



Monitoring Plan for 2015-16

November 2015



MONITORING PLAN FOR 2015-16

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Foreword

Our PC15 Business Plan set out our proposals for the six year period from 2015 to 2021. We intend to build on our successes in PC10 and PC13 and continue to improve the service to our customers today while investing to safeguard service for future customers. Our PC15 Business Plan reflected that we will do this with continued improvements in our efficiency.

The Utility Regulator published the PC15 Final Determination (FD) which challenged us to stretch our plans even further. In February 2015, NI Water advised the Utility Regulator that the Board would on balance have been willing to accept the PC15 FD but due to no clarity of funding beyond the first year of PC15 and a shortfall in funding in 2015-16, it had no option but to reject the PC15 FD in the circumstances.

From an NI Water perspective, PC15 provides the opportunity for a balanced package for a 6-year price control period. It proposed a medium term financial settlement which would allow NI Water to plan efficiently and deliver the programme of work to improve services to customers and reduce costs out to March 2021.

At the time of writing, there is no further clarity on the funding position beyond the end of the year. As a result this Monitoring Plan outlines the key commitments NI Water is making to its customers, shareholder and stakeholders for 2015-16 only.

While we continue to engage with government and wider stakeholders to fund water and sewerage services to the level set out in the PC15 FD, our focus remains on delivering water and wastewater services in a sustainable way including investment in the local economy and supply chain. Improving the customer experience is at the core of our daily work and we haven't lost sight of this in the present funding difficulties.



Sara Venning
Chief Executive

November 2015

1 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



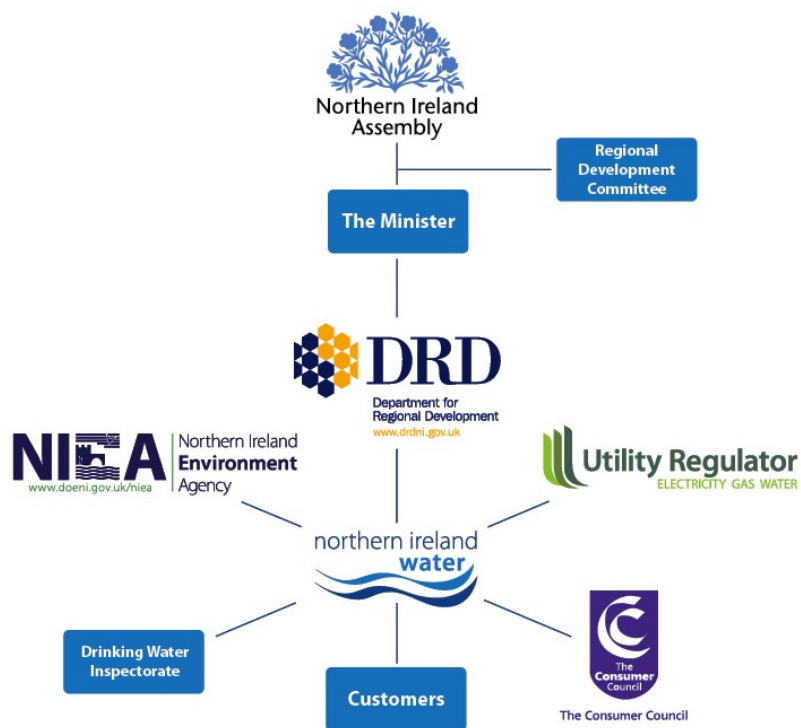
We provide excellent service by having the right people doing the right thing for you

2 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.

3 Adjusted Outputs for 2015-16 due to reduced funding

Our PC15 Business Plan set out our proposals for the six year period from 2015 to 2021. We intend to build on our successes in PC10 and PC13 and continue to improve the service to our customers today while investing to safeguard service for future customers. Our PC15 Business Plan reflected that we will do this with continued improvements in our efficiency.

The Utility Regulator published the PC15 Final Determination (FD) which challenged us to stretch our plans even further. In February 2015, NI Water advised the Utility Regulator that the Board would on balance have been willing to accept the PC15 FD but due to no clarity of funding beyond the first year of PC15 and a shortfall in funding in 2015-16, it had no option but to reject the PC15 FD in the circumstances.

On 3 March 2015, DRD wrote to NI Water confirming the final 2015-16 budget position for NI Water of £109.2m DEL¹ Resource Cash and £140m DEL Capital. This resulted in a total shortfall of £22.7m compared to the PC15 FD.

DRD stated that work was needed to assess changes to outputs required of NI Water because funding is not at the level required by the Utility Regulator. NI Water and the Utility Regulator have been working through a process to assess changes to outputs required including the impact of lower than forecast inflation.

In the absence of a medium term financial settlement NI Water has prepared a 1-year Monitoring Plan to summarise the outputs it plans to deliver in 2015-16, adjusted for reduced PE² funding.

