



## **Independent Water Review Panel Strand Two Submission from the Consumer Council**

### **Introduction**

- Legislation and structures that are fit for purpose
- Consumers must be at the heart of all discussions
- Quality model at lowest cost
- Support that consumers pay for quality services but not a penny more than they need to.

### **Feedback on Strand 1 Report**

- Fully support the Panel's work and believe recommendations are the best starting point.
- Welcome the customer-focused approach and strong recommendations
- Recommend that the full body of research and evidence gathered by the Panel to inform their conclusions should be made available
- Consumer Council's preliminary analysis concluding the average bill of £120 based on the pegged price of £334 at 2010. Agreement that analysis in line with that of the Panel but that they based their average on the unpegged price. Agreement that the Consumer Council would use the unpegged price for consistency with the Panel in future analysis.
- Queries on a few points for consideration by the panel:
  - Is £160 average from the rates bill frozen for the next three years or will it rise with inflation?
  - There should be clear presentation of the water charge on any bill – people need understanding of their bill.
  - Strand 1 Report does not say anything about a cap on charges, will there be one?

- Strand 1 Report does not provide clarity on Panel's position regarding ongoing metering of new builds, or continuation of metering on farms with or without the domestic allowance.

### **Approach to Strand 2 Report**

- Decisions on governance, accountability and focus on the fact that the previous proposals and policies were developed in the absence of the NI Assembly and the ruling-out of privatisation.
- Public trust and confidence has halved since 2002. It is important that decisions on governance seek to address this issue to give public and political legitimacy to the need to invest and plan to invest in our valued water and sewerage services.
- Legislation – amendments should be identified where necessary, and also areas which can progress without legislative change to avoid unnecessary cost or further delay.
- Water consumers should have the same level of protection and powers as energy consumers. All flaws in the legislation must be fully addressed and mechanisms introduced to ensure water consumers are protected equally to energy consumers.
- Further potential for the average bill to be lower should be explored in Strand 2 to make the bill more affordable for all.
- Ability to pay is a central concern for consumers. Proper protection through the affordability tariff (or whichever approach found most appropriate) must be aligned with the rating system in order to fully cover all those who need it, it must go further and reach more households than the previously possible, including the asset rich, income poor currently being assessed under the Minister for Finance and Personnel's Rating Review.
- Consumer research has been conducted by the Consumer Council over the last 6 years. We attach this for your information and reference during the strand 2 studies to make sure that the consumer voice is heard in your discussions.

- The focus must be on proper governance and accountability as well as clarity of roles and responsibilities.
- The Consumer Council does not have a preferred business model. Any business model must focus on openness, transparency and accountability to consumers and delivery of quality water and sewerage services at lowest cost and highest efficiency.
- Accountability to the Regional Development Minister and the NI Assembly requires clarification.
- A balance needs to be struck between the economic context which has had primacy under the previous proposals with the social and environmental context. There needs to be clear representation of how these different perspectives feed into the water and sewerage services priorities ahead of agreement on strategic business plans and prices.
- Examples from elsewhere pertaining to the business model and governance arrangements should be examined to learn lessons and get the best fit for here and for now.

## **Legislation**

- We recognise the need for flexibility and progression, but key issues require a more robust standing in primary legislation and cannot be left for secondary legislation or MOUs.
  - There needs to be distinct clarity of all roles of each of the statutory partners within the Order;
  - The primacy of the Minister and, by reference, the Executive and the Assembly must be addressed;
  - The multiple roles of DRD and potential conflict of interest must be addressed in the context of the restoration of devolution;
  - The independence of the Regulator needs to be strengthened in legislation to remove any potential fettering or curtailing by DRD;
  - The powers of the Consumer Council must be addressed to bring into line with energy role.

- Needs to be fully reflective of the unique Northern Ireland situation rather than be parachuted statute from England and Wales. The legislative framework must recognise:
  - Designed and suited to Direct Rule administration;
  - Privatisation has been ruled out; and
  - Only one undertaker operating in a natural monopoly environment.
- There should be true independence, but accountability for each of the statutory partners.
  - The re-established Northern Ireland Assembly – what is its role in the governance and strategic direction of the water company?
  - The role and scope of Ministerial guidance for the water company needs to be provided in legislation;
  - Clear lines of accountability should be introduced
  - Issues such as Affordability Tariff are social policy and should be approached as such;
- All barriers to the access of information should be removed.
  - Comprehensive access and sharing of all information should be provided for; and
  - Commercial in confidence argument needs to be proven as non valid.

## **Licence**

- Principles of a good licence:
  - Should allow for clear understanding of all the conditions of an appointment;
  - Clearly state what is required of the Appointee to meet these conditions;
  - Set out clearly defined targets for compliance with specified requirements;
  - Set further regulatory arrangements and how the Appointee is to be measured and monitored;
  - Explain the reporting requirements of an Appointee;

- Explain how an Appointee can set all charges and fees, and how they need to be published;
- Set out the accounting rules and accounting information necessary for the Appointee to follow and provide;
- Explain the processes of the management, disposal and change of use of all assets; and
- Establish the framework for the provision of information to all stakeholders.
- Flaws of existing licence:
  - Approach in developing licence:
    - Simple adaptation of E&W privatised licence; and
    - No consideration of more recent progressive energy licences in NI
  - Reinforcement of multiplicity of DRD's roles and inhibition of Regulatory independence;
 

Issues that are detrimental to consumers need to be addressed in the Licence or removed.

### **Governance Letter**

- Governance arrangements must follow best practice.
- Good governance is underpinned by the key principles of openness, transparency, accountability, integrity, and participation.
- As privatisation has been ruled out governance should be based on The Good Governance Standard for Public Services.
- The same problems exist in the governance letter as in the legislation and Licence.
- Challenging management targets must be established-we need to achieve greater than the average.
  - Currently the few targets that are set are weak and ill defined.
  - Incentive scheme designed around these targets.
- All objectives must be SMART objectives.
  - Current shareholder objectives are weak and vague.
  - Compare unfavourably with other companies.

## **Business Model**

The Consumer Council does not have a preferred business model structure but the features of importance include:

- Must provide best value for consumers – high quality service at lowest possible cost and highest possible efficiency
- Must have an underpinning financial model which is lowest cost possible
- Must be focused purely on providing water and sewerage services
- Must have set, well defined and challenging performance targets and objectives, both short and long term with appropriate monitoring arrangements
- All revenue streams must be for investment in water and sewerage services
- Must be fully accountable to the Minister and, by reference the Executive and the NI Assembly
- Must be fully and independently regulated ensuring formally the balance of social, environmental and economic interests in an open, transparent and accountable way
- Information must be fully accessible to all stakeholders
- Should be governed by a relevant board of directors selected via an open and transparent process and reflecting criteria which does not debar local perspectives ie someone who receives a bill or a service from the company
- Must have access to borrowing at the lowest cost level for both short and long term borrowing