

29th February 2012

To:- Chief Executive of NI Water

**WR19: Annual Information Return
Annual Information Return 2011-12 (AIR12)**

This letter sets out the Utility Regulator's timetable for completion of the Annual Information Return for the financial year 2011-12. Tables and guidance have been issued to the Company alongside this letter. We formally request that NI Water submit an Annual Information Return (AIR12) by Wednesday 11th July 2012. The Auditor's report and the Reporter's report will be required no later than 2 weeks after the 11th July submission (i.e. 25th July).

Reporting Requirements

The Utility Regulator (UR) has developed the information return requirements from the AIR11 template, with which NI Water is familiar. We have in addition given consideration to the impact on PC13 of the AIR process. To this end we have ensured that as few changes as possible have been made to both the tables and the guidance, thereby reducing the burden on the Company.

We also recognise that the above submission date falls within the PC13 Business Plan Engagement process, but consider that a submission date in common with that of previous years would align with both NI Water's and our own normal business practices. We have however sought to reduce the impact of the AIR process on PC13 by issuing the AIR12 guidance earlier in the year than normal, thereby allowing the Company additional time to prepare its response.

We are aware that, due to the difference in submission dates between the PC13 Business Plan submission and AIR12, there may be some corresponding data which differ. In an effort to reduce any impact on both the PC13 and AIR12 query process we request that NI Water prepares and submits with AIR12 a separate annex. This annex should report on any materially different figures between the two submissions and an explanation for the difference. The Reporter should also comment on this variance report. It will be our intention to consider any amended figures for the PC13 Final Determination.

NI Water Query Process

As in previous years, the Company will have the opportunity to ask the Regulator for clarification of any reporting requirements through the standard query process and template. The Network Regulation Team will be taking the lead role in relation to the AIR12 guidance. Any contact in relation to the return requirements should be directed through Peter Naylor.

Query Process following NI Water Submission

The Utility Regulator will apply a query process similar to that applied to previous returns for addressing its queries to NI Water for AIR12. The AIR query process will proceed as normal after the Company's submission. NI Water'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 NI Water with a reciprocal 10 day turnaround being applied by the UR for any follow up queries on the same issue.

Cost and Performance Report

Given the focus on the preparation of the Draft and Final Determinations for PC13, we are minded to delay the production and publication of our annual Cost and Performance Report for 2011-12 until the end of 2012 or early in 2013, we will advise the date for publication nearer to the time.

Key Changes since AIR11

In common with AIR11 guidance, we have highlighted in the tables and commentaries where information does not need to be provided for this reporting year.

The Regulator has implemented a number of changes to the guidance since last year and for the benefit of the company has highlighted these in the guidance documents themselves for ease of identification.

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. NI Water should therefore fully disclose any concerns over data quality and provide full access to primary data sources to both the Reporter and the Auditor.

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 four paper copies and 1 electronic version of the full AIR12 submission and two 'stand alone' copies of year end nominal ledger statements to be delivered to the Regulator at the UR office by 11th July 2012.

Yours sincerely,



Jo Aston
Director of Water

Cc: S Lynch
P Naylor

Enc.