



475 Antrim Road  
Belfast  
BT153DA

T: 02890370222  
F: 02890371231  
E: [info@ufuhq.com](mailto:info@ufuhq.com)  
W: [www.ufuni.org](http://www.ufuni.org)

**25 June 2024**

Dr Paul Stewart  
Price Control Manager (NI Water Lead)  
UREGNI Water Responses  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED

Dear Paul,

## **Price Control for Water and Sewerage Services 2021-2027 Mid-Term Review Draft Determination**

### **1. Background**

The Ulster Farmers Union (UFU) is the largest landowner representative organisation in Northern Ireland with over 12,000 members and we welcome the opportunity to provide our views on the Price Control for Water and Sewerage Services 2021-2027 Mid-Term Review Draft Determination.

### **2. Northern Ireland Agriculture**

Farming is the biggest industry in Northern Ireland with 75% of land used for agriculture. Almost 25,000 farm businesses in Northern Ireland support over 51,760 jobs. Gross output of Northern Ireland agriculture is estimated at £3.07 billion for 2022. There were also increases in the output for almost all sub-sectors. In particular milk output was £1.13 billion.

#### **- Agriculture use of water**

Water is a critical aspect of food production, essential in keeping livestock hydrated, helping to ensure crops thrive through their growth stages and to stimulate grass growth. In the UK, a significant amount of water is used in agriculture. It is estimated that around 8-10% of water use in the UK is for home and business use, with the remainder being used in agriculture.

### **3. Increase in customer tariff**

The Utility Regulator (UR) has recognised that NI Water power costs have increased significantly since the PC21 Final Determination and that customers tariffs will increase by 4.6%. Yet Northern Ireland agriculture also faced record rises in on-farm input prices (including power) which our industry relies in food production.

#### **• Rising Farm Input Costs**

For the year up to September 2022, farming input costs jumped by a massive 34.15%, with no sector able to hide from rapidly rising prices; Cereals up 40.11%; Potatoes 39.65%; Dairy 36.94% and Beef and Lamb increasing 34.80%. Fertiliser saw an eye-watering increase of 133.8%. However, in the context of this response, power costs increased 42.8%.

Consumer Prices Index (CPI) rose by 10.1% in the 12 months to September 2022 and food price inflation, which when compared with Agflation, whilst sitting at 17% in this time, did not keep pace with input prices incurred by farmers.

- **Upstream/Downstream Impact**

The farmer is the primary producer in the context of the food supply chain, with the food processors and the retailer upstream in the chain. What this means is that any increase in input costs will invariably be passed through the chain. Whilst the farm business will face increased water tariffs, upstream food processing businesses will face the same tariff increase, and in order to allow for this may pay the primary producer less for their product. In turn, the retailer facing increased water bills may pass this back to the consumer in the form of increased prices. All at the detriment of the primary producer who is unable to offset input price increases.

In summary, the UFU has concerns regarding the impact of this tariff increase upon the profitability and viability of many of our farm businesses.

#### **4. NI Water Catchments**

With about 100 locations in Northern Ireland's sewage network currently beyond capacity, our sewage infrastructure requires investment.

Nutrients get into water catchments, via direct run off and also on account of leaching through soil over time. The UFU recognise that agriculture is the source of some of these nutrients, particularly Phosphorus (P). For clarity, P is an expensive non-renewable input nutrient required for plant growth but when there is a surplus it can cause environmental problems.

UFU accept that farmers, are part of the ongoing problem in terms of excess nutrients. We have inherited this nutrient problem, but we recognise that we have contributed to it also, but it should be stressed that we are trying to address this as an industry. However, figures for P in waterways and surplus P from agriculture it is still below the levels that were seen in the early 2000s.

This does not excuse the fact that Northern Ireland agriculture needs to take responsibility for our contribution to water quality along with other stakeholders and address the problems. However, there are other notable contributors; non-farming businesses, domestic septic tanks and sewage and this does include NI Water.

Statistics for England show that untreated waste was discharged from storm overflows 464,056 times in 2023. However, such comprehensive data does not yet exist for Northern Ireland as NI Water does not yet monitor all of its storm overflows for sewage spills.

