

Society of St. Vincent de Paul (SVP)

SVP Response to the Commission for  
Energy Regulation on the Water  
Charges Consultation Plan

SVP Social Justice and Policy Team

August 2014



Society of St Vincent de Paul

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## **Introduction**

The Society of St. Vincent de Paul (SVP) welcomes the opportunity to respond to the Commission for Energy Regulation's (CER) *Water Charges Plan Consultation*. However, SVP notes at the outset the very tight time frame during the traditional holiday period for this consultation. While this may be unavoidable due to circumstances beyond the control of the CER it nonetheless alludes to the rushed and unpredictable commencement of water charging and the creation of the *Irish Water* utility.

SVP is concerned that the rushed nature of this consultation process may lead to policy decisions which are not substantially researched or are based on insufficient data; that err in the favour of the utility rather than the customer; and which, in the longer term may not benefit either party.

This submission by the SVP therefore looks at the wider consultation process as well as the consultation questions. This submission argues that in light of the rushed process and our review of the interim pricing structure and the heavy dependence on Government subsidy that the interim revenue control period (fixed price period) should be reconstituted as a 'formal transition period'. Consideration must also be given to the criteria for transition to the first full price control period, e.g., availability of comprehensive and accessible consumption data. It argues for a review of some of the charges proposed in the consultation document, a holistic view of the needs of struggling families and for proactive educational measures.

## **Water Charges Consultation process**

The SVP has taken issue with the CER previously on the volume and complexity of their consultation documents. While we acknowledge that in this instance CER published a guide to the charges plan a formal response by any agency requires a thorough examination of the documentation. In the case of the water charges consultation this amasses to 37 individual documents. It behoves CER to provide accessible material which while comprehensive in nature does not exclude target audiences such as consumer representative groups. One of the key principles outlined in previous consultation documents was that 'modifications to the regulatory framework would be 'flagged to participants in advance with adequate consultation allowed'.

In light of the SVP proposal for a 'formal transition period' we also call for accompanying consultation processes:

1. CER to constitute and chair an appropriately constituted consumer stakeholder forum.
2. Such a forum is recognised as one of the constituent parts of the formal transition period.
3. This forum acts as an on-going consultative forum feeding directly into regulatory decisions (possibly as a sub-group of the 'output monitoring group' proposed in the consultation documents).

Separately SVP and the wider Community and Voluntary Pillar are also requesting that CER hold a once-off stakeholders meeting ahead of forming its decision on the water charges plan.

### **SVP calls for the Interim Review Period 2014-2016 to be recognised as a ‘Formal Transition Period’**

Access to water and sanitation is recognised by the UN as a basic human right, with water needing to be “available, accessible, safe, acceptable and affordable for all without discrimination” (Office of the High Commissioner for Human Rights, [www.ohchr.org](http://www.ohchr.org)). SVP is concerned that the proposed water charges plan published in late July 2014 by CER has serious implications for low-income households as the alleviation measures are not targeted and that the proposed charge per thousand litres at €4.88, is one of the highest in Europe. The Society is also concerned at the very high running costs of Irish Water.

The SVP notes the changes in policy approach which became apparent in the period April to June 2014. In April 2014 Irish Water proposed a charging model with a significant emphasis on standing charges and a fixed national rate for consumed water. By May, prior to local elections, Government directed there would be no standing charge, an average bill of €240 and allowances to each household and child under 18 in the State. At that time the SVP called for further consultation due to the significant disparity between the model proposed by Irish Water and Government direction and the potential to create a culture of high pricing in the water market.

