

A close-up photograph of water flowing from a chrome faucet, creating a dynamic, bubbly stream. The image is overlaid with a semi-transparent orange filter that covers the entire slide background. On the right side of the orange area, there is a pattern of small, light-colored dots that increase in size towards the bottom right corner.

# The Cost and Value of Water

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# Presentation Overview

- 1. CRU – Who Are We?**
- 2. CRU's Role – Public Water and Wastewater Services**
- 3. Recognising the value of water – Regulating Irish Water's Costs and Charges**
- 4. Case Study: New Non-Domestic Charging Regime**
- 5. Economic Regulation & Environmental Objectives**

# CRU's Role – Economic Regulator of Irish Water

## Who Are We?

- **The Commission for Regulation of Utilities ('CRU')** is Ireland's independent energy and water regulator and has a wide range of economic, customer protection and safety responsibilities.
- **Our Mission:** Protecting the public interest in Water, Energy and Energy Safety.
- **Our Role in Water Services** - Economic Regulator of Irish Water.

# Public Water and Wastewater Services

## What we regulate

- **CRU regulates Irish Water**

- Revenue
- Charges
- Customer Service

- **Outside CRU's responsibilities:**

- Environmental regulation
- Water quality
- Private Group Water Schemes
- Private water supplies
- Customer-side network

# CRU's Strategic Plan – 2019-2021

## Key Objective and Outcomes for Water Sector

### OBJECTIVES

Provide effective regulation of Irish Water to deliver secure, efficient and sustainable outcomes in the public interest

### OUTCOMES

Transparent, fair and equitable charges are implemented for connections, excessive usage and non-domestic services.

Irish Water continues to deliver challenging but realistic efficiency targets.

Irish Water deliver against their capital investment programme and performance assessment framework, with measurable outcomes.

# Regulatory Challenges – Water Sector

## Challenges

- ▶ Need for significant new investment to both modernise an ageing network as well as meet EU environmental standards on water and wastewater
- ▶ Driving efficiencies and service level improvements
- ▶ Incentivising water conservation



