

THE WATER AND SEWERAGE SERVICES (NORTHERN IRELAND) ORDER 2006
NOTICE OF ACCEPTANCE OF UNDERTAKINGS

TO: The Company Secretary
Northern Ireland Water Limited
Northland House
3 Frederick Street
Belfast
BT1 2NR

WHEREAS -

- (A) Northern Ireland Water Ltd (**NIWL**) is the holder of an appointment to be the water undertaker and the sewerage undertaker for Northern Ireland (**the Appointment**) in accordance with Article 13(1) of the Water and Sewerage Services (Northern Ireland) Order 2006 (**the Order**).
- (B) Where the Northern Ireland Authority for Utility Regulation (**the Authority**) is satisfied that NIWL is contravening a relevant condition of the Appointment, it is required by Article 30(1) of the Order – except where it is satisfied that any of the circumstances described at Article 31(1) of the Order applies – to make a final enforcement order in relation to the contravention.
- (C) The circumstances described at Article 31(1)(b) of the Order are that the Authority is satisfied that NIWL has given and is complying with an undertaking to take all such steps as it appears to the Authority for the time being appropriate for NIWL to take for the purpose of securing or facilitating compliance with the relevant condition of the Appointment.
- (D) The Authority is satisfied that NIWL is contravening the requirements of Condition F 6A.1(1)(iii) of the Appointment.
- (E) On 20 November 2008, the Authority gave notice, in accordance with Article 32(1) of the Order, of its proposal by means of a final enforcement order to make provision for securing compliance by NIWL with Condition F 6A.1(1)(iii) of the Appointment.
- (F) The Authority has considered the representations and objections that were submitted to it in respect of the proposed final enforcement order.
- (G) The Authority has also considered undertakings that were given to it by NIWL, in the form attached as an Annex to this notice (**the Undertakings**), on 30 January 2009.

NOW –

In accordance with Article 31(3) of the Order, the Authority hereby gives notice as follows –

- (1) The Authority is satisfied that the Undertakings require NIWL to take all such steps as it appears to the Authority for the time being to be appropriate for NIWL to take for the purpose of securing and facilitating its compliance with Condition F 6A.1(1)(iii) of the Appointment.
- (2) The Authority is satisfied that NIW is at present complying with the Undertakings.

- (3) The Authority is therefore satisfied that the circumstance described at Article 31(1)(b) of the Order applies, and that it is not required to make a final enforcement order in relation to the contravention by NIWL of Condition F 6A.1(1)(iii) of the Appointment.
- (4) The Authority has accepted the Undertakings given by NIWL.

4 February 2009

**IAIN OSBORNE
FOR AND ON BEHALF OF THE AUTHORITY**

Undertakings submitted by NIW to NIAUR pursuant to Article 31 (1) (b) of the Water and Sewerage Services (NI) Order 2006

- (A) NIWL shall ensure that, with respect to the financial year 2009-2010 and each subsequent financial year, all relevant data including customer numbers, customer groups and water volumes which is used to populate;
- (i) the Annual Information Return
 - (ii) the annual Scheme of Charge
 - (iii) the (interim) Principal Statement (as the case may be), and
 - (iv) the tariff model

So far as is reasonably practicable is consistent both within each of them and as between any and all of them, and so far as is reasonably practicable is accurate (including in particular by accurately reflecting the actual customer numbers, customer groups and water volumes pertaining at the relevant time).

- (B) NIWL shall establish and give effect to a programme of work designed to achieve significant improvements in the accuracy and reliability of the data embodied in bills and statements issued to its customers.
- (C) NIWL shall use its best endeavours to enforce the standards required of any third party which is contracted to provide its billing systems or any component of them.
- (D) NIWL shall establish and give effect to a programme of work designed to achieve significant improvements in the accuracy and quality of all customer and management data held by it (or by any third party on its behalf) which is relevant to its ability to carry on its regulated activities in accordance with the requirements of the Order and the Appointment.
- (E) NIWL shall ensure that the programme of work which is the subject of requirement(B) and/or (D) above is:
- (i) adequately resourced;
 - (ii) commenced no later than 1 April 2009;
 - (iii) supervised by a Senior Responsible Officer (SRO) who reports directly to the Chief Executive;

(iv) the subject of regular written progress reports by the relevant SRO to the board of NIWL on a quarterly basis; and

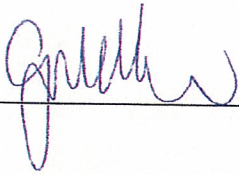
(v) designed to achieve significant improvements as soon as reasonably practicable and in accordance with a defined timetable (to be set in accordance with (ii))

(F) NIWL shall, in respect of requirements (B), (C), (D) and (E), -

- (i) appoint within a month of the date of acceptance of these undertakings a suitably qualified individual not otherwise connected with the company – whose identity and terms of appointment shall require to be approved by the Authority – to audit the extent of its compliance with the requirements;
- (ii) afford that individual with access to such of its premises, systems, information and employees, and with such other assistance, as he or she may reasonably request for the purposes of carrying out his/her audit;
- (iii) require that individual to report to the board of NIWL on the compliance of NIWL with the requirements at least once in every quarter year or at more regular intervals if he or she or the board of NIWL from time to time deems appropriate, the first report to be a 'baseline health-check' of the quality of NIWL's billing, customer and management data to be delivered as soon as possible after his/her appointment;
- (iv) require that individual, in each report, to make recommendations as to the actions that should be taken by NIWL to put right any actual or reasonably anticipated failure to comply with the requirements: and
- (v) take all appropriate steps to comply as soon as reasonably practicable with any such recommendations received and accepted by NIWL.

(G) NIWL shall ensure that all senior managers and executives are made aware of and are bound by NIWL's Escalation Procedure, which procedure shall include a requirement that (i) all senior managers and executives promptly report to the NIWL Chief Executive (or to a non-executive director if considered more appropriate in the circumstances) and (ii) the NIWL Chief Executive promptly reports to the NIWL board on any matter of which they become aware (each making regular inquiries to maximise such awareness) that is likely to adversely affect the financial health, reputation or good governance of NIWL.

(H) The Chief Executive of NIWL shall report to the Authority on compliance with requirements (A), (B), (C), (D), (E), (F) and (G) above on a quarterly basis as required by the Authority.


Chris Mellor
(Interim Chief Executive/ Chairman)

30/1/2009
Date

Signed on behalf of Northern Ireland Water Limited