

Ensuring Value in Water Service Delivery

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Commission for Energy Regulation

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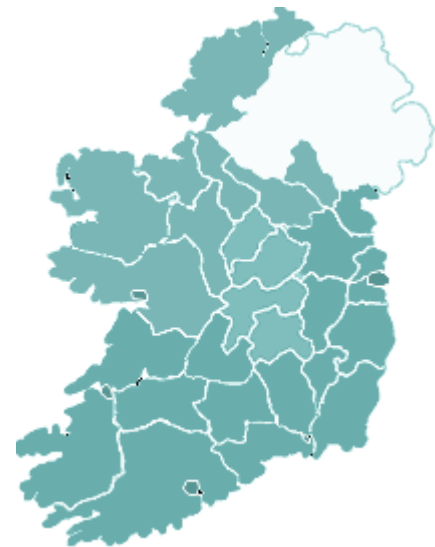
Presentation Overview

- What does Value look Like?
- Economic Regulation
- Driving Efficiencies
 - First Fix Leak Repair Scheme
 - Lead Mitigation Process
- Work Plan 2015

What does value look like?

Overview Irish Water System

- 34 Local Authorities
- Over 900 public water supplies
- Over 1,000 public wastewater treatment plants
- 25,000 km distribution pipes
- 12.5% of population have private supplies
- 67% connected to wastewater system
- 55% of waste treated by two plants

