasts (the most recent OBR forecast, 28th October 2026, was released too close to Business Plan submission for inclusion).

6.1 Our Finances Explained

NI Water is financed through a combination of government subsidy, customer income and government borrowing. As domestic customers do not pay water and wastewater charges directly, the Department for Infrastructure (DfI) provides a subsidy in lieu of these charges. Non-domestic customers pay regulated water and wastewater tariffs, while other income comes from charges for specific services. A large proportion of our capital investment is paid for from money we borrow from government.

NI Water is a government-owned company and is also classified as a non-departmental public body (NDPB) for public expenditure purposes. As a result, all expenditure must comply with public expenditure and budgetary rules. Operating expenditure and capital investment are therefore subject to the relevant resource and capital budget controls and must remain within the annual allocations approved by the DfI and the Northern Ireland Executive.

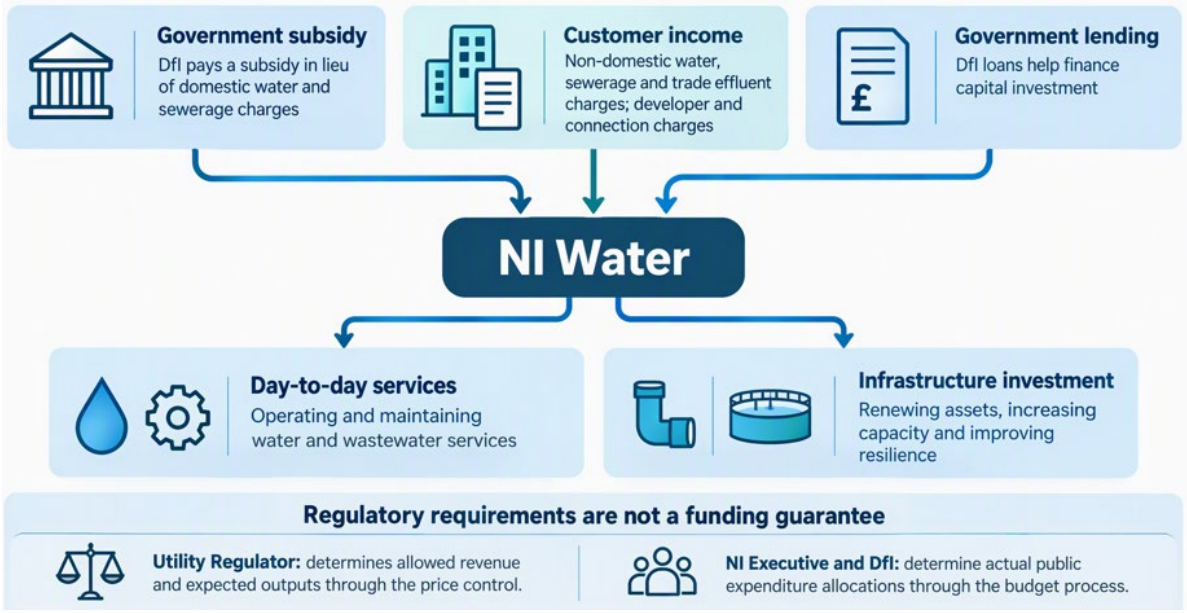


Figure 6.1 – How NI Water is funded

This means that, unlike most regulated water companies in Great Britain, NI Water cannot independently raise finance or rely on a confirmed funding settlement covering the full price control period. Its ability to invest is dependent on the level, timing and profile of public expenditure made available through successive annual budget settlements. Consequently, the funding assessed as necessary through the regulatory process may not automatically translate into the budget authority required to deliver it. This can constrain longer-term planning and the commitment of expenditure to multi-year investment programmes. Section 3.11 of our plan provides a comprehensive overview of how funding constraints could impact the delivery of our plan.

6.1.1 Funding Our PC28 Plan

Delivering our plan will require £6.15bn of funding (nominal), comprising £3.4bn in DfI subsidy in lieu of domestic charges, £0.86bn from non-domestic customers, approximately £1.7bn in additional DfI borrowing and £0.18bn from working capital within the business.

This funding will support £3.3bn of capital expenditure and £1.85bn of operating expenditure and contractual PPP unitary charge payments. Chapters 3 and 5 respectively explain how this expenditure will maintain and improve our assets and sustain water and wastewater services for customers. A further £1bn will fund interest and dividend payments to DfI.

