

DEPARTMENT FOR REGIONAL DEVELOPMENT ('THE DEPARTMENT')
AND
NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION ('THE REGULATOR')

DETERMINATION ON RELEVANT ITEMS 2011/12

Pursuant to NIW's relevant items bid letter of 1st June 2011, the Department (DRD) and the Utility Regulator (UR) have jointly given consideration to the relevant items bid, in accordance with the Memorandum of Understanding and Instrument of Appointment.

They have jointly decided the following:

	Note	NIW Bid	Joint Decision
		£m	£m
NIW Income reduction	1	7.4	4.6
NIW increase in costs	2	1.5	1.5
Provisions	3	10.3	10.3
IFRS adjustment	4	3.3	1.2
		22.5	17.6
Less : non cash to cash transfers	5	-9..5	-7.0
		13.0	10.6

NIW Income reduction (Note 1)

The Department and Regultor considered the following amounts within the £7.4m bid should be disallowed. £1.1m was due to NIW not availing of the entire RPI + K adjustment during 2011/12. A further £1.7m of the difference had only arisen after the tariff submission for 2011/12 and should be considered later in the year.

NIW Increase in costs (Note 2)

The Department and Regulator agreed that the additional £1.5m relating to Carbon Reduction Commitment could be substantiated in full.

Provisions (Note 3)

The Department and Regulator agreed that the public expenditure accounting guidelines are outside the reasonable control of the company and that provisions must be accounted for when the cash is actually paid and not when the provision is made. The full £10.3m should therefore be released.

IFRS Adjustment (Note 4)

The Department and Regulator agreed that the same figure (£1.2m) as submitted during the separate review of capital expenditure was the most up to date forecast of this adjustment.

Non cash to cash transfers (Note 5)

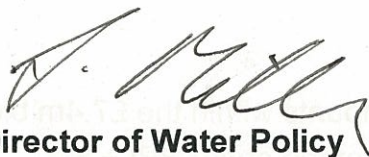
The Department confirmed that £7.0m was the adjustment agreed within its budget.

However, on examination of the net position following receipt of the company's latest forecast and monitoring round submission it is clear that NIW no longer requires these amounts. Our determination is therefore that no release of the relevant items is necessary.

The Department and the Regulator have therefore agreed that the current NIW Resource DEL PE position should be £152.3 million for 2011/12. This takes into account the payment of the road drainage charge by DRD Roads Service and the relevant items amount reducing to zero.

The Regulator has also determined that there is no impact on the K factor and therefore on charges to paying non-domestic customers from this revised Resource DEL PE position.

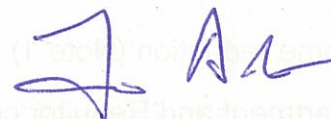
The Department will give consideration to whether there are any implications for the payment of NIW subsidy.



Director of Water Policy

DRD

29/09/11



Director of Water Regulation

NIAUR

29/9/11