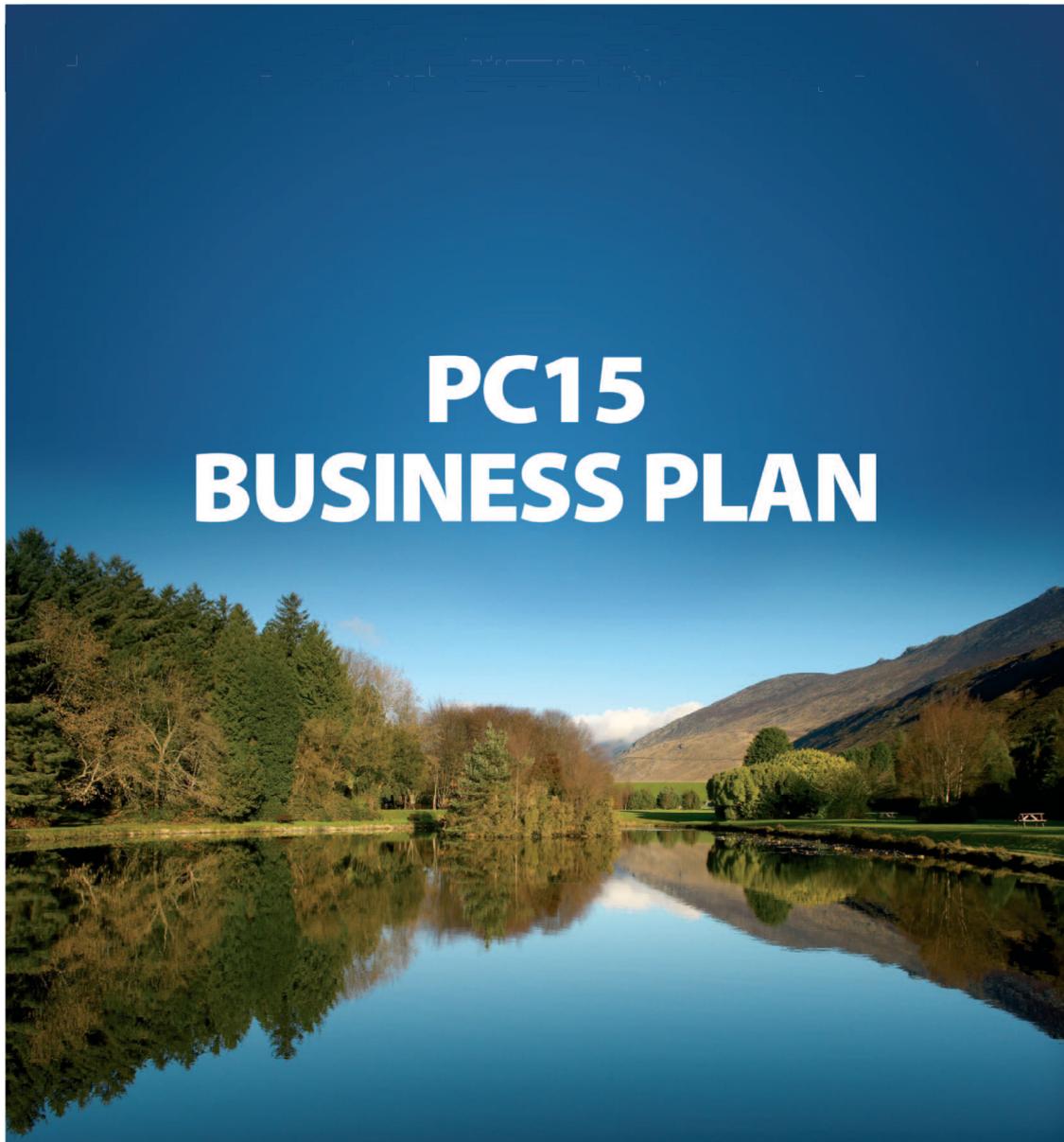


## The summary of our six year plan



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## Foreword

Everyone in Northern Ireland depends on high quality drinking water and the safe return of wastewater to the environment. NI Water provides a vital service which supports the health, environment and local economy of the communities it serves.



We are very proud of the significant improvements we have made to water and wastewater services in the seven years since we were formed as a government-owned company. We have achieved the highest ever levels of quality in both drinking water delivered to customers and wastewater compliance in Northern Ireland. Underpinning much of these improvements is the delivery of a £1.5bn investment programme since 2007/08 maintaining and improving our infrastructure. We are equally proud that these improvements in performance have been achieved against a background of improving control, efficiency and cost improvement.