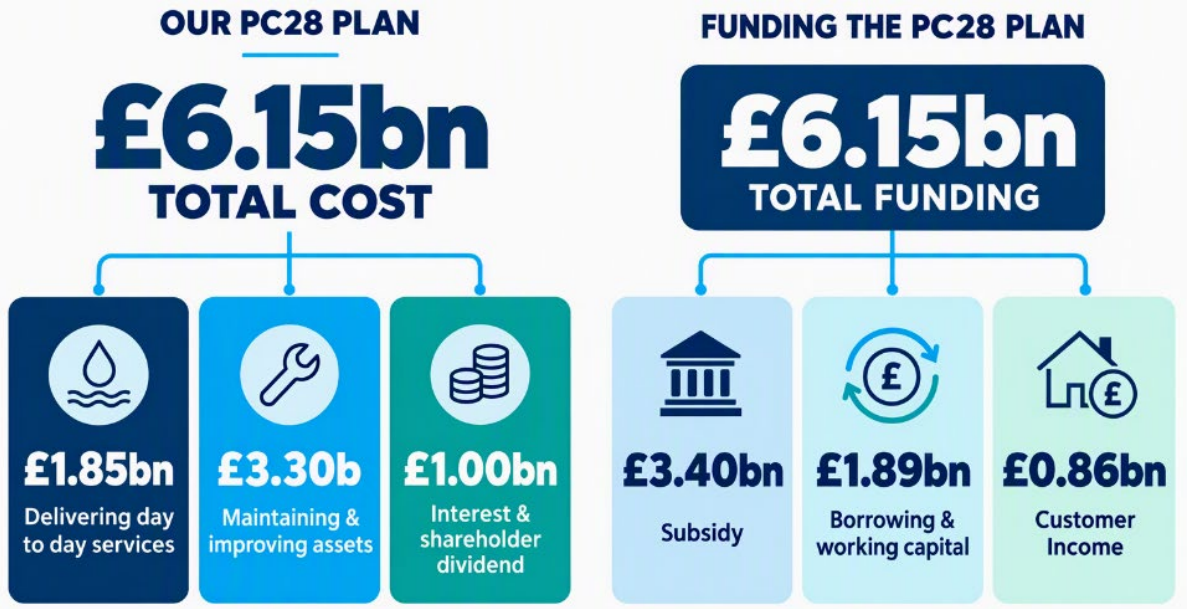


Figure 6.2 - Sources and Uses of Funding (nominal)

The remainder of this chapter details how our forecasts are translated into funding requirements both from customers via bills and from Government through borrowing, subsidy and public expenditure limits.

6.2 How We Calculated the Revenue Needed in PC28

For PC28, we have retained the established revenue building block approach, which combines expenditure allowances to determine the revenue needed to provide services and finance investment. Within this framework, we propose changes to the derivation and calculation of two individual building blocks, as explained in the following subsections.

6.2.1 Changes to Our Approach

Moving to a Regulatory Depreciation Approach

In preparation for PC28, we undertook a comprehensive review of how non-infrastructure capital expenditure is recovered, addressing concerns raised by the Utility Regulator during PC21 about intergenerational fairness. We assessed a range of options against key regulatory principles and their implications for customer affordability. We presented our findings to the Utility Regulator and its advisors.

Figure 6.3 compares regulatory depreciation with the previous cash-based maintenance charge. It demonstrates that regulatory depreciation remains broadly in line with non-infrastructure maintenance expenditure and represents a smoother recovery profile.