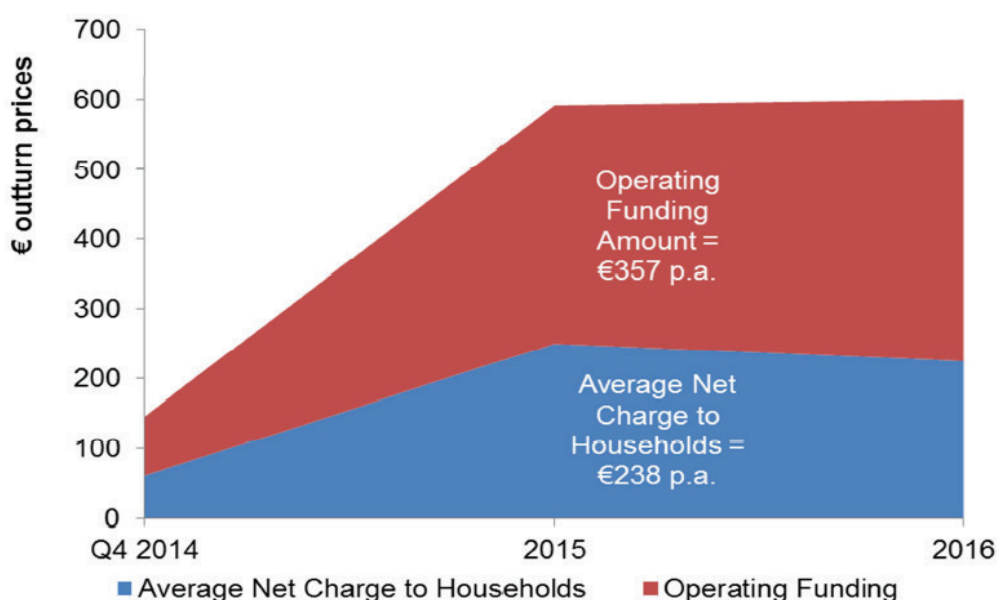
There is considerable confusion and concern in the public mind about the cost of water and the implications for certain household types. Indeed the reality is that without the information or analysis from a broad cross section of the metered population the required information on the operational cost and impact of Irish Water simply does not exist. The information deficits come across clearly in the consultation document with references to ‘absences of necessary data’, ‘absences of relevant data’, ‘absence of specific data’ ‘best data possible’, ‘insufficient information’ and indeed ‘evidence given not being robust’ . It is clear that significantly more information is required on the operation of Irish Water and indeed consumption patterns of the Irish public before the optimum financing and charging policies of Irish Water can be applied.

It is also clear to the SVP that based on the information provided on the interim revenue review that there is considerable ‘unknowns’ on the capital side also. In the consultation document’s own words, it is only “beginning” to establish the necessary practices to function efficiently. These are all arguments for a closely monitored formal transition period, which while falling into the present 2014-2016 time period may also be based on performance criteria, e.g. complete and comprehensive data collection, rather than solely the conclusion of the time period ending 2016.

### The impact of the Government subsidy

The need for a formal transition period is underscored by the open ended question on the viability and duration of Government subsidy. The main determinant of the customer charge is and will continue to be government policy. So while the proposed efficiencies/challenges proposed for Irish Water are outlined in the consultation documents, the real impact on the customer will be felt by the 50% government funding of Irish Water and how that changes over time. In their report for the CER NERA Economic Consultants clearly show the importance of the Government subsidy in this regard in Figure 11.2 below from the report *Irish Water Interim Review Assessment*<sup>1</sup>

**Figure 11.2**  
**The Gross Average Household Bill (€594) Is Recovered Through Operating Funding (€357) and Domestic Customer Charges (€238)**



The clear impact of the Government subsidy – described as the operating funding amount in the above table – is to subsidise the assumed average total bill of €595 by 60% of €357 per annum. It is vital for CER, Irish Water, policy makers and the public to take into account any changes in the government subsidy post the fixed price period.

### Financial Impact of Water Charging and Protections for Financially Vulnerable Households

The SVP is mindful of the need for financially vulnerable households to be protected from significant losses to their weekly incomes. The combined rates of water and wastewater services in general exceed the weekly income of the single social welfare payment, i.e. people on social welfare are at a minimum losing one week's income on very stretched budgets. Government has proposed passporting a €100 payment

<sup>1</sup> NERA (2014) Irish Water Interim Review Assessment, pg. 106.

onto the Household Benefits Package through the Department of Social Protection which would assist certain groups. However, SVP amongst others, is concerned that the Household Benefits Package is not sufficiently targeted to low income working age households and that a measure must be found to alleviate the burden on the groups in society who are recognised at most vulnerable to poverty. SVP is in particular mindful of the finding of the ESRI that ‘a “water benefit” passported on the Household Benefit Package would not have as great an impact on low income households as one based on Fuel Allowance’<sup>2</sup>

### **SVP Response to the Consultation Questions**

Mindful of the SVP proposal for CER to accept and adopt the ‘formal period of transition’ SVP’s analysis of the interim revenue review further adds to the argument for such a process to be based on key indicators as opposed to a time bound definition of the period. In relation to the immediate water charges plan SVP sees an opportunity in the short term to respond to, influence and amend some of the proposals contained in the consultation document.

