



An Coimisiún
um Rialáil Fóntas
Commission for
Regulation of Utilities

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Establishing Irish Water's Non-Domestic Tariff Framework

Information Note

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Reference: CRU/17/287

**Date
Published:** 06/10/2017

**Closing
Date:** N/A

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The Commission for Regulation of Utilities

The Commission for Regulation of Utilities' ('CRU')¹ role as economic regulator of Irish Water is to protect the interests of water customers, ensure water services are delivered in a safe, secure and sustainable manner and that Irish Water operates in an economic and efficient manner. Under the Water Services Act (No.2) 2013 the CRU also has the responsibility of approving the charges applied by Irish Water to customers for water and wastewater services. As per the CRU's direction (CER/15/001), Irish Water has continued to apply the existing non-domestic tariffs, which were in place on 31 December 2013 and levied by the Local Authorities and Town Councils, until a project could begin to examine the future of such tariffs.

In 2016 a project was put in place to establish a new Non-Domestic Tariff Framework which will apply to Irish Water's non-domestic water and wastewater customers². The Framework will introduce harmonised non-domestic tariffs, which will benefit non-domestic customers in terms of transparency, simplicity and equity. There are approximately 189,000 non-domestic water and wastewater connections, which range from small retail outlets to large industrial connections.

Introduction

This Information Note, prepared by the CRU, provides an update on the project to establish Irish Water's Non-Domestic Tariff Framework and follows the Information Note³ published by the CRU in October 2016.

The public consultation phase of the project to establish Irish Water's Non-Domestic Tariff Framework was scheduled to commence in Q1 of this year, however due to the establishment of a Joint Oireachtas Committee ('JOC') to consider the Report of the Expert Commission on the Funding of Domestic Public Water Services⁴, there was a delay to the project. There is an interaction between a number of recommendations of the JOC's Report⁵ and Irish Water's non-domestic customer base. Specifically mixed-use customers who avail of water and wastewater services for both domestic and non-domestic purposes and who have an allowance to account for domestic water consumption.

The establishment of Irish Water's Non-Domestic Tariff Framework is a key priority for the CRU. Introducing a harmonised approach to charging non-domestic

¹ The CRU was formally known as the Commission for Energy Regulation (legal name change took place on 2nd October 2017 following the commencement of Section 4 of Energy Act 2016).

² The background, consultation approach and timelines for this project was set out in an Information Note prepared by the CRU and published on the CRU website in October 2016 (CER/16/304).

³The CER's Information Note: "*Establishing Irish Water's Non-Domestic Tariff Framework*" (CER/16/304)

⁴<https://www.oireachtas.ie/parliament/media/committees/futurefundingofdomesticwaterservices/Report-of-Expert-Commission-on-Domestic-Public-Water-Services.pdf>

⁵http://www.oireachtas.ie/parliament/oireachtasbusiness/committees_list/futurefundingofdomesticwaterservices/

customers will provide benefits to customers in terms of transparency, simplicity and equity. Irish Water has submitted to the CRU its revised timeline for the project (see Appendix 1 to this Note) and has committed to delivering to this timeline. This Note provides stakeholders with clarity on the progress of this Project, the impact of the JOC recommendations and sets out the updated timeline submitted by Irish Water to the CRU.

Background and Implications of JOC Report

Currently there are a wide range of non-domestic tariff levels, tariff categories, billing methodologies, billing arrangements and billing cycles applied across the country. This complex and varying range of non-domestic tariff structures evolved under the previous water industry structure, overseen by 44 different Local Authorities and Town Councils. There are approximately 189,000 non-domestic water and wastewater connections, which range from small retail outlets to large industrial connections. In 2016 a plan was put in place to establish Irish Water's Non-Domestic Tariff Framework. During 2016 and 2017, Irish Water has been developing its non-domestic tariffing proposals in preparation for submission to the CRU and the public consultation phases of the Project.

In 2016, the Government decided to suspend domestic water charges and establish an Expert Commission to investigate the funding of domestic public water services. The Expert Commission published its report in November 2016 which was subsequently considered and debated by the special Joint Oireachtas Committee on the future funding of domestic water services. The Joint Oireachtas Committee's Report was published and approved by both Houses of the Oireachtas in April 2017. This Report made a number of recommendations relating to excess use of water by domestic customers and a threshold level of domestic consumption below which there will be no charge for water services.