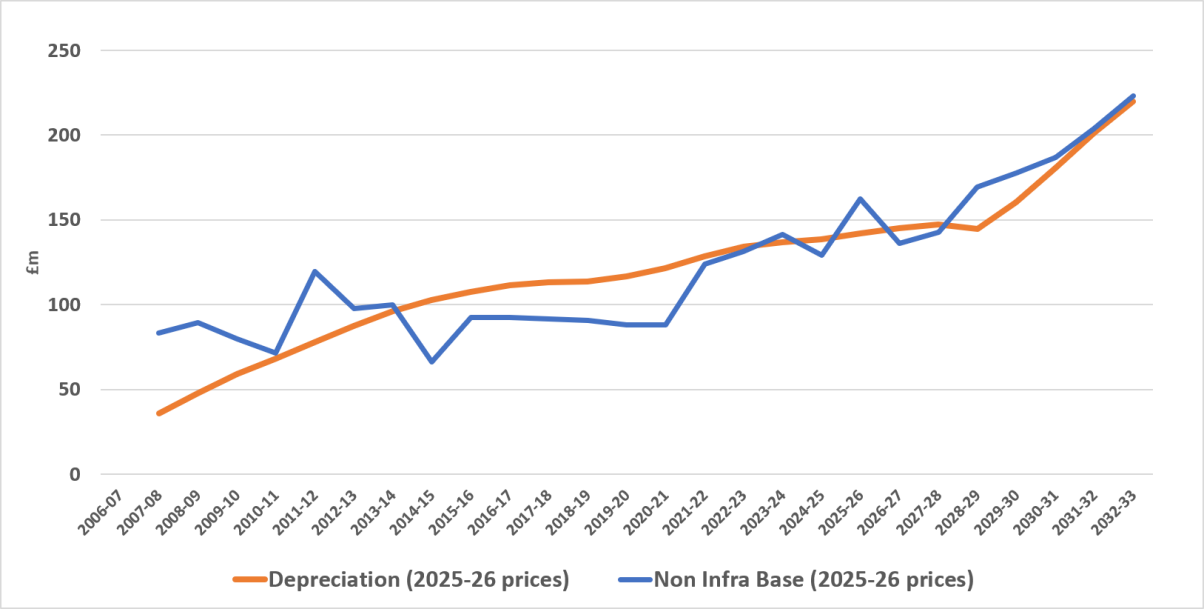


Figure 6.3 - Regulatory Depreciation Charge vs Non-Infra Maintenance spend (PC21 Approach)

We have therefore adopted this regulatory depreciation approach for recovering non infrastructure in our PC28 Business. Further detail behind the Regulatory Depreciation Approach can be found within Appendix 6.1 Financial Databook.

Transition from Allowed Rate of Return to Cash In Cash Out Approach

The Utility Regulator, in their PC28 Approach document, proposed moving to a Cash In Cash Out (CICO) approach for recovery of finance costs, moving away from the traditional Weighted Average Cost of Capital approach used in previous price controls. NI Water believes CICO is a simpler approach, which improves transparency and is more compatible with our unique funding model. We have therefore adopted the CICO approach for the recovery of financing costs in our PC28 business plan.

NI Water currently pays an annual dividend to its shareholder, DfI. As part of our consideration of a CICO approach, we engaged with the Department on future dividend arrangements. The Department has indicated that its current preference is to maintain these payments, and the PC28 Business Plan therefore assumes their continuation. Forecast annual dividends are based on the PC21 value, uplifted each year by CPIH.

Forecast interest costs reflect both the actual interest we have to pay on embedded debt balances, and the forecast interest we will pay on new debt drawn down over the PC28 period. We forecast new debt costs by estimating the prevailing risk-free gilt yield at the point of refinancing and applying an appropriate credit margin. For PC28 forecasting purposes, the credit margin is assumed to remain at 0.85%, consistent with independent market analysis, with the overall cost of new debt therefore driven primarily by forecast gilt rates and the chosen debt maturity profile.

NI Water's first and largest Capital Loan Note (CLN) is due for repayment in March 2028. This CLN has an outstanding balance of £984m – see section 6.5 for more details. We have assumed a tranche-based refinancing approach which optimises borrowing costs across a range of maturities. Based on current market conditions, this results in an indicative interest rate of approximately 6.3%, compared with the current average cost of 4.76%.

Details of forecast interest and dividend payments can be seen in table 6.1 below.

Table 6.1 - Interest and dividend payments

Category	2028-29	2029-30	2030-31	2031-32	2032-33
Interest (£'m)	128.6	144.8	167.1	195.3	226.1
Dividend (£'m)	26.9	27.5	27.9	28.4	28.8
Total interest & dividend	**155.6**	**172.3**	**195.0**	**223.6**	**254.9**

6.2.2 Operating Expenditure

Our proposals for an efficient level of operating expenditure are set out in Chapter 5. We propose to incur operating costs of £1,666m over the PC28 period. These projections incorporate efficiency savings of 1.6% between 2025/26 and 2032/33, alongside a number of new and exogenous costs that are outside management's control.

With the exception of transformation costs, all operating expenditure has been included within our required revenue for tariff-setting purposes. A significant proportion of transformation cost was funded through tariffs during the PC10 period but has not yet been fully utilised. NI Water is currently drawing down this balance, and we anticipate that sufficient funding will remain available to meet the expected transformation expenditure over the PC28 period.

6.2.3 PPP Expenditure

Our approach to projecting PPP expenditure is outlined in chapter 5. In line with previous price controls, we have included the full PPP unitary payment within our revenue requirement for the PC28 period. This ensures we will continue to be able to meet our PPP contractual obligations. In preparing our projections for each of the three contracts, the following key assumptions were made:

- **Alpha -** The Alpha contract expires in May 2031 after which time NI Water will no longer have to pay a unitary charge. As we will be responsible for operating the treatment works we have added £14.1m (2025/26 prices) per annum by 2032/33, to operating cost projections under 'New and Exogenous' to reflect the impact on our cost base.