According to NI Water, Northern Ireland has proportionally more storm overflows per level of population than many other parts of the UK and "higher quantities of wastewater going into our rivers, lakes, and seas" than other parts. In regard to Lough Neagh, NI Water has criticised the NI Executive for "chronic underfunding," which it says has resulted in damage to the environment.

#### **5. Funding of NI Water**

In early 2024, a report from the NI Audit Office (NIAO) said there should be a comprehensive expert review of how NI Water is funded and governed, saying that NI Water has struggled to secure adequate funding for infrastructure upgrades since it was established in 2007.

The NI Assembly has rejected Mutualisation of NI Water as it could trigger water rates for domestic customers.

Back in March 2015, NI Water increased its non-domestic water and sewage charges by 2.4%, resulting in farmers and other metered businesses continuing to carry the burden of water charges for the whole of Northern

Ireland. At the time NI Water had said that the tariff increases were necessary due to ‘unavoidable external factors impacting on operating costs’ and that ‘the cost of necessary improvements to the water and sewage infrastructure’. At the time, the UFU said that we felt that it was discriminatory for metered business customers, and in particular farmers, to be expected to continue to cover these costs for the whole of the NI population.

UFU have been of the opinion for years that everyone should pay for the water they use and that universal metering should be introduced by NI Water but we also recognise that this would bring added costs to domestic home owners at a difficult economic time on the back of the cost of living crisis. There are a number of advantages to universal metering, such as generating much needed funds for NI Water; more responsible water use by consumers; it would allow for leaks to be identified more readily; and NI Water would be able to ensure that all their customers were treated equally.

UR has subsequently said that priority should be given as to NI Water is going to be correctly funded and only then look at the ownership models, and that the ownership models support that correct level of funding.

UFU would make the point that the key priorities should be considered as a matter of urgency.

## **6. Mid Term Review**

UR has said that the mid-term review should be limited to those areas where it would provide benefit or where it was necessary, waterways/catchment water quality surely meets this criteria. With NI agriculture very much in the public eyes, the UFU believes that other contributing bodies in relation to the water quality of water catchments including Lough Neagh, need to prioritise their efforts to improve the situation.

The UFU understands that NI Water has plans to begin monitoring sewage spills into Lough Neagh from 2025/26, but this is subject to approval from regulators and funding, but we would be keen to know where this lies in the context of the mid term review.

Work needs to be prioritised under the current price control and not wait until PC27. Historically it has been cheaper to install more overflows than to invest in diverting the rainwater at source and putting in place the larger pipes and holding tanks.

### **- OUTPUTS (Unsatisfactory Intermittent Discharge)**

Under the sub heading of Nominated Outputs, on Page 17/18, ‘nominated outputs adjusted in MTR’, section 3.36 UID (Unsatisfactory Intermittent Discharges) are identified. The UR must consider development to be necessary to justify the need for investment in the second half of the price control period. In terms of being dependent on proof of benefit, there is no clearer proof than the green algae in Lough Neagh which has caused so much public attention.

UFU call on the UR to engage with NI Water between the MTR draft and final determination to prioritise addressing the role of UIDs in Lough Neagh and other waterways.

### **- Delivery of social and environmental priorities**

UFU are seeking assurance that the adjustment of the PC21 investment plan accounts for addressing water catchment quality. UR states that NI Water has made progress in the delivery of P21 requirements in the first two years of the Price Control, was this considered in this context.

### **- OUTPUTS (Smart Metering)**

NI Water CBA proposed that 90% of dumb meters should be replaced by AMR meters and that the remaining 10% would be AMI and this would be primarily in urban areas. Should AMR be adopted in rural parts of Northern Ireland, the UFU would like to stress the need for accuracy as a matter of priority.

In light of the UR plans to engage further with NI Water on the costs and benefits associated with smart metering, this allows the UFU to offer our reservations on the roll out of AMI to rural areas.