Our PC15 Business Plan sets out our proposals for the six year period from 2015 to 2021. We intend to build on our successes and continue to improve the service to our customers today while investing to safeguard service for future customers. This plan reflects that we will do this with continued improvements in our efficiency.

We recognise that the services NI Water provides go beyond the fundamentals of clean, safe drinking water and removal of wastewater. Our goal is to make every interaction our customers have with us a quality interaction. We want customers to know we are listening to them, we are using their feedback and data to drive our investment programmes and we are making it easier for them to contact us. We recognise our staff as the key to unlocking these goals – empowering them to serve the communities in which they live.

Listening to our customers' views and building these into our plans is also essential for us to ensure that our customers' needs are at the heart of our service delivery. We have been pleased to work with the principal stakeholders in the water and sewerage industry in Northern Ireland who have helped us to shape this plan.

NI Water is ready to take up the PC15 challenge and looks forward to the support of all our stakeholders in delivering on it, putting our customers at the heart of all that we do.



Sara Venning, Chief Executive

## Our Improving Performance

Since NI Water was formed in 2007, we have steadily improved the quality of drinking water, levels of environmental compliance, the services we provide and the efficiency with which we operate.

### **Drinking water quality**

has remained at historically high levels.

### **Wastewater compliance**

is the highest ever in Northern Ireland.

### **Efficiency gap**

We have more than halved the gap with leading companies in England and Wales reducing operating costs by over £50M\*.

### **Customer Service**

The **OPA\*\* score has more than doubled** from 98 to 198.

### **We have invested £1.5bn**

in N. Ireland's water and sewerage infrastructure since our formation in 2007.

### **Pollution incidents**

are at a **record low**.

Figures above are based on audited performance for the year ended 31 March 2013.

\* Based on total operating costs including PPP and atypicals stated in 2012/13 prices.

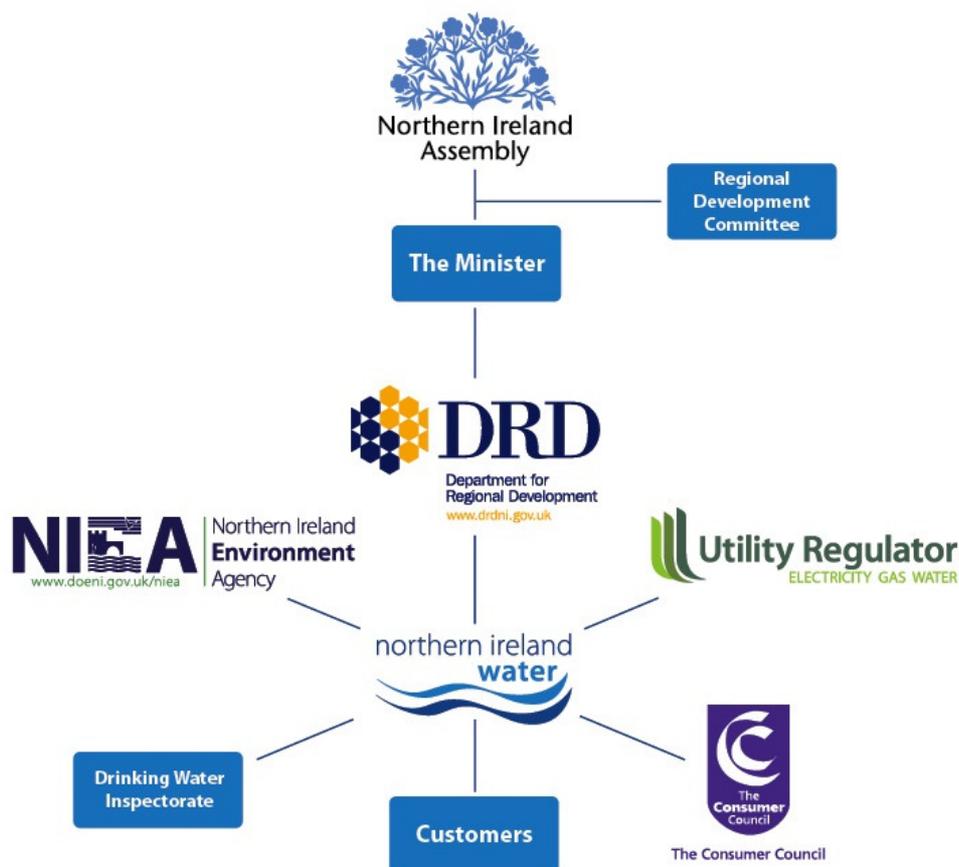
\*\*Overall Performance Assessment (OPA) is a composite measure of a range of targets the Utility Regulator uses to monitor the level of service NI Water provides to its customers.