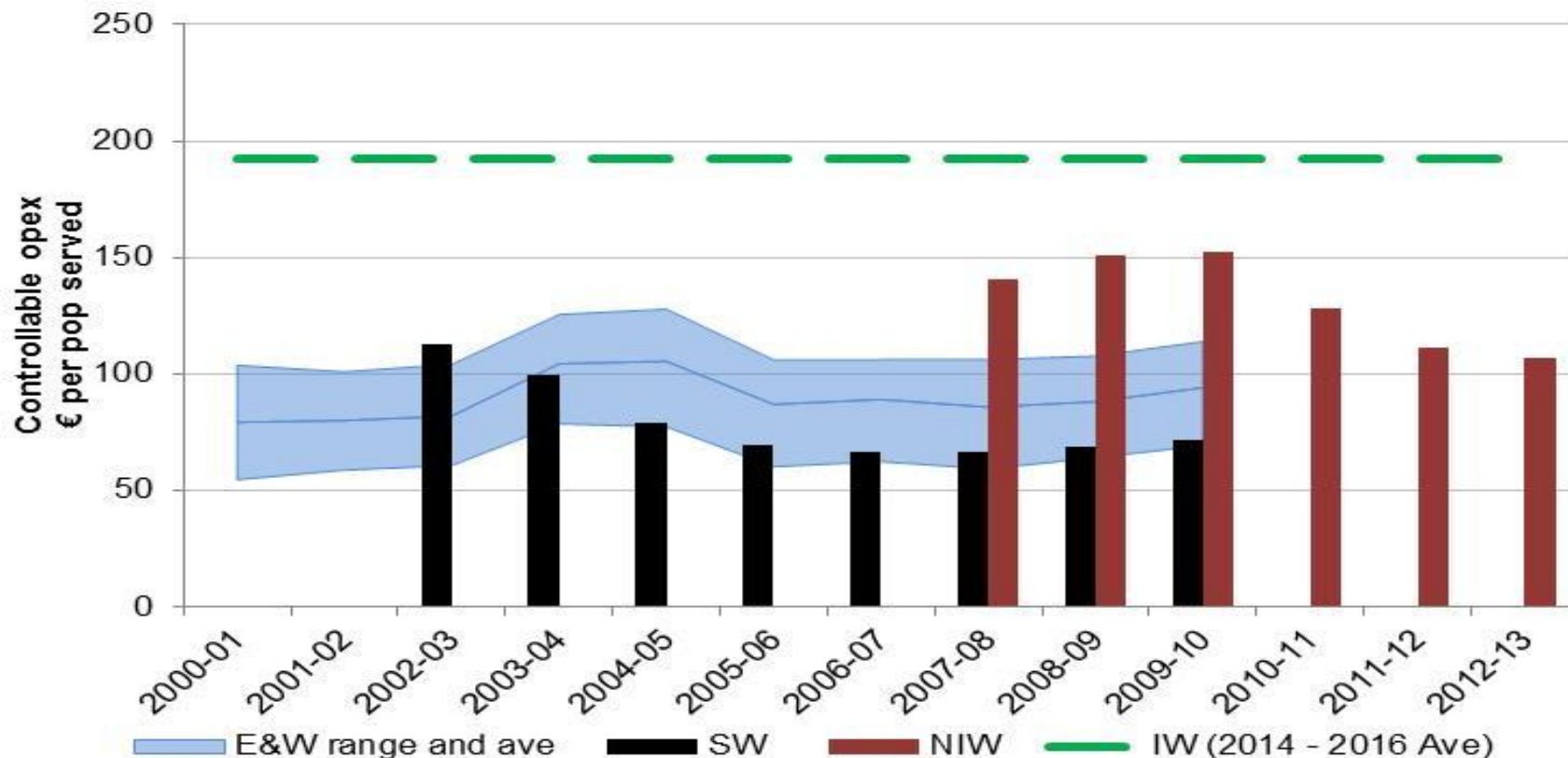


Bench Marking (2009/10)

	E&W Min	E&W Max	E&W Ave	SW	NIW	Irish Water
Water Connections (000)	579	3,611	2,026	2,571	753	1,595
Water Population Served (000)	1,263	8,667	4,307	4,944	1,700	3,649
WW Connections (000)	696	5,773	2,414	2,449	614	1,276
WW Population Served (000)	1,615	13,810	5,468	4,754	1,384	2,920
Mains Length (km)	11,461	46,574	28,161	47,300	26,400	59,000
Sewer Pipes (km)	9,221	32,369	68,335	50,086	15090	?
Water Treatment Works	32	145	86	280	584	1,027
WW Treatment Works	349	1,112	635	1,850	1,042	540
Water Delivered (MI/d)	344	2,575	1,076	2,044	584	?
Sewage Load (BOD/yr)	37,239	322,294	135,652	147,865	39,681	122,248
Area Served (km²)	7,162	35,550	21,409	80,239	14,130	69,825
Leakage	17%	27%	22%	34%	28%	41%

Source: Annual regulatory returns, (for E&W, SW and NIW (last year of full data availability 2009-10); Information provided by Irish Water

