

Ronan Larkin
Director of Finance and Regulation
Northern Ireland Water
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Our Ref: W/027/JA/268
Your Ref:

Date: 4 March 2009

Dear Ronan

RE: Instrument of Appointment Condition F 6A.6(1): Shadow credit rating and issuer credit rating

As you are aware the Authority has again reviewed licence requirement Condition F6A.6.1 relating to the achievement of shadow and issuer credit ratings by NI Water. In our review we have considered correspondence on the matter, political and company matters and have decided not to enforce this licence condition at this time.

We are conscious of the Independent Water Review Panel's recommendation on the potential future structure of NI Water. We are also conscious of the potential N.I. Executive consultation on issues surrounding water and sewerage charges in Northern Ireland and the possibility that this consultation may refer to the subject of the potential future structure of N.I. Water.

We are also aware of the issues raised in your internal review of NI Water's control environment and data control and integrity commissioned by your Chairman and Acting CEO in June 2008. We believe it beneficial to defer the credit rating assessment to allow some of these issues to be addressed.

We are content to await the outcome of the potential N.I. Executive consultation before further consulting on a revised date for a shadow credit rating. However we are, at this time, of the view that NI Water should seek a shadow credit rating (or credit assessment) at least one year in advance of any proposed change to the structure of NI Water.

The Authority notes that in relation to Condition F 6A.6.1 the obligation that NI Water obtains a shadow rating by 30 March 2008 and a full issuer rating by 30 June 2009 remains unchanged. That said, and having regard to the full suite of circumstances in this matter, in addition to considerations of proportionality and reasonableness, the Authority will not enforce this condition in the interim, but will look to a sensible modification of it towards the end of 2009, after the NI Executive has concluded its review of the water industry.

Yours sincerely



Jo Aston
Director of Water

CC Chris Mellor
 Iain Osborne
 Sean Lyons
 Umer Ahmed
 JP Irvine