### **Interim Revenue Review**

It is important to note at the outset of the SVP response to the interim revenue review that the principle of an interim period has already been acknowledged by Irish water, CER and NERA. SVP’s overall proposal in this submission is that the interim period should be recognised as a formal transition period dependent on the gathering of significant data on consumption and the running of Irish Water. This too has been proposed by NERA who state that:

The objectives of the interim review (IR) period were to establish the regulatory framework and facilitate the requisite data collection by IW, in advance of the first full six year price control period, 2017-2022. The intended period for the interim review is for a period from 1st October 2014 to 31<sup>st</sup> December 2016.<sup>3</sup>

However it is the view of the SVP that such an interim review must also include a social impact analysis taking account the customer experience of the new utility, its charges and practices.

The SVP assessment of the interim revenue review is that the establishment of Irish Water is considered a necessity after years of chronic under-investment, akin to the road networks and telecommunication networks. The Irish Water ‘project’ therefore now has to deal with considerable uncertainty in its asset base (high risk), its levels of output (unmeasured), customer service (just beginning), and asset

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<sup>2</sup> Callan, T. and Savage, M. (2013), Water Charges, Affordability and Poverty: Analyses for the Affordability Working Group, pg. 41.

<sup>3</sup> NERA(2014) Irish Water Interim Review Assessment, pg.7

maintenance (under-estimated). The total revenue allowance and average charge must be viewed with extreme caution hinging on a single political given (the average annual household bill) and ultimately determined not by Irish Water performance but government policy.

### **Question 1: The establishment of Irish Water and incremental operating costs**

Irish Water indicates that its mission over the period to end 2016 is to complete the establishment of the new national utility and begin to deliver fully on its remit, viz.,

- Build a database of all water and wastewater assets;
- assess the high levels of risk currently within the infrastructure and
- begin implementing best asset management practices;
- Invest over €1.7bn in approximately 380 water and wastewater projects to improve quality and increase capacity and resilience in the system;
- Work with Local Authorities to reduce costs and improve operational procedures;
- Install over 1 million water meters; and
- Begin to deliver best practice customer service to Irish Water customers.

The CER Approach to Review has included the engagement of NERA UK economic consultants to review the Irish Water (IW) Business Plan. The scope of this review was quite wide – mobilisation, corporate structure, governance, brand, PMO, business capability (systems) - and CER has taken the view that Irish Water's establishment costs could be reduced by 5% to €172.8m which will be included in the Regulatory Asset Base (RAB).

The CER approach sees the period to end 2016 as a transition period during which the high level of risks within the infrastructure will be assessed and projects prioritised yet this period is one where over €1.7bn will be invested in parallel with these processes. The NERA Assessment indicated that Irish Water has proposed a large scale capital investment programme for the interim review which is at the top end of the programmes being delivered by comparable utilities in the UK. NERA also say that Irish Water does not demonstrate a clear understanding of the amounts it intends to spend on maintaining its capital base, as its predecessor organisations have not historically recorded capital maintenance expenditure separate from the wider capital expenditure. All of this suggests that the approach should more clearly signal a risk-based prioritisation process to investment during the interim review period.

### **Question 2: Methods to evaluate Irish Water's proposed capital expenditure.**

Irish Water has largely inherited the capital investment plan already in place by the Local Authorities. Metering is additional and represents 23% of the total capital expenditure. Irish Water has proposed a capital expenditure plan of €2,508m for the full three year period 2014 to 2016. To assess the substance of the Capital Investment Plan, the CER sampled 15% of project numbers (there are 150 water and 233 wastewater projects in the plan) representing approximately 40% of financial value. Overall, the CER is satisfied that there is a demonstrable need for the projects and investment levels proposed by Irish Water in the Capital Investment Plan (CIP). In general, the CER review suggests that the proposed solutions to addressing the investment needs are cost-effective and that there has been thorough project appraisals carried out to reach the proposed solutions. In terms of procurement and design, Irish Water expects to improve the management of the contracts and to establish centralised procurement activities, including contract management which should result in Irish Water realising reductions in contracted costs over time.

While Irish Water has set out an ambitious programme, it is one that should be achievable (subject to capital funding being made available) however no capital expenditure efficiency savings over the interim period had been proposed. However, CER has proposed a 7% reduction year on year on CIP with none on capital maintenance. Irish Water has access to €1bn financing for its capital programme but needs to finance remaining €1bn. CER proposes to allow 75% thus reducing customer bills in the interim period. However this leads to the concern than without Government subvention large increases in water bills will ensue if Irish Water fails to deliver efficiencies.