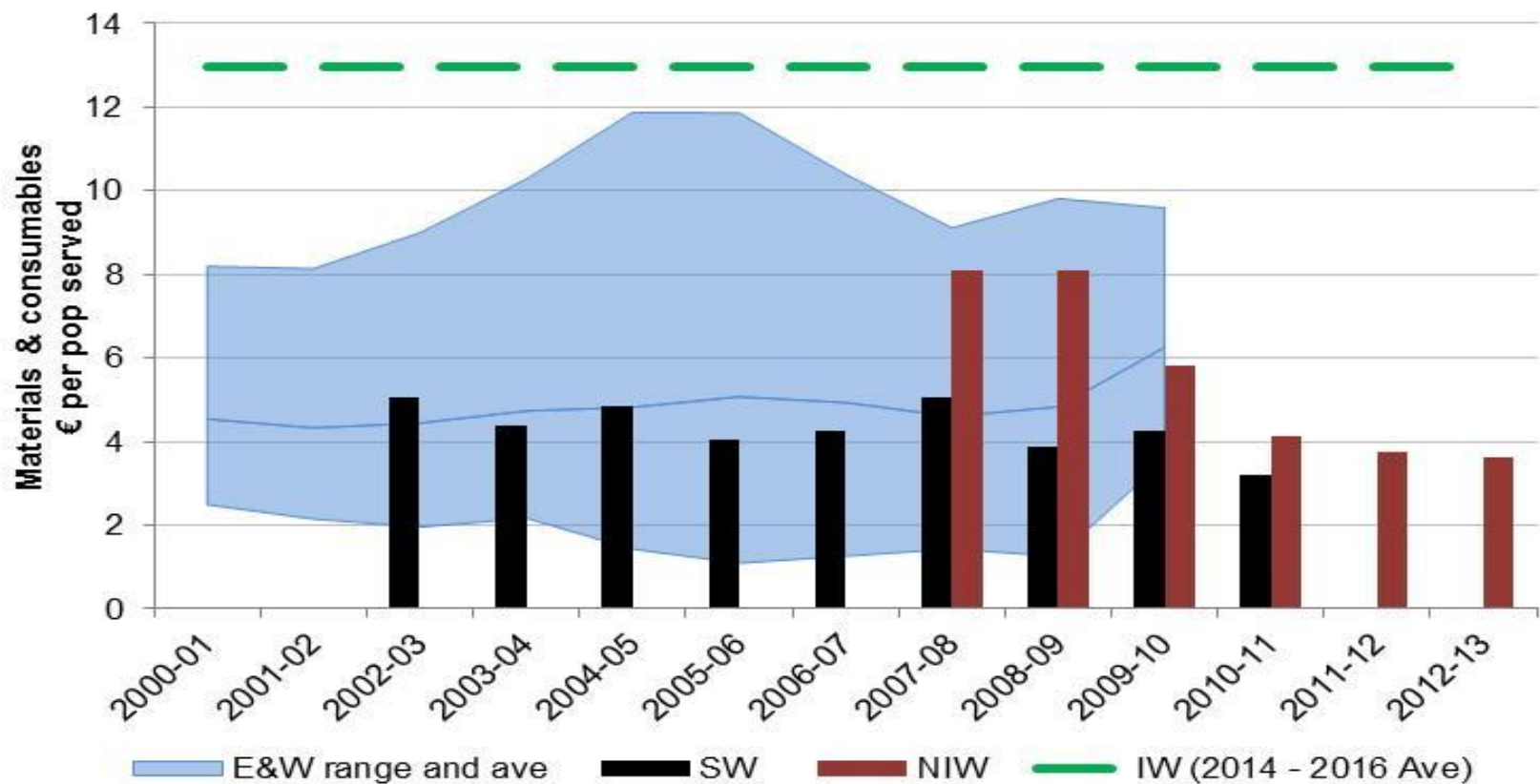
IW's Controllable Opex Per-Population Served (2013 prices)



Source: NERA analysis of annual regulatory returns; Information provided by Irish Water