  Up to contract expiry, we will continue to pay a contractually determined unitary charge for the services provided by Dalriada Water Limited and NI Water Alpha Limited. The Alpha unitary charge consists of a fixed, or capacity element and a volumetric element based on the amount of water produced. The capacity element represents circa 80% of the total unity charge, with the volume component making up the remaining 20%. The payment mechanism contains contractual increases to the fixed element of the capacity charge (known as sculpting). In the period from 2025/26, the sculpting factor increased from 1.16 to 1.41 in April 2026 and stays at this level until April 2030 when it falls to 1.11 for the remainder of the contract.

  In terms of PC28 projections, a five-year average demand figure was calculated for the base year and a growth factor, calculated from historic demand, was applied through to the end of PC28. Costs were derived using the contractors' payment mechanism with RPIX projections based on OBR's March 2026 forecast.

- **Omega** - The Omega unitary charge is 100% volume driven and is made up of two main elements, a wastewater charge for five treatment works and a sludge disposal charge for incineration of all of NI Water's wastewater sludge. Assumed wastewater volumes for the base year were recalculated using a five-year average of wastewater volumes (July 2021 to June 2026), adjusted

for growth. This annual growth factor was also applied through PC28 and was calculated from historic wastewater volumes

Costs in respect of these wastewater and sludge volumes were modelled using the contractors' operational financial model with RPIX projections based on OBR's March 2026 Forecast. This ensures the correct indexation mechanism is applied throughout the PC28 period.

The Omega contract expires in March 2032 after which time NI Water will no longer have to pay a unitary charge. As we will be responsible for operating the treatment works and incinerator, we have added £14.3m per annum (2025/26 prices) by 2032/33 to operating cost projections under 'New and Exogenous' to reflect the impact on our cost base.

6.2.4 Investment in Alpha

NI Water acquired its subsidiaries, Dalriada Water Limited and NI Water Alpha Limited (Alpha), in 2017, anticipating significant savings for customers. The PC21 Final Determination returned a net £21m of benefits to customers over the PC21 period, however, subsequent increases in operating and capital costs mean that no further benefits from the acquisition are forecast to be available during PC28. The remaining financing costs charged to customers over PC28 has reduced the overall customer benefit to £11m. Details on savings returned to customers can be found in Appendix 6.1 Financial Databook.

6.2.5 Taxation

We have aligned our financial model with our current tax calculation as closely as possible. This includes incorporation of loss restrictions, the remodelling of capital allowance pools at the latest rates and the calculation of taxable profit.

Capital allowance calculations include the impact of permanent full expensing relief on plant & machinery assets and 50% first year allowances on special rate assets, which were both introduced in 2023, as well as the recent change to the rate of writing-down allowance (WDA) on the main pool of plant and machinery from 18% to 14% per annum.

Based on our assumptions, we do not forecast any taxable profits and therefore any requirement for 'cash tax' funding through PC28.

6.2.6 PC21 Over-Recovery

Customer and demand projections for the PC21 period were developed using historical trend data and external analysis from various sources including Danske Bank, PwC and EY. Growth was initially forecast to be modest and was subsequently revised to reflect the anticipated impact of COVID-19 on demand.

Since then, actual demand during PC21 has exceeded forecast levels. As a result, revenues generated during the first five years of PC21, including subsidy in lieu of domestic charges, were £48.5m higher than forecast (in 2025/26 prices). We are proposing to return these additional revenues, resulting in a significant reduction to customer bills during PC28.

This approach helps ensure customer tariffs remain as low as possible. While this is not a regulatory requirement, the NI Water Board considered it to be the most appropriate outcome for customers.

6.2.7 PC28 Revenue Requirement - Summary

A summary of our PC28 revenue requirement has been set out in Table 6.2. A further breakdown and the assumptions underpinning each of the six 'building blocks' can be found in Appendix 6.1 Financial Databook.

We recognise that customers value bill stability, therefore, to minimise fluctuations in customer tariffs, we have smoothed the calculated revenue over the PC28 period on a net present value (NPV) neutral basis. As outlined in section 6.2.6 we have also adjusted for over-recovery of revenue in the PC21 period, returning a net over-recovery of £48.5m (2025/26 prices) to customers over the PC28 period.