4 Summary of Key Benefits to our Customers

In 2015-16 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.

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 (S&EG) and our customer's priorities.

¹ Departmental Expenditure Limits

² Public Expenditure

In summary, our plans for 2015-16 will deliver the following benefits for our customers:

Drinking Water Quality

maintained in accordance with PC15 S&EG.

Leakage Reduction

Reduce leakage by 3 million litres a day from 2014-15 level.

Improving Water Pressure

Removing more than 90 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 31 December 2015, 98.08% of population equivalent served by compliant works.

Reducing Risk of flooding

Removing 6 properties from our register of properties at risk of internal sewer flooding.

Pollution incidents

Continuing downward trend.

Further details on our plans for 2015-16 are included in Annex 1.

5 Our commitments on Service to Customers

Overview

The Monitoring Plan outputs are those as presented in the PC15 Final Determination for 2015-16 adjusted for reduced Public Expenditure (PE) funding in 2015-16. The detail can be found in Annex 1.

Any further amendments to the programme will be managed through due regulatory process as agreed by key statutory stakeholders.

The PC15 Final Determination also included key development areas which cannot be monitored by numerical targets. NI Water is committed to delivering on these key development areas.

Impact of reduction in PE funding

NI Water and the Utility Regulator have exchanged letters in relation to the impact of reduced funding on outputs.

Resource DEL

The Utility Regulator holds the view that lower RPI reduces the Resource DEL funding gap to a level which is small enough to be viewed as 'achievable outperformance' and requires no adjustment to service levels. While NI Water agrees that reduction in the RPI forecast reduces the impact of reduced Resource DEL funding, assuming outperformance on an already challenging Final Determination is not a sustainable position.

Nevertheless we have agreed to hold service targets at PC15 Final Determination levels in 2015-16 on the basis that if some of the targets are not achieved, stakeholders will acknowledge and recognise related impact of reduced funding position.

Capital DEL

Stakeholders agreed adjustments to the 2015-16 capital programme as a result of reduced Capital DEL at Outputs Review Group (ORG) meeting in June 2015. In subsequent correspondence in August 2015, the Utility Regulator agreed the revised capital programme was reasonable but concluded reducing inflation, additional efficiencies and capital contributions meant that more additional outputs could be delivered in-year.

While NI Water agrees that reduction in the RPI forecast may reduce the impact of reduced Capital DEL and the capital programme can be prone to change as issues emerge, the reality is that the performance of the capital programme can only be assessed over a period of time.

NI Water has largely agreed to hold nominated outputs at PC15 Final Determination levels in 2015-16. Impacts have been restricted length of water mains, DG5 out of sewer flooding and small Wastewater Treatment Works. The detail can be found in Annex 1.

The impact on nominated outputs will more likely be in future years and directly dependent on PE funding available.

Monitoring

The Utility Regulator has prescribed two tables³ (Tables 1 and 2 in Annex 1) to set out the key targets which we will be striving to achieve in 2015-16.

Progress in the delivery of our 2015-16 commitments will be monitored by stakeholders⁴ through quarterly Outputs Monitoring Submissions and an Annual Information Return (AIR).

³ PC15 Monitoring Plan Information Requirements, January 2015, The Utility Regulator

⁴ Consumer Council for Northern Ireland; Drinking Water Inspectorate; Northern Ireland Environment Agency; Department for Regional Development; and the Utility Regulator.

Annex 1 - Tables

Table 1 - Commitments on Water Provision and Service Outputs

Line description		Units	DP	PC13			PC15		
				2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
A Consumer Service Water									
1	DG2 Properties at risk of low pressure removed from the risk register by company action	nr	0	132	186	92			
2	DG2 Properties receiving pressure below the reference level at end of year	nr	0	1,257	1,082	1,040			
3	DG3 Supply interruptions > 12hrs (unplanned and unwarned)	%	2	0.14	3.10	0.18			
4	DG3 Supply interruptions (overall performance score)	nr	2	0.97	11.72	1.07			
5	DG6 % billing contacts dealt with within 5 working days	%	2	99.92	99.97	99.90			
6	DG7 % written complaints dealt with within 10 working days	%	2	99.72	99.96	99.50			
7	DG8 % metered customers received bill based on a meter reading	%	2	99.11	99.11	99.00			
8	Call Handling Satisfaction score (1-5)	nr	2	4.63	4.65	4.65			
9	DG9 % Calls not abandoned	%	2	98.40	97.99	99.00			
10	DG9 % calls not receiving the engaged tone	%	2	100.00	99.99	99.90			
11	Overall Performance Assessment (OPA) score (11 Measures)	nr	0	216	206	218			
12	Total Leakage	MI/d	0	167	166	163			
13	Security of supply index	nr	0	100	100	100			
14	Percentage of NI Water's power usage derived from renewable sources	%	1	33.1	51.4	20.0			
B Quality Water									
15a	% overall compliance with drinking water regulations	%	2			99.79			
15b	% compliance at consumers tap	%	2			99.69			
16	% iron compliance at consumers tap	%	2			97.10			
17	% Service Reservoirs with coliforms in >5% samples	%	2	0.00	0.00	0.00			
C Water Outputs									
18	Water mains activity - Length of new, renewed or relined mains	km	0	226	223	93			
19	Completion of nominated trunk main schemes	nr	0	0	1	2			
20	Completion of nominated water treatment works schemes	nr	0	0	3	1			
21	Completion of nominated improvements to increase the capacity of service reservoirs and clear water tanks	nr	0	0	1	0			
D Serviceability									
22	Water infrastructure serviceability	Text	N/A	Stable	Stable	Stable			
23	Water non-infrastructure serviceability	Text	N/A	Stable	Stable	Stable			
E New Output Measures									
24	Number of Catchment Management Plans	nr	0			3			
25	Number of lead communication pipes replaced under the proactive lead replacement programme	nr	0			1,844			
26	Number of school visits	nr	0			176			
27	Number of other education events	nr	0			57			
28	% Service Reservoirs where sample taps have been assessed and are to required standard	%	1			0.0			