# Industry Structure

NI Water is one of more than twenty providers of water and sewerage services in the UK, with differing ownership models in place across the country. Providers in England are privately owned companies; Wales has a not-for-profit company; Scotland has a statutory corporation and Northern Ireland has a Government Owned Company (GoCo). The Department for Regional Development (DRD) is the company's sole shareholder.

The Northern Ireland Assembly has decided to defer the introduction of domestic water charges. Instead, NI Water receives funding by means of a subsidy provided by DRD. Due to the level of subsidy, NI Water is also designated as a Non-Departmental Public Body (NDPB) and is subject to public sector spending rules.

As with all water and sewerage companies across the UK, NI Water is regulated. Regulators provide assurance that NI Water meets the interests of its customers, protects the quality of drinking water and the environment, and is accountable for its performance. The water industry structure in Northern Ireland is shown below.



It is recognised by stakeholders that the requirement for NI Water to operate both as a GoCo and an NDPB is sub-optimal. The NI Assembly is considering what changes might be made to the water industry in Northern Ireland to optimise performance and streamline governance.

# Our Vision and Strategy

## Our Vision

**To be a valued and trusted provider of one of Northern Ireland's most essential services; an organisation our customers and staff are proud of.**

To achieve our vision and as a prelude to the PC15 Business Plan, we have prepared 'Our Strategy for NI Water'.

This sets out our long term strategy for providing water and wastewater services to our customers in Northern Ireland. We believe our strategy should focus on the following eight priorities.

In our strategy, we outline the key challenges and opportunities facing the Northern Ireland water industry in the years to come.

To ensure we are prepared to address these challenges and opportunities, we outline our aspirations for our customers in 2040 and our priorities to the milestone year of 2020/21 - the end of the PC15 period.

Find out more about Our Strategy for NI Water at:  
<http://www.niwater.com/reports>



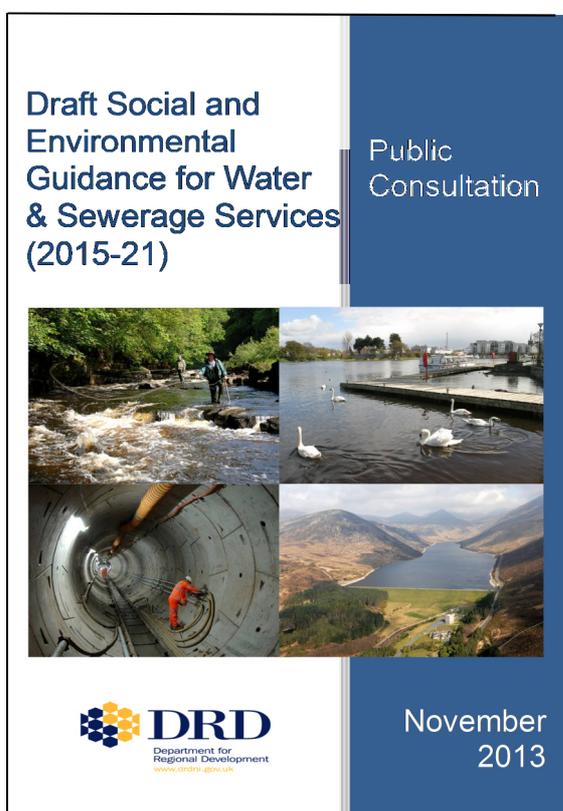
-  **We provide you customer service you value and expect**
-  **We provide you with clean, safe water to drink**
-  **We seek to give you value for money**
-  **We adapt to deal with the effects of climate change**
-  **We want to protect and enhance the natural environment**
-  **We take care of your waste water so it doesn't pollute your environment**
-  **We supply you with the water you need**
-  **We provide excellent service by having the right people doing the right thing for you**

# Customer First

## Customer views

NI Water, in conjunction with the Consumer Council, the Utility Regulator and DRD, undertook a comprehensive customer survey to establish which service areas customers want NI Water to prioritise and improve in the future.