# Regulatory Model – Key Activities

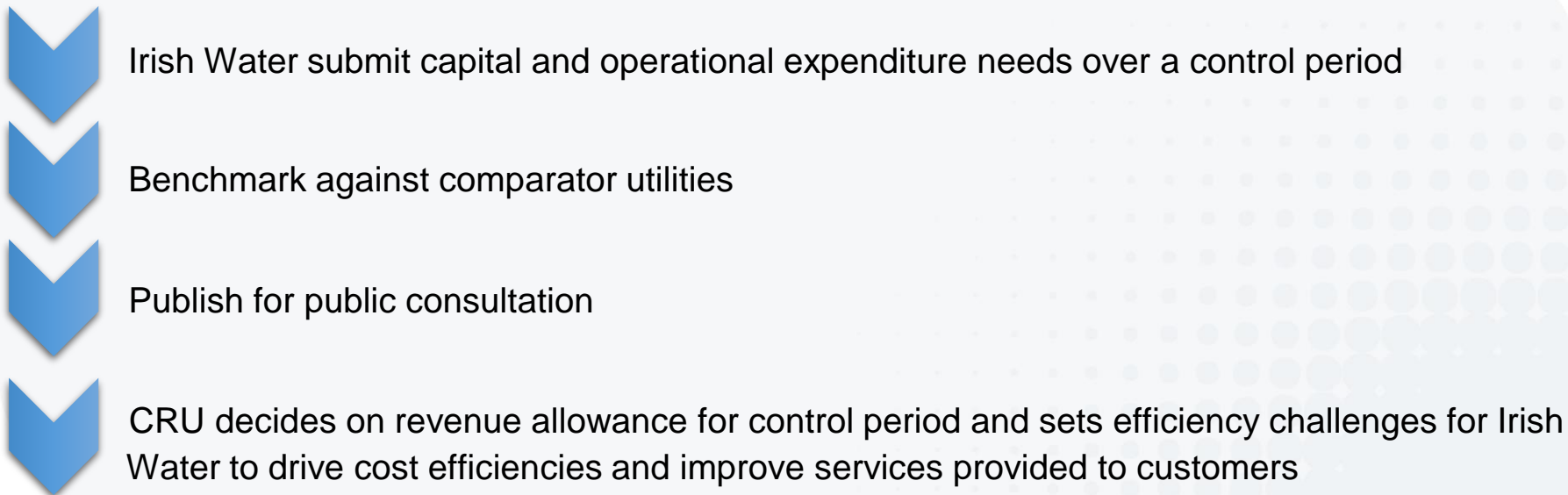
## Regulatory Model



# Regulating Costs & Driving Efficiencies

How do we do this?

## Revenue Control Process





# Monitoring Performance

## Delivering Value for Money for Customers

- Monitor performance in delivering capital investment (via 'Capex Monitoring' reports)
- Monitor performance against key metrics (via 'Performance Assessment' reports)
- Monitor and improve customer service standards (via Customer Handbook and Codes of Practice)



# Regulating Charges

## Establishing Transparent and Equitable Charges

### Establishing New Charging Policies

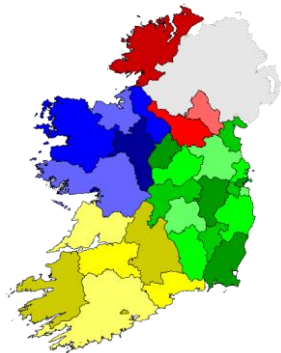
- **Connection Charges**
- **Non-Domestic Charges**
- **Excess Use Charges**
- **Trade Effluent Charges**

### Key Charging Principles

- **Reflect costs of providing the service**
  - correct price signals for customers
  - customers contribute to the cost they impose on the system (aligning with Article 9 WFD)
  - achieves greater equity across customers & minimises cross-subsidisation across customer groups.
- **Promote water conservation & efficient wastewater discharge** – encourages behavioural change by customers, helps achieve better outcomes for the environment
- **Charges should be simple, transparent & easy to understand for customers** – allows customers to respond to charges and change consumption behaviour

# Case Study: Harmonising Non-Domestic Tariffs

## Existing Charging Arrangements



- 44 distinct billing authorities.
- Each billing authority developed its own tariff levels, categories, methodologies, applications, billing arrangements and billing cycles.
- Resulting in over **500** separate water and wastewater charges.
  - Complex
  - Not transparent
  - Potentially inequitable
- Current Non-Domestic Billed Revenue = **20%** (of total allowed revenue)

## Harmonisation and 3 Year Transition

Gradual transition to new tariffs & 10% Cap each year for customers facing largest bill increases



## Proposed Decision on Harmonised Charging Arrangements

(subject to final Decision by CRU)



- Tariffs set on a national basis.
- 4 separate tariff classes.
  - Strong water conservation message – tariff structures
  - Encourage efficient use of wastewater services
  - Transparent
  - Simple
  - Equitable
- Proposed Non-Domestic Cost Allocation: **22.98%** (of total allowed revenue)

# Economic Regulation & Link to Environmental Objectives

## Regulating Costs

- Tool: **Revenue Control**
- Allow sufficient money to meet Irish Water's environmental requirements, build essential infrastructure, and improve services provided to customers at least cost.
- Set challenging but realistic efficiency targets for Irish Water to deliver.



## Regulating Charges

- **Set charges that:**
  - Reflect costs of providing the service
  - Promote water conservation & efficient wastewater discharge
  - Simple, transparent and easy to understand for customers



Addressing Environmental Objectives & Recognising the Value of Water

A close-up photograph of water flowing from a modern, metallic faucet. The water is captured in motion, creating a series of bubbles and ripples as it falls. The background is a solid, warm orange color. Overlaid on the right side of the image is a pattern of small, light-colored dots that transition into a larger, more prominent pattern of orange circles on the far right.

# Thank you