Table 6.2 - Revenue Requirement (nominal)

Category (£m)	2028-29	2029-30	2030-31	2031-32	2032-33
Financing Costs (CICO)	155.6	172.3	195.0	223.6	254.9
Infrastructure Renewals Charge	65.8	70.5	65.3	76.8	84.1
Regulatory Depreciation	156.3	177.2	203.2	231.8	257.9
Operating Expenditure	284.1	296.7	308.2	325.7	355.8
PPP costs	77.2	79.3	75.1	47.0	0.0
Cash tax	0.0	0.0	0.0	0.0	0.0
Revenue Requirement	**739.0**	**796.0**	**846.9**	**904.8**	**952.7**
Smoothing adjustment	+16.0	+2.4	-1.9	-11.6	-8.2
PC21 over-recovery	-10.3	-10.5	-10.8	-11.0	-11.2
Revenue from proposed tariffs	**744.7**	**787.9**	**834.2**	**882.2**	**933.3**

6.3 Customer Projections

We have undertaken a comprehensive review of the available evidence to ensure that our PC28 customer forecasts are robust, realistic and reflective of relevant economic factors. This review included:

- Confirming a 'base normal' level of consumption that excludes non-recurring events that have impacted on the last actual fiscal year;
- Review of historic trend data and economic analysis of projected growth in customer SIC Code sectors;
- Translating sector growth into increased water demand using an elasticity coefficient; and
- The application of any other assumptions that may impact water demand throughout the Price Control Period.

Our approach and conclusions are outlined in Annex 6.1.2 PC28 Customer Projections.

Based on the evidence presented, we have concluded that underlying non-domestic measured demand will increase at 0.45% p.a. in PC28. This equates to an overall compounded increase of 2.27% in measured water consumption across the PC28 period. We have also assumed a range of 6,020 - 6,820 new household connections each year, consistent with recent trends. We expect the proportion of these properties that connect to the sewerage network to increase from PC21 forecasts and stay flat at an 85% connection ratio, based on recent trends.

In developing these forecasts, we have considered a range of factors and exercised judgement regarding their likely impact on our customer base and levels of demand. Forecasting customer demand inherently involves a degree of uncertainty, particularly in the current economic environment. It is therefore important that the regulatory framework includes robust mechanisms to manage variances between forecast and actual demand. Section 6.7 describes a proposed mechanism which could be used to make adjustments for such changes.

6.4 Proposed PC28 Price Limits and Customer Tariff Impact

The overall revenue requirement has been allocated to customer groups in proportion to the volumes of water consumed and wastewater returned. Our PC28 Revenue Allocation model is included in Annex 6.1.1. Based on these allocations, we have calculated annual charge caps for each of the five tariff baskets, as shown in Table 6.3.

Table 6.3 - Proposed Price Limits (real)

Price limits (real) / %	2028-29	2029-30	2030-31	2031-32	2032-33
Unmeasured Water Supply	1.5%	1.5%	1.5%	1.5%	1.5%
Unmeasured Sewerage Services	3.8%	3.9%	3.9%	3.9%	3.9%
Measured Water Supply	3.8%	3.8%	3.8%	3.8%	3.8%
Measured Sewerage Services	4.7%	4.7%	4.7%	4.7%	4.7%
Trade effluent	2.6%	2.6%	2.6%	2.6%	2.6%
Weighted Average Charge Increase (WACI)	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
WACI (Water)	**2.0%**	**2.0%**	**2.1%**	**2.1%**	**2.1%**
WACI (Sewerage)	**3.8%**	**3.8%**	**3.8%**	**3.8%**	**3.8%**

The overall Weighted Average Charge Increase (WACI) has been calculated as 3.0% per annum on average in real terms. This means that, on average, customer tariffs will increase by this amount before inflation over the PC28 period. This is lower than the price limits determined by the Utility Regulator following the PC21 Mid Term Review and subsequently for the 2027/28 year. It also compares favourably with price limits determined by Ofwat for the recent PR24 price control.

The proposed real price increase reflects the additional revenue required to maintain essential services, meet rising statutory and environmental requirements and support the investment needed to address ageing infrastructure and enable sustainable growth. We recognise the importance of affordability and have sought to minimise the impact on customers by challenging expenditure and incorporating further operating and capital efficiencies. We will return the full PC21 revenue over-recovery to customers during the period and have also smoothed allowed revenue across PC28 to provide a more stable tariff profile. Together, these measures limit the scale and volatility of tariff increases while supporting the investment and service improvements required during PC28.

6.4.1 Impact on Customer Bills

The majority of our non-domestic customers pay a measured bill dependent on volumes of water consumed or sewage returned. For these customers, we are proposing a real terms increase in their bill. For example, a small, measured water and sewerage customer, using 285m3 per annum water (e.g. shop, bank or office) and claiming domestic allowance would see their average bill increase by 24.2% in real terms, from £608 in year 1 of PC28 to £756 at the end of PC28.

