

Ronan Larkin
Director of Finance and Regulation
Northern Ireland Water
Westland House
Old Westland Road
Belfast
BT14 6TE

Our Ref: W/053/20/RMcL/1098

Your Ref:

22 March 2018

Dear Ronan,

Re: Procurement Plan – Reporting Requirements Derogation Request

The Utility Regulator and NI Water staff have recently been engaging on regulatory reporting requirements and exploring potential opportunities to further reduce the regulatory burden on NI Water.

In this context NI Water has requested a derogation from the Utility Regulator in relation to the requirement in Condition F1 5(1) of the NI Water licence. Condition F1 5(1) requires revised and updated Procurement Plans to be submitted no less than every 18 months. The next submission was required on 1 March 2018. NI Water has requested a deferral of this submission until 1 September 2019.

NI Water has presented its reasons for the derogation request with the Utility Regulator, which are;

- I. that the frequency of the review is excessive and a period of 3 years is more appropriate;
- II. that a three yearly submission which coincides with the start or mid-point of a 6 year price control period could provide a more coherent strategy which is clearly aligned to the business plan.

In making this derogation request the company has confirmed that it is not aware of any procurement issues or irregularities which should be brought to the attention of the Utility Regulator at the time of writing.

Accordingly, we have considered the above and agree with NI Water's reasons as outlined. We have therefore decided to grant a derogation from the requirement of Condition F1 5(1) in respect of the submission due on 1 March 2018. This derogation shall cease to have effect as of 31 August 2019, and accordingly the next submission will be due on 1 September 2019.

Notwithstanding our decision above, we expect NI Water to proactively and transparently report any concerns, issues, irregularities or significant changes in approach with regard to procurement to the UR in a timely manner in the future. This would include any significant change in the scale of outsourcing. Also, please note that under Condition F1 9 the Authority may request a written report on NI Water's procurement activities and may consequently require NI Water to submit a revised Procurement Plan (Condition F1 5(2)).

We are minded to amend the licence to increase the period between submissions specified in the licence to 3 years or longer. At this stage we expect the timings to be largely informed by the requirements and timelines associated with future Price Controls. This is something that can be discussed in due course as part of any licence modification proposal for Condition F1 5(1).

Please feel free to contact me if you have any queries in relation to any of the above.

This decision will be published on our website and we have copied the Department into this correspondence so that it is also aware of our decisions on these matters.

Yours sincerely,



Roisin McLaughlin
Director of Finance and Network Assets

Cc C McGale (NIW)
G Stewart (NIW)
L MacHugh (DfI)
D Curran (DfI)
P Harland (UR)
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