NERA indicate that Irish Water has not developed a set of baseline performance measures which would clearly identify priority areas for improvement and develop a set of targets. It is not clear to them how Irish Water plans to strategically prioritise across the two services, or in relation to other capital expenditure categories, e.g. capital maintenance. In addition, NERA identified a number of areas where they would expect Irish Water to realise efficiencies within the interim review period, i.e., realisation of cross-Local Authority efficiencies. To this extent SVP queries whether Irish Water or CER has undertaken an evaluation / prioritisation across Local Authorities.

### **Question 3: CER proposals for Irish Water's capital expenditure.**

NERA indicates that Irish Water does not demonstrate a clear understanding of the amounts it intends to spend on maintaining its capital base, as its predecessor organisations have not historically recorded capital maintenance expenditure separate from the wider capital expenditure, yet CER are prepared to allow a proposed maintenance budget despite this knowledge deficit.

CER recognises that Irish Water may not be in a position to fund the entire capital programme in the period to



2016, and that it is necessary to establish the basis on which capital projects will be prioritised. The CER is of the view that the approach to monitoring Irish Water's performance generally merits consultation. In the longer term, and at least for the next price review period, we need to consider the appropriate governance structure to apply to the question of prioritisation of capital projects. One possible proposal is for Irish Water to undertake project prioritisation across all Local Authorities.

#### **Question 4: Irish Water's approach to prioritisation**

Irish Water does not seem to have the time or capability to prioritise the interim investment programme, but is focussed on the next price review period. While this approach has merit, there seems to be little appetite for any significant review of the current investment programme.

CER is proposing to (in conjunction with the relevant stakeholders) to develop an approach to the prioritisation of capital expenditure projects, and consider the establishment of an outputs monitoring group to agree changes to a baseline capital programme and monitor associated outputs and inputs. NERA and the Dept. of the Environment, Community and Local Government (DECLG) seem satisfied with the project proposals formulated by the Local Authorities. Yet there are concerns flagged by NERA on prioritisation across the two services. Prioritisation across the Local Authorities and the two services should be pursued.

#### **Question 5: The need for an outputs monitoring group**

Such a group will need a multi-track approach, (a) industry / project management specialists and (b) consumer representatives and (c) the regulator and (d) Government. The remit of any monitoring of Irish Water must take a holistic view of the utility with a strong emphasis on the need to create a sustainable and affordable utility. SVP recommends that CER/Outputs Monitoring Group undertake a social impact analysis on the operational aspects of the utility.

#### **Question 6 & 7: Consultation and monitoring on capital projects and operational expenditure**

It is noteworthy that Irish Water and CER have taken a proactive approach to monitoring of capital project etc., however less emphasis appears to be in place in relation to the customer experience through the overall performance assessment. Therefore while we have no objection to further consultation on the capital projects side it is important for CER to create a broader consultative approach which targets specific stakeholder groups such as those mentioned above.

#### **Question 8: CER's proposals for Irish Water's operating expenditure**

CER benchmarked Irish Water's submission using econometric benchmarking models based on UK water and sewerage company data. The benchmarking techniques/models used by UK water regulators which showed that Irish Water's projected operating costs are above those of UK comparator companies. Based on their review of efficiency savings achieved elsewhere by companies at comparable stages, the CER proposes a cumulative reduction in operating costs of approximately 14% by the end of 2016 profiled at 10.5% in 2015 and 3.5% in 2016 to comply with government conditions for funding. The CER is also proposing to allow a €2m innovation fund within Irish Water to encourage the utility to invest in research and innovation projects with a view to addressing issues across the Irish water network.

Given that so much of Irish Water costs are beyond their control, while such a proposed reduction is commendable and challenging is it feasible or even meaningful against their controllable costs? The suggestion is made that Irish Water does not have to replace former local authority workers when they leave/retire. Even with an attrition rate of some 3-5% and no replacement is this a feasible suggestion?

#### **Question 11: CER's approach to setting Irish Water's allowed rate of return**

The CER proposes to set an allowed rate of return based on an estimate of Irish Water's weighted average cost of capital of 5.1% (real, pre-tax). This is based on the CER calculation of an overall Weighted Average Cost of Capital (WACC) of 5.1% based on a cost of equity of 6.3%, a cost of debt of 3.9%, an assumed gearing level of 55%. They have also to review the approach for the second year of the interim review where Irish Water can demonstrate that CER's proposals are insufficient to allow Irish Water efficiently finance its investments.

#### **Question 13: Incentivising improvements in quality and customer service**

A partial overall performance assessment will be implemented from the beginning of the interim review, where data are available, and Irish Water will be required to publish the performance results. The consultation document acknowledges that there are areas required for vast improvement.

