

7th May 2008

To Chief Executive of NIW

WR 1: Annual Information Return 2007-08 (AIR08)

I am issuing this letter as the UR's formal request for NIW to submit an Annual Information Return Information for the 2007-08 financial year (AIR08), by 29th August 2008. The Utility Regulator's (UR's) guidance notes and table templates accompany this letter.

The UR has developed the information return requirements from the Ofwat template with which NIW are familiar. The requirements reflect a comprehensive company return, we acknowledge that some elements may not be entirely relevant this year (e.g. household metering data, clean water PPP data etc). Nevertheless, we considered it beneficial to indicate the likely future reporting requirements to facilitate the company in developing its reporting systems and processes. We have highlighted in the tables and commentaries where information does not need to be provided for this reporting year.

UR Expectations

I would like to take this opportunity to remind you that the information you provide informs decisions we take and in the absence of data or the return of poor data we will apply our regulatory judgment in making associated decisions. It is therefore important that:

- NIW adhere to the definitions and guidance provided when completing the return and advise of any reporting issues in the accompanying commentary documents.
- Material assumptions and adjustments that have been made to derive reported data are fully disclosed in the return along with any uncertainties over data. Confidence grades should be used as appropriate to reflect any uncertainties.
- Year on year changes in data should be explained in the commentary and, where appropriate, justified.
- NIW submit as qualitative, complete and accurate a return as possible including commentary documents which are as relevant and authoritative as possible.
- Particular attention is taken to ensure that there are no inconsistencies either between commentary and tables, or within the table and commentary documents themselves.
- In the interests of quality and comparability, any changes made to data are declared as and when they are uncovered and not reserved for comment until the following annual information return submission.

Whilst the UR acknowledges the effort made by NIW in producing a return for the unregulated period of 2006/07, it is expected that:

- NIW will have built upon these efforts and that there will be an improvement in the scale of reporting for the first year of the regulated business. The UR look forward to NIW meeting their commitment to provide "more detailed information substantiated by a higher degree of confidence" for AIR08.
- NIW will report information against all DG indicators which form a key element of NIW's KPIs for the SBP period.

- NIW's reporting ability will have improved through the consideration, and the action taken, on recommendations made by the interim reporter in his report on AIR07 and any advice subsequently received from the reporter..

Whilst NIW are asked to submit as complete a return as possible it is recognised that there may be some areas where reporting systems and processes are still in development. In any circumstances where data estimation is not possible or of a low confidence grading, NIW will be expected to detail in their commentary the action that is being taken and associated delivery timeline to ensure that reporting requirements reflect a marked improvement in future returns.

Role of the Reporter and Auditor

The roles of the reporter and auditor are a vital part of the scrutiny we require to provide quality assurance for your data submissions. NIW should therefore fully disclose any concerns over data quality and provide full access to primary data sources to both the Reporter and the Auditor.

NIW Query Process

The UR Network Regulation Team will be taking the lead role in relation to the AIR08 guidance and any contact in relation to the return requirements should be directed to them.

UR Query Process following NIW Submission

The UR will apply the query process introduced after the submission of the AIR 2006-07 for addressing it's queries to NIW for AIR08. NIW's regulatory finance team are familiar with this process which requires a response within 10 working days of queries being issued by the UR to NIW with a reciprocal 10 day turnaround being applied by the UR for any follow up queries on the same issue.

In order to reduce the time and effort required for this query process, I would emphasise the need for NIW to check for and rectify any inconsistencies between the commentary and the data tables.

I would ask you to note that the chairman and one non-executive director of the company should sign the Overview confirming that the board of the company has endorsed it.

I require 4 paper copies and 1 electronic version of the full AIR08 submission to be delivered to the Networks Regulation team at the UR office by 29th August 2008.

Yours sincerely



J Aston
Director of Water Regulation
NIAUR