

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

Our Ref: W/030/AIR18/21/RMcL/1099

Your Ref:

23 March 2018

Dear Ronan,

Re: Current Cost Accounting - 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 requirements of Condition F (8) of their licence which requires NI Water to prepare accounting statements on a current cost basis. This derogation would apply to the 17/18 Regulatory Accounts only. In addition NI Water has requested that the tables of the Annual Information Return (AIR) for 2018 should also be amended to drop current cost requirements in the AIR18 tables.

NI Water has discussed its reasons for the derogation request with the Utility Regulator, which are:

- i. that current cost information is, at present, not used by the UR to an extent which justifies the preparation of full current cost accounts;
- ii. that at present Ofwat does not require England and Wales companies to produce full current cost accounts. (However, we note that Ofwat have retained an element of flexibility in that regard.)

Accordingly, we have considered the above reasons and we have decided to grant a derogation from Condition F (8) in respect of the 17/18 Regulatory Accounts only. Therefore, this derogation from Condition F(8) shall cease to have effect as of 30 June 2019. In addition we will amend the AIR18 tables to drop current cost requirements for the 2018 reporting year only.

We also intend to consider whether licence changes to Condition F (8) may be necessary to provide the UR with flexibility with regard to requiring the preparation of current cost accounting statements in the future.

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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