SVP has disagreed with the approach taken by CER in relation to customer charter payments which have been set at a very low rate of €10. The NERA report recorded the Guaranteed Standards Scheme (GSS) in operation in the UK where charter payments for domestic customers in the main were £20 or €25<sup>4</sup>. In its response to the CER consultation document on the customer handbook SVP proposed a payment of €40 as a greater incentive to promote systematic improvements across Irish Water<sup>5</sup>.

SVP has also proposed that a consultative group be formed to overlook this significant area of work in a

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<sup>4</sup> NERA (2014), Irish Water Interim Review Assessment, pg 119

<sup>5</sup> SVP (2014), SVP Response to the Commission for Energy Regulation on the Draft Irish Water Customer Handbook

similar way as has been proposed in relation to capital expenditure and operating costs.

**Question 14: The total revenue allowance and determining the average charge to households**

CER proposes to allow Irish Water to have overall revenue to end 2016 of €2,078m comprised of:

- Operating expenditure €1,700m.
- Capital Expenditure of €1,400m.
- Less a deduction of approx. €1,000m for changes to their Regulated Asset Base (RAB)

This revenue has to be recovered through charges on customers. This would equate to a charge of €594 per household per annum. However, Government funding (both operational and capital) is provided in to ensure that the average annual household bill for a combined service does not exceed €240. The Operating Fund in effect pays for the allowances and subsidises the volume charge while the Capital Fund subsidises the Capital Investment Programme (CIP).

The approach is fraught with risk. The current Government funding (both operational and capital) is provided in to ensure that the average annual household bill for a combined service does not exceed €240. In the event Irish Water under-delivers/underperforms even within the interim period, will the government provide additional funds or will the customer pay the bill?

**Question 15. Do you have any comments on the CER's proposals to monitor Irish Water?**

The CER proposes to monitor Irish Water's overall performance with a view to ensuring efficient delivery of appropriate service levels to customers.

CER propose that an Output Monitoring Group be established to assess Irish Water's progress against its expenditure and service improvement programmes on, for example, a quarterly basis. The group would also monitor Overall Performance Assessment components where data is already available and an agreed timetable for data collection on those outstanding. The Group would also monitor capital expenditure output indicators, such as improvements to drinking water quality and environmental compliance, mains bursts, length of mains relined/replaced, leakage rates, pressure levels and other key outputs associated with the capital investment programme.

In our comments to questions 5, 6, 7 & 13 above the SVP has outlined the need for wide consultation across Irish Water's area of responsibility. SVP is calling for strong customer representation on such groups but recognising the very broad remit of the CER proposals suggests a steering group chaired by CER with a number of sub-groups who can adequately inform and engage on the specific issues proposed.

The findings of such sub-groups and steering group should inform the 'formal transition period' with responsibility for examining the long-term future of Irish water taking water affordability heavily into account.

## **Water Charges Plan**

### **Question 16: Consumption and incremental consumption levels**

The present consumption levels are based on rather limited data from 1650 households. Indeed, the consumption data of 66,000 litres or 180 litres per day appears to be drawn from the mean per capita water consumption of 58 single occupancy households<sup>6</sup>. However, SVP notes the findings of the ESRI 'Final Report on Household Water Consumption Rates'<sup>7</sup> which stated that the average daily per capita water consumption is estimated to be 122 litres, and by removing households with very large or very small consumption the estimate reduces to 112 litres of water. In this instance the average per annum usage would be 44,530 litres reducing to 40,880 by removing the large and small outliers. One of the effects of assuming such large consumption rates is to reduce the price per litre. If in fact consumption rates were based on the lower European average of 50,000 litres the per unit rate per litre would increase significantly.

It is clear that within six months and up to one year of metering Irish Water and CER will hold much more relevant, reliable and transparent information which should tally with the experience of general households. If the small scale data collection by Irish Water is found to be unreliable it will lead to wide consumer disquiet. In the event that consumption is significantly over-estimated it will also drive the average per-unit price up which is not of benefit to consumers nor the interests of Irish Water.

The SVP proposes therefore that CER takes a regulatory stance on Irish Water's consumption data requiring definitive timelines, transparency and publication of detailed per household and average consumption to inform the consultations and policy making during the formal transitional period.

### **Question 17: Child allowance**

There has been a dramatic reduction in the child allowance which has alarmed the public. This relates not only its volumetric reduction but also in the fact that proposals issued in April 2014 could have been so over-calculated. This does not reflect well on any decision makers or for trust in Irish Water. As with question 16 the required data will emerge through national consumption patterns and will be acceptable to

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<sup>6</sup> Morgenroth, E (2014) Final report on Household Water Consumption Estimates.

the public based on the knowledge of their own consumption. In the meantime the Government pledge was that water for children would be free and this pledge must be seen to be upheld.

