

What we use and dispose of



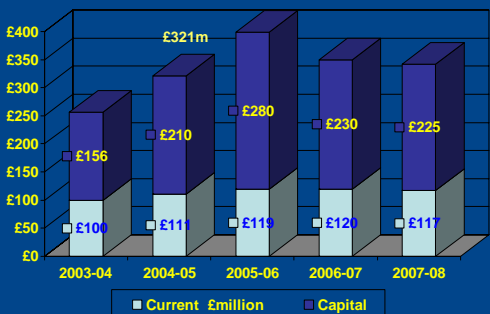
Each day:

- Water Service supplies over 700 million litres of treated drinking water
- each person uses 145 litres of treated water

Each year:

- Water Service treats and disposes of 135 million cubic metres of sewage

It's not free – Water Service Budget 2003 – 2007



What changes are planned?



- New household charges
- New self-financing arrangements for the delivery of services
- New mechanisms to protect consumers and regulate industry
- Investment in technology and infrastructure
- New ways of working – fewer staff
- More money for other public services

All to come into effect from 1 April 2007

The Reasons for Change



Change is necessary to:

- sustain a £3 billion investment programme
- provide a secure and reliable source of income for water and sewerage services
- ease financial pressures on other public services - Northern Ireland does not receive any Treasury funding for water and sewerage services
- avoid unnecessary costs which would arise if Water Service stays in central government
- comply with the European Water Framework Directive

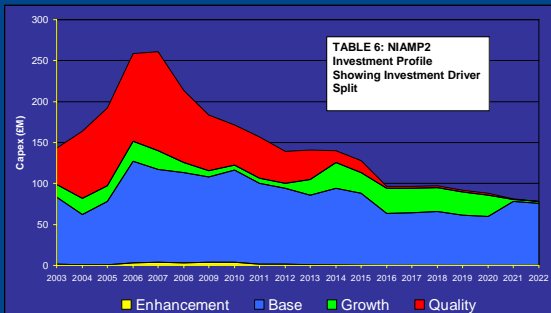
Why is so much investment needed?



Up to £3 billion of investment is needed between 2003 and 2023 to:

- address a legacy of under-investment
- repair, upgrade and maintain sewers, pipes, treatment works, and facilities
- comply with EU directives on water quality and environmental protection
- respond to housing growth and lifestyle changes
- reduce the risk of flooding to homes and businesses

Current and Future Investment 2003 - 2022



The Policy Proposals

New Charges - Key Principles

Charges should:

- recover from customers the full costs of providing water and sewerage services
- be consistent with the EU Water Framework Directive
- not be unduly preferential or discriminatory between customer classes
- take account of the customer's ability to pay.

New Household Charges

- All households should:
 - pay something if connected to water or sewerage system
 - pay a standing charge of around £55 each for water and sewerage (£110 total if connected to both services)
 - pay a variable charge based on capital value of property (to be assessed by VLA)
- No household should be disconnected for non-payment of charges or debt.

What about low-income households?



Charges to take account of consumption and ability to pay:

- Capital value scheme skews higher charges to more affluent areas
- Households in receipt of Housing Benefit, Rate Rebate, or proposed new Rate Relief would get a 25% discount
- Special hardship relief scheme
- Discounts funded by other charge-payers

How much will we pay?



- New charges to be phased in over three years: 1/3 first year; 2/3 year two; full charges year three
- Lowest charge of around £150 per year - maximum capped at £750 per year

Property value	Estimated full bill	1/3 of full charge – 2006-07	With 25% discount – 2006-07
60,000	240	80	60
110,000	340	115	85
150,000	420	140	105
250,000	615	205	155

What about metering?



- Metering to be available after phasing-in period
- Would provide incentive to reduce consumption and be seen by many as “fair”
- But would be costly - £200 for an old house, £50 for those built after 1994
- Total capital cost could be in the region of £120 million
- Costs and impact on all customers being examined – need to protect vulnerable and those on low incomes

Changes in non-domestic charging



- Domestic allowance to be phased-out
- New sewerage charges for non-domestic customers with meters
- Metering of non-domestic premises will be widened
- Un-metered customers will pay standing charges for water and sewerage services plus a variable charge based on rateable value (capped at around £1,500 per annum)
- Charging for disposal of trade effluent will be widened
- New charges to be phased-in

Typical Non Domestic Changes



Average pa increases (before phasing)

- Farm: £140
- Shop (medium-sized): £600
- Large business: £3000
- Premises without meters: £200-250
- Trade effluent charges: £300

New Water and Sewerage Government Company



- A Water and Sewerage GoCo to be set up under company's legislation and wholly owned by Government
- The GoCo will have greater flexibility to deliver the most efficient service to its customers at affordable prices
- The Board of Directors will be appointed by the Regional Development Minister
- Efficiency programme being delivered, including job reductions
- Crown Immunity will be removed

Economic and Consumer Regulation



- Robust regulation will be essential to deliver the efficiency programme; drive through major investment; and ensure that charges are fair and affordable
- The Northern Ireland Authority for Energy Regulation (NIAER) is to regulate the GoCo
- NIAER is an established and experienced regulatory body, familiar with regulating the local utility sector

Consumer Representation



- The General Consumer Council for Northern Ireland (GCCNI) is to be appointed consumer representative on water and sewerage issues
- GCCNI is the recognised voice of consumer representation in Northern Ireland
- GCCNI will provide a strong independent voice for water and sewerage customers when the GoCo is established

Water charges benefit public services



Up to £300 million per year after direct water charges are fully phased in

Plus

Retained RRI borrowing power, now worth £200 million per year

And puts water and sewerage services on self-financing basis

Past/planned Investment

