

Northern Ireland Water
Finance and Regulation Directorate
Westland House
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Belfast, BT14 6TE



Jo Aston
Director of Water
Utility Regulator
Queens House
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16 August 2013

Dear Jo

Modification to the Instrument of Appointment Granted to NI Water (Licence)

Thank you for your letter of 22 July 2013 in relation to proposed licence modifications with accompanying statutory notice and copy of licence with proposed modifications in tracked changes.

While we have already exchanged correspondence in relation to draft modifications, I have set out our views again on each of the modifications you have highlighted as changed.

Condition B, paragraphs 1.2, 10.1 and 13 (relating to categorisation of charging years included within PC13 and future price control periods)

We are content with the modifications proposed at paragraphs 1.2, 10.1 and 13.

Condition B, paragraph 5.4 (in relation to the treatment of unused K)

We are content to accept the proposed modification at paragraph 5.4 for the PC13 period since the 2-year price control period is less than the maximum 3-year carry forward of unused k proposed.

We believe there is merit in considering a local solution especially given PE constraints, rather than simply mirroring the licences of English and Welsh water companies. This issue will be more relevant for PC15 given the uncertainty regarding the nature of the proposed mid-term review. The issue of unused K can only properly be considered when this and other risk mitigation measures have been clarified in the PC15 Consequent Written Agreement and related licence modifications.

Condition C, paragraph 11.1 (relating to the periodic review level of Infrastructure Charges)

We are content with the modifications proposed at paragraph 11.1.

Condition K, paragraphs 5.1 and 5.2 (to specify the period to be covered by future Estate Management Plans)

We are content with the modifications proposed at paragraph 5.1 and 5.2.

We raised two aspects which currently are not included in the current series of licence modifications:

- i. We note that one must read the licence with proposed modifications and your letter to me dated 24 May 2013 regarding extension of the 'End of the PE Budget and Regulatory Price Control Period' to get the full picture.
- ii. We had requested that the Utility Regulator and NI Water take the opportunity to consider the options for reporting unmeasured customer data on a common basis for AIR reporting and tariff purposes. While the Utility Regulator has elected not to do this in time for the current series of licence modifications, we believe it will be beneficial to have these discussions in the near future.

When the consultation period closes and you confirm final proposed modifications, we will put a paper to NI Water Executive Committee and Board seeking approval for changes to the Licence.

If you have any queries in relation to any of the matters above, please do not hesitate to contact me.

Yours sincerely



Ronan Larkin
Director of Finance and Regulation

cc: Trevor Haslett
Mark Ellesmere
Caroline McGale
Shane Lynch
Alan Craig