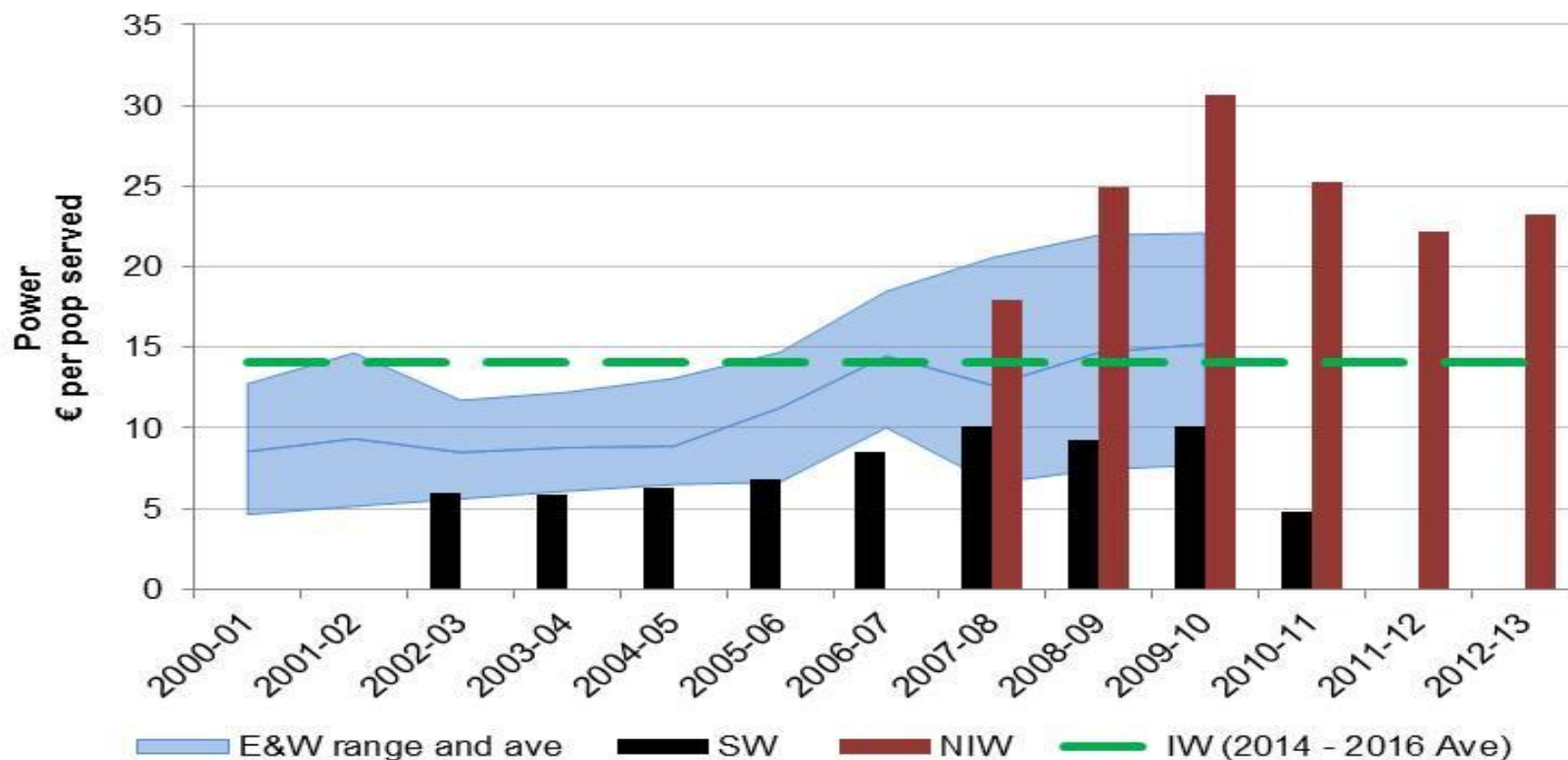
NOTE population served takes the population served on the water service, as the largest of the water and waste water services.

EW's Proposed Materials and Consumables Expenditure Per-Population Served (2013 prices)



Source: NERA analysis of annual regulatory returns; Information provided by Irish Water

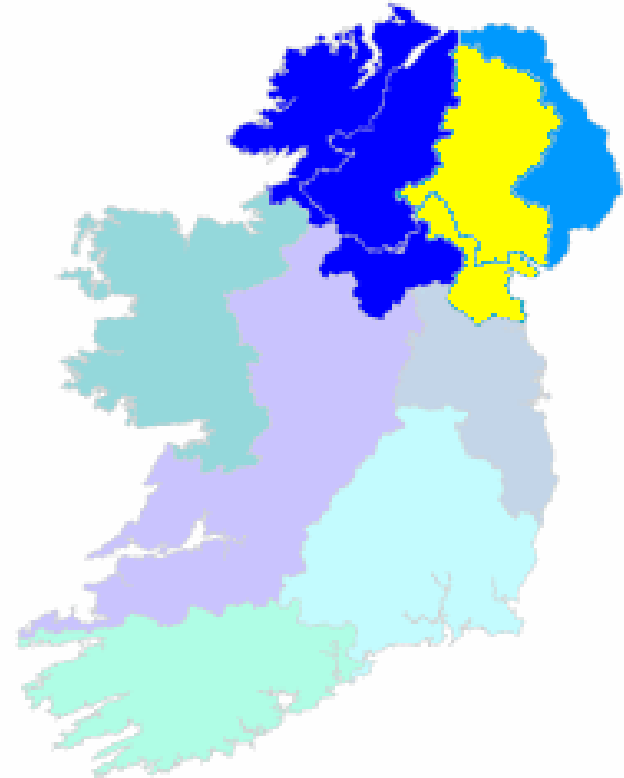
IW's Proposed Energy Expenditure Per-Population Served (2013 prices)