The findings informed development of DRD's Draft Social and Environmental Guidance, NI Water's Company Strategy and our PC15 Business Plan.



## PC15 Social and Environmental Guidance

The Ministerial priorities for PC15 are set out in DRD's Draft Social and Environmental Guidance (S&EG) for Water and Sewerage Services (2015-21).

NI Water has used this to inform the development of its PC15 Business Plan.

# Benefits to our Customers

In PC15, we plan to build on the progress that has been achieved. In our customer engagement, customers told us that we must maintain existing service levels. Nearly 60% of our investment will be targeted on ensuring we can sustain the high levels of service we are currently delivering through to 2020/21.

Our capital investment programme aims to deliver the maximum possible outputs within the planned funding constraints, in line with DRD's Social and Environmental Guidance and our customer's priorities. In summary, our PC15 Business Plan will deliver the following benefits for our customers:

## **Drinking Water Quality**

maintained in accordance with PC15 S&EG.

## **Leakage Reduction**

Reduce leakage by 7 million litres a day from 2012/13 to 2020/21.

## **Improving Water Pressure**

Removing more than 830 properties from our low pressure register.

## **Supply interruptions**

Downward trend with focus on interruptions >6 and >12 hours.

## **Customer Experience**

New targets introduced to measure customer experience.

## **Improving Wastewater compliance**

By 2020/21, 99.16% of population equivalent served by compliant works.

## **Reducing Risk of flooding**

Removing 62 properties from our register of properties at risk of internal sewer flooding.

## **Pollution incidents**

Downward trend in PC15.

# Capital Investment

For the PC15 Business Plan, we have assumed that our capital investment is constrained at £990m (nominal) as stated in DRD's draft PC15 Social & Environmental Guidance.

NI Water estimates that if additional Public Expenditure capital budget was to be made available, we could efficiently invest c£1.7bn during the PC15 period.

## Our Aims for Capital Investment

We will invest the constrained capital wisely to maintain our services to customers and the environment.

### Cleaner

We have already achieved the best ever drinking water quality and wastewater compliance in N Ireland. We will maintain these high standards and improve them where possible. This is what our customers want.

### Greener

This is our most sustainable plan ever. We will invest in technologies which generate less carbon and plans which protect the environment. This is what the environment needs.

### Safer

We want the environment to be safe from harmful discharges and our staff to be safe at work. We will invest in reducing flooding from our sewers and maintain our record as a safe utility. This is what our colleagues and community deserve.

### Leaner

We have less capital to spend, so we have to invest even more wisely to maintain services to customers. We have consulted closely with customers, regulators and policy makers to deliver an efficient and effective plan. This is what our stakeholders want.

The PC15 capital investment will deliver the following:

## Proposed Water Investment

- Current service levels maintained
- 816km of water main rehabilitation / replacement
- 2 nominated trunk main schemes to improve security of supply
- 9 water treatment works schemes
- 3 clear water basins being provided / enhanced
- Removing more than 830 properties from our low pressure register



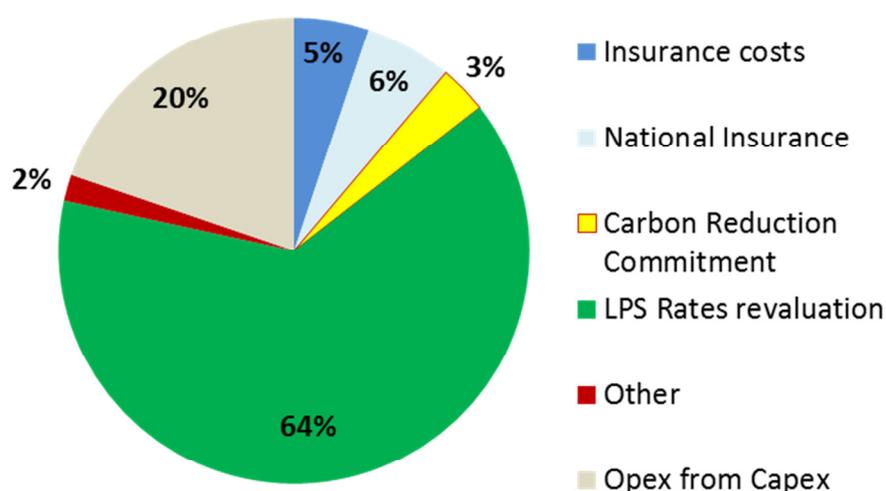
## Proposed Wastewater Investment

- Current service levels maintained
- 74km of new and upgraded sewers
- Removal of 54 unsatisfactory sewer discharges
- 19 large WwTW upgrades
- Programme of upgrades to 45 small WwTWs
- Remove 62 properties from register of properties at risk of internal sewer flooding by company action