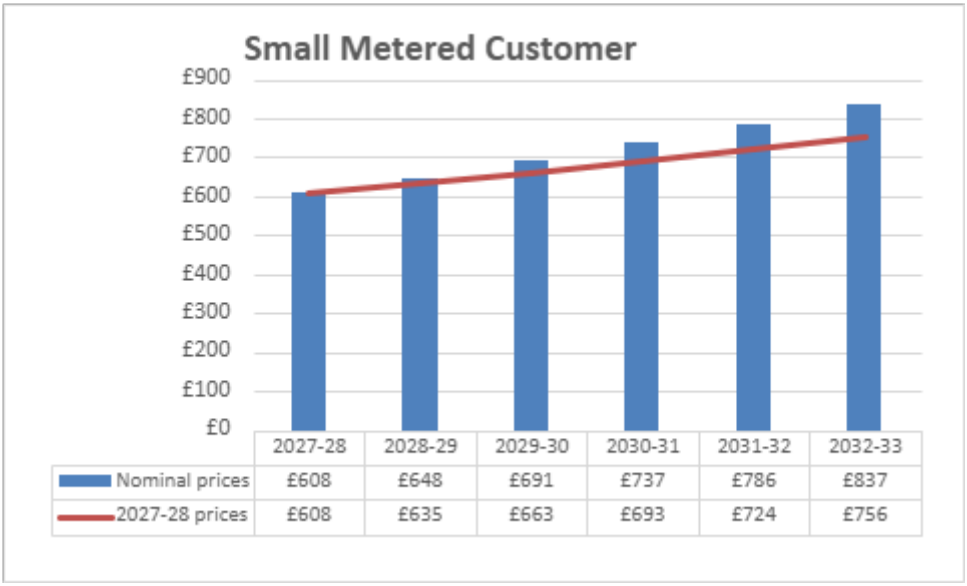


Figure 6.4 - Small measured customer bill movements, combined bill

A larger measured water and sewerage customer, using 1,306m3 per annum water (e.g. a nursing home) and claiming domestic allowance would see their average bill increase by 24.4% in real terms, from £5,588 in year 1 of PC28 to £6,951 in year 5 of PC28.

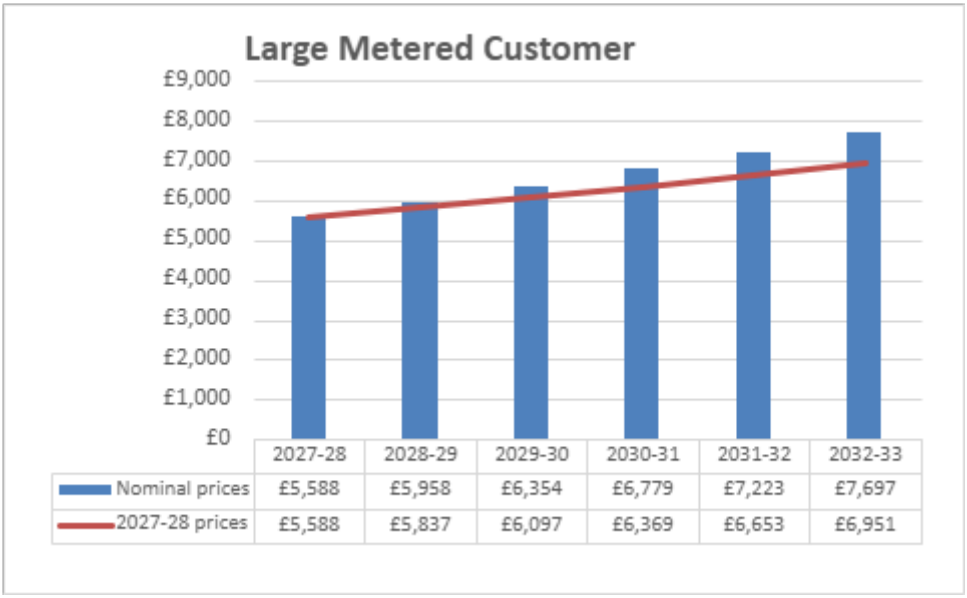


Figure 6.5 - Large measured customer bill movements, combined bill

We have forecast an increase in non-domestic unmeasured tariffs of 3.7% per annum in real terms. An average unmeasured customer with a NAV of £8,000 would see their average bill increase by 17.5% in real terms, from £490 in year 1 of PC28 to £576 in year 5 of PC28. Customers who pay these tariffs are currently billed based on their net annual valuation (NAV) however, they have the option to be metered or move to an assessed charge which is linked to measured tariffs.

Trade effluent customers will also see a real increase in their tariff which will rise by circa 2.6% per annum over the rate of inflation. The largest element of our revenue is paid for by DfI as subsidy on behalf of domestic customers. This subsidy is based on notional domestic tariffs which are calculated on the same basis as non-domestic tariffs. Over PC28, we are proposing the average notional domestic bill (combined water & sewerage) increases in real terms by 14.9% from £683 in year 1 of PC28 to £785 in year 5 of PC28.