Source: NERA analysis of annual regulatory returns; Information provided by Irish Water

Cost Drivers

- Economies of Scale
- Room for rationalisation and efficiencies – over a number of regulatory cycles
- Substantial investment requirements - €600 million p.a.?
- Backlog of essential projects - €500 m ?
- System leakage est. at 41%
- Water Framework Directive – full compliance could cost several billion euro up to 2027



Economic Regulation

Work Plan 2014

Month	Paper
February	➤ Economic Regulatory Framework (advice to Minister)
April	<ul style="list-style-type: none">➤ Domestic Tariff Structure - Consultation➤ Non-Domestic Tariff Structure and Glide path - Consultation➤ Connection Charging Policy - Consultation➤ Water Customer Handbook - Consultation
June	➤ Water Charges Plan (including allowed revenue, tariff structures and levels, & connection charging methodology) - Consultation
July	➤ Water Customer Handbook (decision)
August	➤ Water Charges Plan (decision)

2014/15 Domestic Charges

Water Services Act (no.2) 2013

- Domestic charges by 1st October 2014, CER consultation – 345 responses

Main features

- Water in = water out
- Metered: €4.88 per 1,000 litres for both services
- Unmetered: €176 per annum for one adult, increasing €102 per adult
- Capped at unmetered charge for nine months
- Non-primary residence - €125

Water Services Act 2014

- Government rethink of policy
- Simplified charging structure
- Domestic charges postponed until 1st January 2015
- Capped at €160 or €260 (1 or more than 1 person, to 2018)
- Metered: €3.70 per 1,000 litres for both services
- Reduced supply for non-payment prohibited
- Water Conservation Grant

Required Revenue

September 2014 Decision

- CER proposed 7.5% cut to IW proposed costs
- Allowed rate of return – 5.1%

Final revenue requirement for interim period (to Dec 2016)

- Irish Water no longer required to pay commercial rates means allowed revenue is now €1,969m (in NPV 2013 terms)
- Less revenue generated in period; offset by reduction in rates
- Revenue sources are outlined below:

Revenue receipt by Irish Water (NPV 2013 prices)	Q4 2014	2015	2016	Total
Domestic Revenue	0	265	237	502
Non-Domestic Revenue	55	217	214	486
Subvention	177	378	426	981
Total Revenue receipt	232	860	877	1,969