Irish Water, CER and Government must not lose sight of the fact that the withdrawal of the Children's Allowance at age 18 for school going children is in question. A growing argument is made that the allowance should at least remain in place till the child finishes secondary education which may mean that more children will be eligible for Children's Allowance and consequently the water allowance also.

#### **Question 18: Application of Allowances**

During the interim period, but in the absence of any qualifying data, the SVP is agreeable to the CER proposals on allowances being carried over quarterly, children allowances being consistent with the rules of children's allowances (see question 17) and for the full allowance to be applied to customers with water and wastewater services before calculating the annual charge.

#### **Question 19: National Tariffs and Water and Waste Water Tariffs**

The question of national tariffs raises the question of how tariffs should be designed. While a national tariff does make sense for a country the size of Ireland how that tariff is designed in the long term remains an open question due to insufficient evidence. The consultation document acknowledges, for example, that due to insufficient data a decision to charge water and waste water at a 50/50 cost has been taken without being able to determine the accurate split.

The SVP's proposal for a formal transition period envisages a comprehensive review of the national tariff design based on aggregated data from customers, recognition of levels of 'water poverty' and the financial/economic needs of Irish Water.

In the interim SVP has no objection to the 50/50 split on water and waste water.

#### **Question 20: Billing Arrangements**

Customers become liable for water charges from 1<sup>st</sup> October 2014, with the first bills being issued in January 2015. It is the experience of the SVP that the post-Christmas period is one of the most difficult periods for households to budget as, for many, debts become payable after the holiday period. The proposal from CER is that customer's water bills must be paid within 14 days of issue. This will place serious difficulty for households half way through the month of January. Therefore SVP is calling for two actions from CER:

- SVP is calling for leniency with the payment requirement of the 1<sup>st</sup> Irish Water Bill and suggests extending the payment date to early February 2015.
- SVP calls for the quarterly payment periods to be amended to take into account the above finding, suggesting payment dates in February, May, August, November,

The SVP notes the proposal for households to be able to pay bills on a monthly basis to allow for budgeting. Such a system would most likely be advantageous if customers could have their annual consumption estimated and pay an 'equalised bill' on the monthly basis. However, SVP is mindful that even a monthly bill for households with high consumption of water living on a low income will be difficult to pay.

SVP is also concerned that while the Customer Handbook is mindful of payment options for households to struggle financially that no timelines have been set as a guide for the operation of payment plans etc. SVP believes that payment plans which are arrived at following a period of engagement between the utility and the customer should not be time bound or over influenced by the monthly or quarterly billing periods as in some cases their duration may need to be longer.

The SVP has already sought Irish Water to become a named utility on the An Post operated Household Budget Scheme. This scheme allows customers have certain payments deducted from their social welfare payments and if not already in place should be done so as a matter of urgency.

### **Question 21: Metered Water and Waste Water Charges**

The SVP does not agree with the proposed charges on the basis that the policy process which arrived at these rates has been rushed, has been subject to political influence and may not be in the long-term interests of customers or the utility.

In its original proposals in April 2014 Irish Water sought a large standing charge and a single national volumetric rate. Prior to the local elections in May 2014 a Government direction was issued which stated that amongst its directives that the standing charge was to be dropped and an average household charge of €240 was to be arrived at.

In the short-term this development may have been both politically acceptable and sought for public acceptance, however it undermined the thinking of Irish Water and required a significant rethink of the funding model for Irish Water. The development leaves the operational costs of Irish Water heavily dependent on Government subsidy whose long-term security is in question. In essence a short-term decision has been made without due reference to the long-term viability of the utility, the future impact on

the customer base and with the acknowledged absence of critical data such as consumption levels in the Irish market.

The serious impact of this development has been that a culture of high per litre costs has now been set arriving at a combined charged of €4.88 per 1000 litres. The significance of this is that in the event of Irish Water requiring / requesting the reinstatement of a standing charge very high per unit costs have been set. Furthermore in the event of a reduction or withdrawal of the Government subsidy Irish households will face a significant increase in their charges set from an already high base.

These charges need to be viewed in relation to comparative charges elsewhere in Europe. Such a study by the Global Water Intelligence Report of 2011 was cited in a paper by publicpolicy.ie<sup>8</sup> entitled Domestic Water Charges in Europe. The study found that the average price of water across many European Cities varies from €0.40 (Milan) up to €5.75 (Gent) per 1000 litres. Based on these 2011 figures which account for standing charges (where applicable) and consumption of 500 litres per day Ireland is in the higher bracket for the cost of water.