6.5 Borrowing

In order to fund our capital enhancement programme, it will be necessary to borrow an additional £1.7bn over the PC28 period meaning our total borrowing will rise to approximately £4bn by the end of PC28.

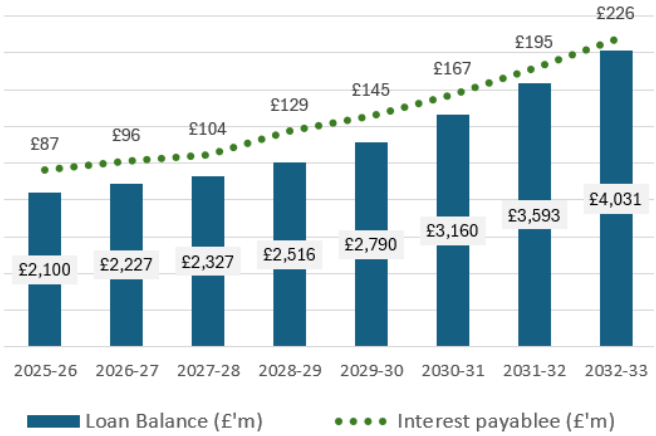


Figure 6.6 – Forecast borrowing and interest payments (Nominal)

NI Water cannot borrow externally and borrows solely from DfI via Capital Loan Notes (CLNs). NI Water's first and largest CLN is due for repayment in March 2028 (the maturity date having been extended from March 2027, removing the immediate going concern risk and allowing additional time to complete option appraisal and approval processes).

This CLN funded capital expenditure between 2007 and 2016 and has an outstanding balance of £984m with a weighted average interest rate of 4.76%. Under the Loan Instrument, principal and accrued interest must be repaid on maturity. NI Water, DfI and other stakeholders have been considering options for addressing the maturity of CLN 2027 since October 2020. Options explored have included debt forgiveness, debt-to-equity conversion, preference share issuance and refinancing through replacement debt. In April 2025, NI Water proposed that refinancing through replacement debt represented the preferred solution, whilst remaining open to alternative structures where these could demonstrably reduce financing costs and deliver value for money.

EY was appointed by NI Water as independent corporate finance adviser to undertake a detailed review of refinancing options. Following assessment of NI Water's funding model, debt capacity, market comparators, state aid requirements and public finance considerations, EY concluded that refinancing through a replacement Loan Note is the preferred option, with a potential variation to the new CLN tenor. This variation would take advantage of lower benchmark rates at shorter tenors of the Gilt yield curve and also to establish a series of staggered maturities for this CLN and the refinancing of future CLNs. This would mean that the impact of changes in benchmark rates can be moderated over time.

As NI Water interest rates are linked to UK government gilts, which remain volatile and well above PC21 FD levels, this 'feathering' approach with staggered maturities will help mitigate the impact of higher interest costs on customers. An approach is expected to be agreed in advance of year end, 31st March 2027, which we will share with the Utility Regulator to ensure most up to date forecasts are included in the determination. We have adopted EY recommendations in our PC28 Business Plan.

6.6 Financial Resilience

In previous price controls we assessed the financial strength and resilience of our plan by using a suite of industry standard financial ratios developed by Ofwat. As part of the Utility Regulator's PC28 approach document they sought alternative approaches for assessing financial sustainability.

We noted in our response to the approach that NI Water agreed with the Utility Regulator's assessment that current ratios are typically developed to ensure a regulated company can attract investment and service its debt. Given our funding model that could bring into question the applicability of these metrics.

However, even though NI Water doesn't operate under the same commercial model as private water companies in England and Wales, financeability metrics allow for performance comparison and offer a structured way to demonstrate responsible stewardship of public money.

With that in mind, and in the absence of an alternative approach, we have included a summary of these key financial ratios in Table 6.4.

Table 6.4 - Financial Ratios

Description	2028-29	2029-30	2030-31	2031-32	2032-33	Ave/ Closing	PR24 FD Ave
Cash interest cover	3.1	3.0	2.9	2.8	2.6	2.9	
Adjusted cash interest cover I (maintenance charges)	1.1	1.1	1.1	1.1	1.1	1.1	1.7
Adjusted cash interest cover II (maintenance expenditure)	1.3	1.2	1.2	1.1	1.1	1.2	
FFO: debt	11.6%	11.0%	10.4%	9.8%	9.2%	10.4%	9.5%
Retained cash flow: debt	12.6%	11.5%	11.2%	10.3%	8.2%	10.8%	
RCV Gearing	48%	50%	52%	54%	56%	52%	56%

6.7 Proposed Uncertainty Mechanism Process

NI Water has developed a robust, evidence-based Business Plan. However, differences between forecast and actual outcomes, particularly in relation to costs and demand, are an inevitable feature of an ex-ante regulatory framework. Recent geopolitical instability has further heightened the uncertainty inherent in forecasting over a multi-year period.