As mixed-use customers, which make up circa 33% of all non-domestic customers, avail of water and wastewater services for both domestic and non-domestic purposes, from an equity perspective it is important that the measures and charging arrangements that apply to domestic customers, as far as practicably, are similarly applied to the domestic portion of Irish Water's mixed-use customers. This means that Irish Water will aim to seek parity between the JOC's recommendations and the Domestic Allowance⁶ to be used within the Non-Domestic Tariff Framework. Irish Water is currently finalising its non-domestic tariff proposals to take account of this interaction.

⁶ The Domestic Allowance represents the portion (volume in m³) of water consumed for domestic purposes in a mixed-use premises. Water consumed above this allowance will be charged the applicable non-domestic unit rate (€/m³).

Opportunities for Consultation

The public consultation phase of the project is expected to begin in Q1/Q2 of next year (2018), with the publication of separate CRU and Irish Water Information Papers which will provide greater information on the existing tariffing arrangements, and further discuss key elements of the project. These will be followed by the publication of Irish Water's non-domestic tariff design and transitional arrangement proposals and a separate CRU consultation paper seeking views on these proposals. The CRU has decided to approach the development of Irish Water's Non-Domestic Tariff Framework in four phases. Further information on each phase is provided in Appendix 1 of this Information Note.

Implementation Timeframe

The CRU expects to be in a position to publish its decision on the final non-domestic tariff rates under the Non-Domestic Tariff Framework in Q2 of 2019. Please note that these final non-domestic tariff rates will incorporate any decisions made by the CRU in Q3 2018 regarding the arrangements to gradually transition customers from their existing tariffs to the new enduring tariffs. There will also be a period of time before these new tariff rates will be applied to non-domestic customers. At this time, Irish Water has indicated that it expects to implement new non-domestic tariff rates from Q3 2019.

Engaging with the CRU

As this project will represent a significant change to the approach to the charging of non-domestic customers, the CRU would once again like to take this opportunity to encourage stakeholder participation at each phase of the project. The timeline set out in the Appendix to this Note highlights three opportunities for stakeholders and interested parties to provide responses to the CRU on Irish Water's proposals:

- During Q1 & Q2 2018 the CRU will seek views on Irish Water's tariff design and transitional arrangements proposals.
- During Q4 2018 & Q1 2019 the CRU will seek views on Irish Water's proposed Water Charges Plan (non-domestic tariff rates).
- During Q4 2018 & Q1 2019 the CRU will also seek views on the proposed changes to the non-domestic sections of Irish Water's Customer Handbook.

In addition to the public consultations where the CRU will be seeking views on each of Irish Water's proposals, the CRU has also formed an industry group to facilitate engagement with the business and industry community. This Non-Domestic Water

User Group will allow the CRU to understand the needs and priorities of businesses as regulatory policies, and in particular the Non-Domestic Tariff Framework, are developed over the coming years. This Group has met 3 times to date and it is planned that this group will meet quarterly.

Further Information

For further information on this Information Note and the CRU's Non-Domestic Water User Group, please email the CRU at ndtariffs@cer.ie or call (01) 4000 800.

Additionally, further information can be sought by posting requests to the following address:

The Commission for Regulation of Utilities
The Grain House
The Exchange
Belgard Square North
Tallaght
Dublin 24

Appendix 1 – Irish Water’s Revised Timeline

The development of some of the consultation proposals is dependent on the completion or a decision made on others. Therefore the groups of consultation papers are sequenced to take account of these dependencies. Phase 1 papers will be published first, followed by the Phase 2 consultation and decision papers, and then the Phase 3 consultation and decision papers. The Phase 4 papers on the proposed changes to Irish Water’s Non-Domestic Customer Handbook will be published in parallel to the Phase 3 papers. This project approach is further outlined in the table below.