Irish Water remains revenue neutral

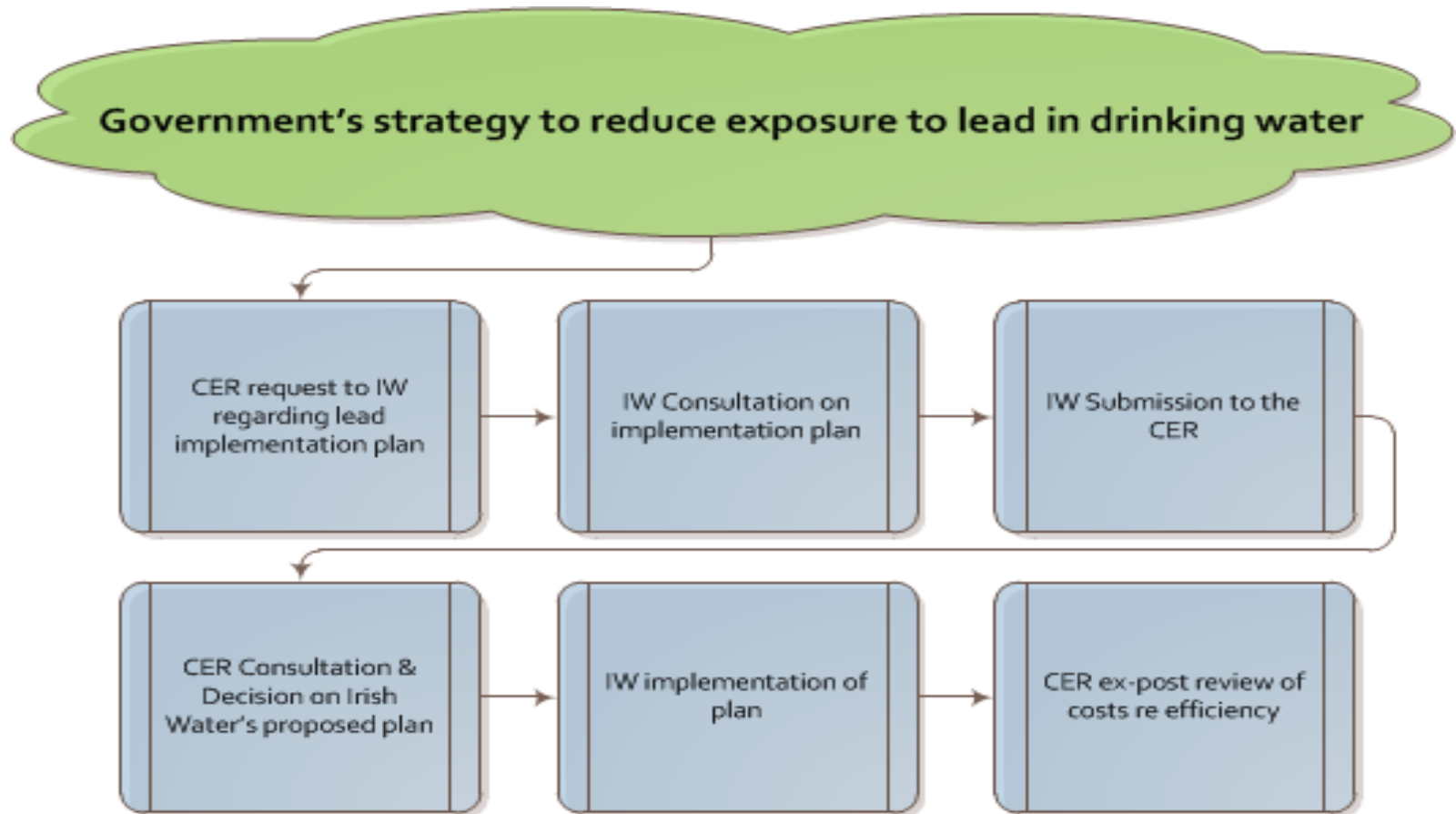
Driving Efficiencies

- (a) First fix Leak Repair Scheme**
- (b) Lead Mitigation Process**

First Fix Leak Repair Scheme (Domestic)

- Approved interim allocation of €3.4 million on 22 Dec 2014
- Consulted on Irish Water's submission earlier this year and will shortly publish its decision.
- To assist assessment of efficiently incurred costs CER will be interested in information such as:
 - Quarterly deliverables on number of notifications issued, responses received, investigations and repairs completed by region and local authority area
 - Quarterly and cumulative expenditure on investigations, repairs, additional costs
 - forecast v actual
 - water savings achieved
- CER approves details, ex post the efficiently incurred costs for the period (e.g. looking at benchmarking and efficient processes) to end 2016 and ex ante estimates for the next review period.

Lead Mitigation Process



Work Plan 2015

Task	Detail
Revised Water Charges Plan	Allowed IW revenue for initial revenue period; approved level of water charges (non-domestic and domestic)
Revised Water Customer Handbook	Framework for protection of customers
First Fix Policy consultation	Consultation paper on scheme to offer a free first fix to customers under certain conditions
Establish Public Water Forum	As set out under Section 7 of the Water Services Act 2014
Establish a Large Water Users Group	
Outputs Monitoring Group	Monitor Irish Water's delivery of capital projects and programmes
Connection Charging Policy	Development of the work programme and consultation schedule
Non-domestic tariff framework	Development of the work programme and consultation schedule
Preparatory work for next Irish Water price control (to begin 2017)	Publish and information note, engage with Irish Water, prepare for consultation.



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Thank You

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