NI Water therefore considers that the regulatory framework should include an uncertainty mechanism, operating on a similar basis to Ofwat's cost change mechanism. This would provide a structured and transparent process for addressing exceptional or unforeseen events where predefined thresholds are exceeded. Adjustments would be permitted only where the impacts are material, demonstrably outside management control and not already covered by base allowances.

6.7.1 How the Process Would Work

The mechanism would operate alongside the annual tariff approval process. In its Draft or Final Tariff submission, NI Water would identify any qualifying event, quantify its revenue impact and propose a price limit adjustment over the remainder of PC28. Supporting evidence would demonstrate that the event was outside NI Water's reasonable control and that management had taken steps to minimise its impact on customers. Subject to Utility Regulator approval, the revised price limit would inform tariffs for the following year.

NI Water would seek to agree a balanced materiality threshold at cost-category level, assessed both annually and cumulatively, so that impacts below the threshold in one year could qualify when accumulated in a subsequent year. The practical application of the proposed approach has been presented to the CAWG, and the mechanism (with a worked example for illustrative purposes) is included in the PC28 Financial Model.

6.7.2 Principal Risks Covered by the Mechanism

In practice, NI Water considers the following categories of risk to be particularly appropriate for inclusion within an uncertainty mechanism:

- **Material uncertainty in operating costs,** as outlined in chapter 5, a number of costs including LPS rates, regulated electricity charges, regulator fees and a consultation on bathing waters may cause material increases or decreases in operating costs that cannot be reliably estimated. Where information becomes available before the FD, NI Water will share with the Utility Regulator.
- **Outstanding regulatory and policy consultations** where the final outcome results in material additional costs, obligations, or changes to service requirements. The Department for Infrastructure consulted between 21st March and 27th June 2025 on introducing developer contributions to help fund improvements to NI Water's existing wastewater infrastructure.
- **Interest rate movements** that lead to significant changes in financing costs compared with those assumed within the determination as detailed in section 6.5.
- **Demand variations** caused by exceptional external events, where actual water consumption, customer growth, or wastewater loading differs materially from forecast assumptions, impacting costs or revenues. This includes low-probability, high-impact incidents that could not reasonably have been anticipated at the time of the determination. Such events may include significant increases in demand due to the rise in AI data centres, major public health emergencies, severe economic disruption, cyber incidents, or other nationally significant events similar in nature and scale to the COVID-19 pandemic.
- **PPP Handback,** forecast costs to operate the Omega sites has been derived from the payments made to the existing operator. NI Water do not have access to actual costs so these costs are considered a reasonable proxy for the operating expenditure that NI Water will assume following cessation of the Omega PPP contract. There is a risk that actual costs are materially higher than the projected payments which we have seen within the Alpha contract, where indexed contractual payments have not increased in line with the costs of operating the sites, particularly in relation to the cost of chemicals and hired and contracted services.

6.8 Public Expenditure Projections

NI Water is classified as a Non-Department Public Body (NDPB) and therefore is required to operate within Public Expenditure (PE) limits. PE limits, also known as Departmental Expenditure Limits (DEL) are subdivided into operating costs (Resource DEL) and capital costs (Capital DEL). Resource DEL is further split into cash and non-cash.

Table 6.5 shows how this plan translates into both Resource and Capital DEL. In preparing these projections, we have assumed subsidy payments will be set in line with the Executive's agreed policy during the previous Programme for Government period:

- There will be no separate household payments for water and sewerage services;
- The domestic water allowance and the domestic sewerage allowance will be retained for eligible non-domestic metered customers; and
- Unmeasured non-domestic payments will remain at 50%.

Table 6.5 Public Expenditure Requirements

Category (£m)	2028-29	2029-30	2030-31	2031-32	2032-33	PC28
Cash	156.6	159.4	160.5	152.3	132.7	761.5
Non-Cash	167.7	186.9	215.4	248.1	280.3	1,098.5
Total Resource DEL	**324.3**	**346.3**	**376.0**	**400.5**	**412.9**	**1,860.0**
Capital DEL	**476.8**	**562.6**	**687.9**	**771.3**	**750.6**	**3,249.2**

6.9 Appendices and Annexes

The following appendices and annexes provide supporting information for this chapter.

Reference	Supporting Document
Appendix 6.1	Financial Databook
Annex 6.1.1	Revenue Allocation
Annex 6.1.2	Customer demand and growth projection