Table 2 - Commitments on Sewerage Provision and Service Outputs

Line description		Units	DP	PC13		PC15
				2013-14	2014-15	2015-16
A Consumer Service Sewerage						
1	DG5 Properties at risk of flooding - number removed from the 2 in 10, 1 in 10 and 1 in 20 risk register by company action	nr	0	11	28	6
2	DG5 Properties on the 2 in 10, 1 in 10 and 1 in 20 risk register at the end of the year	nr	0	190	179	179
B Quality Sewerage						
3	% of WwTWs discharges compliant with numeric consents	%	1	92.0	92.4	91.1
4	% of total p.e. served by WwTWs compliant with numeric consents excluding upper tier failures	%	1	98.0	98.4	98.1
5	Small WwTW compliance (works greater than or equal to 20p.e. but less than 250p.e.)	%	2			80.07
6	Number of high and medium pollution incidents attributable to NI Water	nr	0	26	25	28
C Sewerage Outputs						
7	Sewerage activity - Length of sewers replaced or renovated	km	0	25	21	11
8	Delivery of improvements to nominated UIDs as part of a defined programme of work	nr	0	11	17	27
9	Delivery of improvements to nominated WwTWs as part of a defined programme of work	nr	0	17	16	4
10	Small wastewater treatment works delivered as part of the rural wastewater investment programme	nr	0	7	18	1
D Serviceability						
11	Sewerage infrastructure serviceability	Text	N/A	Stable	Stable	Stable
12	Sewerage non-infrastructure serviceability	Text	N/A	Stable	Stable	Stable
E New Output Measures						
13	CSO and EO discharges at which event and duration monitoring equipment has been installed	nr	0			0
14	WwTWs upgraded to comply with PPC Regulations	nr	0			0
15	Impermeable surface water collection area removed from the combined sewerage network	m ²	0			27,000
16	Number of sustainable WwTW solutions delivered (p.e. ≥ 250)	nr	0			0
17	Number of sustainable WwTW solutions delivered (p.e. < 250)	nr	0			0

Glossary

AIR	Annual Information Return
CCNI	Consumer Council for Northern Ireland
DEL	Departmental Expenditure Limits
DG measures	Director General measures – regulatory key performance indicators
DG2	Reference to the number of properties at risk of receiving low pressure
DG3	Reference to the number of properties affected by unplanned and un-warned interruptions to water supply
DG5	Reference to the number of properties at risk of internal flooding
DG6	Reference to the percentage of billing contacts dealt with within 5 days
DG7	Reference to the percentage of written complaints dealt with within 10 days
DG8	Reference to the percentage of metered customers receiving bill based on a meter reading
DG9	Reference to telephone call handling
DRD	Department for Regional Development
DWI	Drinking Water Inspectorate
GoCo	Government Owned Company
ICAT	Instrumentation Control Automation & Telemetry
NDPB	Non-Departmental Public Body
NIEA	Northern Ireland Environment Agency
OPA	Overall Performance Assessment
ORG	Outputs Review Group
PC10	Price Control period April 2010 – March 2013
PC13	Price Control period April 2013 – March 2015
PC15	Price Control period April 2015 – March 2021
PPC	Pollution Prevention and Control
PSCMD	Preservation of Services and Civil Emergency Measures Direction
PE	Public Expenditure
RPI	Retail Price Index
S&EG	Social & Environmental Guidance issued by the DRD
SuDS	Sustainable Urban Drainage Systems
UID	Unsatisfactory Intermittent Discharges
Utility Regulator	Northern Ireland Authority for Utility Regulation
WTW	Water Treatment Works
WwTW	Wastewater Treatment Works