## Operating Expenditure

In line with the Utility Regulator's requirements, our PC15 Business Plan takes 2012/13 as the base year for measuring operating expenditure and efficiencies.

From the base year of 2012/13, we have proposed new and additional costs of £16m by 2020/21. 80% of the new cost increase is driven by factors outside of our control. The other 20% is as a result of capital investment to modernise and improve our water and wastewater assets. The proportion of new and additional costs is illustrated below.



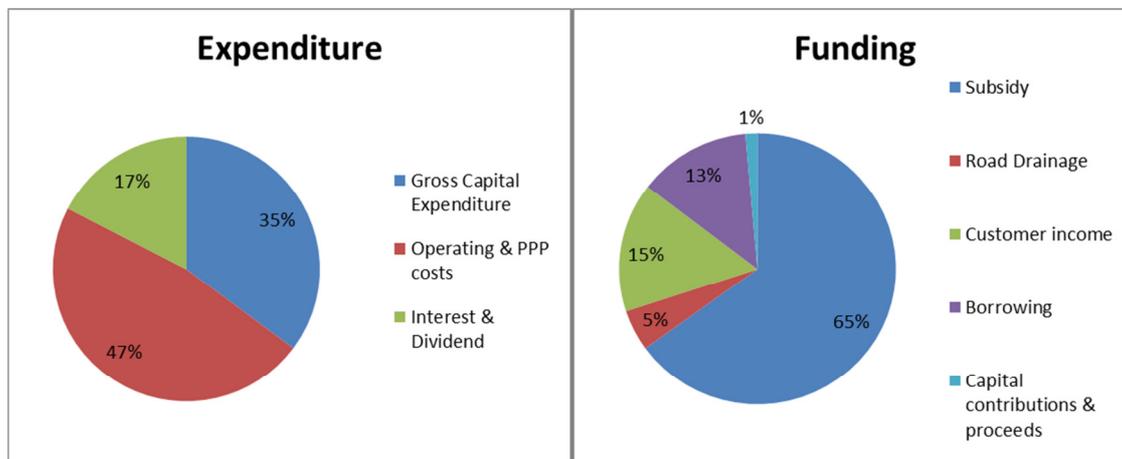
NI Water is ambitious about continuing to close the gap in operating costs in PC15. We are proposing to close three quarters of the gap to the frontier companies in England and Wales by 2020/21.

Our PC15 Business Plan is designed to deliver cumulative efficiencies of 16% by 2020/21; this equates to sustainable cost reductions of £22.0m from the PC15 base year of 2012/13.

| 2012/13 Prices                            | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---------|---------|---------|---------|---------|---------|
| <b>Total Opex £m</b>                      | 188.3   | 190.0   | 191.9   | 191.8   | 192.2   | 190.5   |
| <b>Efficiency savings £m (cumulative)</b> | (6.3)   | (9.5)   | (14.0)  | (18.2)  | (18.5)  | (22.0)  |
| <b>Net Opex £m</b>                        | 182.0   | 180.5   | 177.9   | 173.6   | 173.7   | 168.5   |

## What our plans will cost?

Over the 6-year PC15 period, our proposals will cost £2.8bn. The categorisation of the expenditure and the funding proposals in the Business Plan are illustrated below.



One of our strategic priorities is to deliver value for money and keep bills stable in real terms; our PC15 Business Plan achieves this in overall terms.

## What Happens Next?

Our PC15 Business Plan is designed to build on our progress to date. It is designed to ensure stability of services to customers while enhancing the customer experience within the financial parameters.

We submitted the PC15 Business Plan to the Utility Regulator in March 2014. After scrutiny of the Business Plan, the Utility Regulator will issue a Draft Determination in July 2014 taking a view on the level of funding for NI Water and associated outputs. This will be followed by a period of consultation before the Utility Regulator issues a Final Determination in December 2014.

The PC15 period commences on 1 April 2015.