#### **Question 22: Charges for Unmetered Customers**

There will be a significant number of unmetered housing even after the roll-out of metering progresses. Such households need to be certain that they are being charged in an equitable manner which is reflective of comparable data from metered houses. Equity in this manner means such households being offered any reductions in charge if the average consumption of 66,000 litres is found to be see too high.

#### **Question 23: Unmetered validation**

The validation campaign set out by Irish Water is a massive undertaking that will be subject to many variables up to and including households failing to register. That registration establishes water allowances for children is understandable, however the short-time frame in which households must self-validate makes the imposition of penalties – as opposed to incentives as suggested – questionable. Penalties include the loss of allowances for the unregistered period, liability for assessed charge at the 2 person rate and the loss of eligibility for a rebate for non-metered households.

In its decision making CER must protect the interests of households that may have difficulty accessing literature and particularly for households who for a variety of genuine reasons fail to register in time. Households which experience personal changes of circumstances during the water billing cycle, such as the

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<sup>8</sup> <http://www.publicpolicy.ie/wp-content/uploads/Domestic-Water-Charges-in-Euroe.pdf>

birth of a child, arising medical need or reduction in household occupancy must be accommodated with an easy revalidation process.

#### **Question 24: Penalising late validations**

It is hard to see how an entity such as Irish Water seeking to build up trust with the Irish public could stand-over the imposition of penalties in its first interaction with households. The penalty for such households is not only the loss of any allowances but also being charged a default double occupancy rate and the loss of eligibility for a rebate in unmetered houses. However, as it is likely that some, if not all, penalties may be imposed it behoves CER to establish recourse for customers to an independent panel who can assess such late applications.

#### **Question 25: Capped Charges**

SVP considers that such is the significant absence of data on water consumption that the capped charges should be extended to 12 months in duration. The capped charge for households is a positive development offering customers security of billing by avoiding 'shock bills' but giving them the time to reduce consumption. However a six month period is too short considering Irish Water's analysis elsewhere in the consultation documents that water consumption varies through-out the year. Nonetheless a six month deadline should be set as the timeline to mark the first round of consumption data being released to the public so they can inform themselves of how their consumption compares with a large section of the public. The proposal to lengthen the capped charge in cases of unfixed leaks (which are dealt with under the first fix policy) is a welcome development but should fall into the SVP's proposed 12 month cap proposal in any event.

#### **Questions 26-28: Rebates**

It is notable that there is a difference in the Irish Water position and that of CER in relation to the repayment of rebates and in particular the relevance of annual consumption data versus quarterly data. Irish Water's desire to bank rebates for 12 months represents a disservice to customers in as much as their desire to withhold rebates is a further example of heavy handed approach to non-validating customers.

SVP therefore objects to the Irish Water proposals on rebates in relation to 12 month banking of the rebate account and the denial of rebates to non-validating customers. SVP agrees with the CER interpretation of the rebate scheme whereby no minimum time is set for unmetered customers to avail of a charge and that rebates shall be quantified on a quarter to quarter basis.

SVP also notes the failure of Irish Water to provide CER with consumption data that shows different consumption patterns across a year.



### **Question 29: Minimum Charges for Unoccupied dwellings**

A minimum charge for unoccupied dwelling has been set at €20 per quarter. It is unclear from the documentation what is considered an 'unoccupied dwelling'

### **Questions 30-32: Discounts for water un-fit for consumption**

CER have rightly recognised the impact of boil notices on customers and have disagreed with the Irish Water proposal in relation to 100% discounts being applied only after 6 months of such notices. However it is noteworthy that the financial impact of boil notices have not been factored into the equation. While, once again, data sets are either insufficient or indeed not robust, the percentage figure provided that 15-20% of all water is consumed or used for food preparation is striking. Taking the single occupancy rate of 66,000litres this would imply that households would have to either purchase or boil over 3000litres of water per quarter to meet their consumption/food preparation needs (at the 20% level). As a simple measure, the cost of boiling a standard kettle of water is 0.03c or €60 per 3000 litres. The cost of 5litres of water from a leading supermarket costs €1.29<sup>9</sup> or €774 per 3000 litres.

### **Question 33: Payment Options**

SVP has already recognised the importance of the Household Budget Scheme as a payment option and the process of having *Irish Water* as a payee should be expedited with An Post. Customers availing of this option will require detailed information on usage and cost to ensure their weekly payment is neither below nor above their average weekly cost.