Smart meters are becoming increasingly popular due to their ability to provide automatic readings, showing the cost and amount of energy being used, with the potential to reduce usage/allow more efficient use. In terms of day to day energy use, we have published advice to our members regarding the roll of smart electricity meters and we feel that our reservations also apply to the water sector.

UFU have reservations in relation to the roll out of smart meters to rural parts of Northern Ireland, and specifically to farm businesses. We would ask that these are considered by way of our consultation response, but also in relation to PC27.

#### i. **Reliability/Connectivity Concerns**

According to Citizens Advice, one energy customer was left with arrears of almost £5,000 after a smart meter failed to provide accurate readings of their energy usage, meaning bills had been significantly underestimated.

Current rules allow energy suppliers to bill customers retrospectively for up to a year's worth of energy bills if, for example, a meter is not providing readings correctly. Around a fifth of households surveyed by Citizens Advice, equivalent to almost three million households, said they still had to regularly submit meter readings because their smart meter was not doing it automatically. A third of households said they had issues with their in-home display, and a quarter experienced problems with billing.

This has led Ofgem to write to suppliers over these connectivity concerns.

#### ii. **Cyber Security Fears**

With the proliferation of connected devices and the Internet of Things (IoT), smart meters are also vulnerable to cyber threats, and their security risks cannot be ignored.

Modern farming systems, i.e. robotic milk parlours could be at risk from cyber security breaches, there are reports of such systems being targeted by Ransomware attacks. Integrated software systems mean that a farmer has full electronic control over milking, feeding, weighing, and separating of cows, while providing greater insight into cow health and fertility management. The introduction of a smart meter could leave such farms vulnerable in terms of cyber security.

Any smart meter which is to be introduced to a farm must address the risks, for example;

- **Encryption** - Smart meters should be designed with strong encryption to protect data in transit and at rest.
- **Authentication** - Smart meters should require strong authentication measures to prevent unauthorized access.
- **Software Updates** - Regular software updates should be provided to fix vulnerabilities and improve security.
- **Physical Security Measures** - Smart meters should be designed with physical security measures to prevent tampering.
- **Training** – Training should be provided on security best practices to prevent social engineering attacks and other security breaches.

These mitigation measures must be supported by NI Water/Utility Regulator in any rollout of smart meters and relayed to the consumer where appropriate.

### **iii. Cost**

Concerns have been raised by our members about the cost of any smart meter roll out.

### **iv. Glitches**

Smart meters have been known to suffer glitches, resulting in instances of households told they are paying tens of thousands for power. In one case, a homeowner's home display accidentally showed that he had used £40,000 worth of electricity in a single day.

### **v. Data Privacy Concerns**

We have been contacted by UFU members who have data concerns that come with a household's data being transmitted to a supplier.

Although smart meters send meter readings to a supplier, the UFU are seeking assurances that consumers name, address or bank details will be stored. Companies are adamant that only they can see your data and that information cannot be passed on to a third party without the customer's explicit permission, this must be enforced and relayed to the consumer.

### **vi. Remote Access to supplies**

Direct debit customers who fall into debt risk having their smart meters switched to prepayment mode, effectively cutting off their energy supply, without a provider needing to enter a business premises. This cannot be allowed to happen on a farm where a constant water supply is crucial, especially in relation to animal health (i.e poultry units) and plant propagation. The UFU would be concerned about the animal welfare implications of any disruption which may occur as a result of any of the above.

**Going forward** - In terms of addressing these concerns, DfE/Utility Regulator will need to address these concerns, remedying the issues set out and dispel any myths regarding smart meters. This will need to happen along with a formal consultation process before any roll-out.

## **- CAPITAL INVESTMENT**

Water catchment quality could be considered under the context of Capital Investment in this MTR Draft Determination. In the section, Enhancement Investment identifies providing extra capacity to accommodate growth/development.

## **7. Conclusion**

In conclusion, there needs to be a comprehensive expert review as to how NI Water is funded and governed and this should be a matter of priority, ensuring that non domestic customers are no longer being billed in isolation.

If you have any queries regarding this response do not hesitate to get in contact.

**Yours sincerely,**

**Chris Osborne**  
**UFU Senior Policy Officer**