Paper Grouping	Paper	Proposed Scope of Paper	Revised Timeline
Phase 1 Papers (Non-Domestic Tariffs)	Irish Water Submission	Irish Water submit its Information Paper to the CRU.	Nov. 2017
	CRU Information Paper	The purpose of this paper is to inform interested parties and the industry that the CRU will be undertaking a project to determine the Non-domestic Tariff Framework. This paper will set out the key challenges of the project, identify the suite of tariff principles that the CRU issued to Irish Water to guide the design of the new non-domestic tariffs and detail the CRU’s consultation approach, consultation papers and associated timelines.	Q1 2018
	Irish Water Information Paper	The purpose of this paper is to detail current non-domestic tariff and billing arrangements and highlight the different approaches taken across Local Authorities.	Q1 2018
Phase 2 Papers	Irish Water Submission	Irish Water submit its Non-Domestic Tariff Design and Transitional Arrangement proposals to the CRU.	Nov. 2017

<p>Phase 2 Papers (Non-Domestic Tariffs)</p>	<p>CRU Consultation Paper and Irish Water's proposed Tariff Design and Transitional Arrangements Submission Papers</p>	<p>These Papers cover the following topics:</p> <p><u>Geographical Basis for Charging</u> – Considers if there should be one single national tariff regime or if tariffs should vary across different geographical locations.</p> <p><u>Customer Classification</u> – Explores different methods of how groups of non-domestic customers could be categorised for the purposes of tariffing.</p> <p><u>Tariff Structures</u> – Considers different tariff structural options (e.g., two part tariffs (volumetric and standing)) available in designing the enduring tariffs for both metered and unmetered customers.</p> <p><u>Cost Allocation</u> – Examines the cost allocation methodologies that could be used to allocate costs of providing water and wastewater services to particular customer categories.</p> <p><u>Transitional Arrangements</u> – Given the wide range of existing charges, structures and application of non-domestic water and wastewater tariffs, the paper will explore transitional periods and glide path options to ensure customer bill changes are implemented in an equitable and reasonable manner.</p>	<p>Q1/Q2 2018</p>
	<p>CRU Response and Decision Paper - Irish Water's Tariff Design & Transitional Arrangements</p>	<p>The CRU's decision on the tariff design elements relating to the geographical basis for charging, customer classification, tariff structures, cost allocation options as well as the transitional arrangements.</p>	<p>Q3 2018</p>

Phase 3 Papers (Non-Domestic Tariffs)	Irish Water Submission	Irish Water submit its Non-Domestic Water Charges Plan (Tariff Rates) proposals to the CRU.	Oct. 2018
	CRU Consultation Paper and Irish Water's Water Charges Plan Submission Paper (Non-Domestic Tariff Rates)	Consultation on Irish Water's proposed tariff rates (for example, standing charge and unit rate levels) to apply to non-domestic customers. These rates will reflect each of the decisions made throughout the project on key aspects of the Framework such as tariff structures, geographical basis for charging, customer classification, cost allocation and transitional arrangements.	Q4 2018
	CRU Response and Decision Paper – Irish Water's Water Charges Plan (Non-Domestic Tariff Rates)	The CRU's decision on the tariff rates to apply to non-domestic customers. This decision will set out the date from which the approved non-domestic tariff rates (including transitional arrangements) will apply to customers.	Q2 2019
Planned implementation of new non-domestic tariffs			Q3 2019

The following consultation on proposed amendments to the non-domestic sections of the Irish Water Customer Handbook (Phase 4) will be run in parallel to the consultation on Irish Water's proposed Water Charges Plan (non-domestic tariff rates) (Phase 3):

Paper Grouping	Paper	Proposed Scope of Paper	Revised Timeline
Phase 4 Papers (Non-Domestic Handbook)	CRU Consultation Paper - Proposed changes to Irish Water's Non-Domestic Customer Handbook	Sets out proposed amendments to the customer service level requirements set out in the Codes of Practice and Terms and Conditions for water services for non-domestic customers provided for in the Irish Water Customer Handbook.	Q4 2018

<p>Phase 4 Papers (Non-Domestic Handbook)</p>	<p>CRU Response and Decision Paper - Irish Water's Non-Domestic Customer Handbook</p>	<p>The CRU's decision on amendments to the non-domestic sections of the Irish Water Customer Handbook. Thereafter, Irish Water will submit Non-domestic Codes of Practice and Non-Domestic Terms and Conditions for water services in line the Customer Handbook for approval by the CRU.</p>	<p>Q1 2019</p>
<p>Planned implementation of changes to non-domestic Handbook</p>			<p>Q3 2019</p>