SVP also notes the requirements on Irish Water in the Customer Handbook for assisting customers in arrears and has called on CER to monitor such cases with a view to ensuring financially vulnerable customers are treated fairly by Irish Water. In particular SVP has called for CER to publish data on the number of customers in arrears, their level of debt and success/challenges of payment plans made. Vital to this information is also the number of customers who have their water depressurised due to non-payment of bills.

### **Questions 34-35: Non-Domestic Water Charges to Homeless Hostels**

As the largest provider of homeless accommodation in the State SVP recognises that the provision of water and waste water services to homeless hostels has been a matter of discretion amongst local authorities. The importance of these services within the community is well recognised and agreement should be

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<sup>9</sup> Supervalu Midleton, Co. Cork. price quoted on 27.8.14.

reached in a timely fashion on how practices within local authorities will be transitioned to the Irish Water utility.

#### **Question 42: Additional Services for Domestic Customers**

Irish Water have not supplied CER with the appropriate and necessary supporting evidence in relation to these costs making the consultative process on this charge redundant. The costs alluded to in the consultation document are very high and no measure has been given on how customers can adjudicate, appeal or indeed pay for such services.

In the spirit of the first fix policy – and most likely in the absence of a definitive decision in the short-term – customers should be facilitated as much as reasonably possible by Irish Water as the utility beds down. It behoves Irish Water to build trust rather than additional bills with its customer base and SVP urges CER to undertake a serious review of these additional charges proposed by Irish Water in light of any publically available supporting documentation.

#### **The Regulatory Role of CER**

CER states that amongst its roles is to protect the interests of Irish Water customers and ensure that Irish water provides its services in the most efficient way. There is an extremely important role for CER to regulate the conflict between the economic interests of Irish Water and the interests of customers, particularly financially or otherwise vulnerable customers. SVP has previously argued that at the outset of the new utility CER should err on the interests of customers, and in doing so, take into account the financial impact of their decisions on customers. Recent CER decisions, such as the PSO levy in the electricity market, have seen customers levied to the profit of industry. This is also, in part, evidenced in the maintenance of a €10 charter payment in the Irish Water Customer Handbook.

#### *Customer Complaints and Charter Handbook – Customer handbook*

The Customer Handbook, while not formally part of this consultation process, is an important protection and statement of customer rights, expectations and obligations in relation to Irish Water. The SVP has argued that the Irish Water customer charter payment should be in line with other utility charters and set at €40 as the €10 payment, as decided by CER, carries little or no incentive to Irish Water to remedy systematic shortcomings as they arise. Standard penalties for inadequate service provision in England and Wales of £20/€25 is highlighted elsewhere in this submission. However the SVP had argued that CER should have a complaints handling role and while this has not been fully implemented SVP notes the Customer Handbook decision paper reference to a voluntary ‘Dispute Resolution Agreement’ between CER and Irish Water.

### **Educational Material for Households**

The SVP has worked successfully with the energy industry to provide energy saving information to households in order for them to off-set price increases and to be more energy aware. Irish Water should be obliged to work with consumer representative groups to provide accessible information to households on how best to conserve water and to reduce bills. Any additional incentives or resources made available to households should be mindful of households that are 'hard to reach'. The impact of any campaigns should be evaluated to monitor their effectiveness and overall impact on reduction in water consumption.

In tandem with the timeliness and public appetite for water saving information CER should undertake an awareness campaign or production of a leaflet which provides customer information on energy also.

### **Conclusion**

The SVP recognises that there is an opportunity in the fixed price period to overcome the serious data deficits for CER and Government to reflect and make the most efficient and equitable decisions about Irish water policy. SVP calls on the fixed price period to be reconstituted as a formal transition period. In this period water consumption, the impact of water pricing and establishing exactly, through a social impact analysis, which groups are likely to who fall into water poverty. Ultimately CER, Irish Water and Government should take stock in this period and review the Irish Water project with the aim to create equitable and transparent policies in the Irish water market.

A formal transition period not only requires the provision and examination of significant data sets it also leaves an open ended question about the best model for funding Irish Water and for equitable and transparent charging of customers. A formally recognised period of transition will require regulatory, political and public support however it offers the breathing space for the Irish Water utility to bed down but also the opportunity for reflection required for coherent policy making. At best it will mark out a long-term future for Irish Water and its customers and at a minimum it offers an antidote to the rushed policy making of the period prior to customer pricing in October 2014.