

Terms of Reference

Independent Review of Proposed Water Supply Project Eastern and Midlands Region

8 October 2018

Background

The Water Supply Project - Eastern and Midlands Region (the Water Supply Project, WSP) is Irish Water's preferred option for the delivery of a secure, sustainable supply of water for the greater Dublin, Eastern and Midlands region out to 2050.

The need for a new water supply source for the Dublin region was first identified in 1996 as part of a strategic study carried out by the then Department of Environment, Heritage and Local Government (now the Department of Housing, Planning and Local Government, DHPLG) into the Dublin region's long-term water supplies. This culminated with the adopting of a Plan in 2010 by the local authorities in Dublin, led by Dublin City Council (DCC), which set out the preferred option: raw water abstraction from northern Lough Derg, pumping to Garryinch Bog, storage and treatment at that site with treated water piped to the midlands and Dublin region.

Irish Water was established as the national water services utility in 2013. The project to develop a new water supply source for the Dublin region was transferred from DCC to Irish Water at the start of 2014. Irish Water commenced a review of this project and published the WSP Eastern and Midlands Region Project Need Report and Project Roadmap in March 2015. This was followed by the Water Supply Options Working Paper in June 2015, the Preliminary Options Appraisal Report in November 2015 and the Final Options Appraisal Report in November 2016.

Further to this review and consultative process, Irish Water's preferred option is abstraction of water from the lower River Shannon at Parteen Basin in County Tipperary, water treatment nearby at Birdhill Co. Limerick with treated water piped 170km to a termination point reservoir at Peamount in south County Dublin. Irish Water is now progressing the preparation of a planning application to An Bord Pleanála for the WSP project.

Context for Independent Review

A sustainable, resilient supply of water for the greater Dublin and Midlands region is necessary to support the objectives of the Water Services Policy Statement 2018-2025, the National Development Plan 2018-2027 and the National Planning Framework: Project Ireland 2040. Securing supply should be addressed in tandem with targeted conservation measures, including those to address leakage. The chosen approach to securing supply in the region should take due account of the risks posed by climate change in accordance with the National Adaptation Framework 2018 and reflect the work done by Irish Water on the first National Water Resource Plan.

Further to the recommendations of the Joint Oireachtas Committee on the Future Funding of Domestic Water Services (April 2017), the revised funding model for Irish Water provides that all state funding to Irish Water in respect of domestic water services will be channeled through the Department's Vote. This funding of domestic water services will be in the form of a payment for domestic water services as determined through the Commission for Regulation of Utilities (the CRU) regulatory process and a capital contribution. Under this model Irish Water will raise debt for non-domestic sector capital expenditure only. Revised financial governance arrangements have been put in place by the DHPLG in light of the above funding model to ensure due

oversight by Government whilst respecting the independent roles of the CRU and the Environmental Protection Agency (the EPA) as economic and environmental regulators respectively.

As part of this policy and financial governance, Section 34A of the Water Services (No.2) Act, 2013 (inserted by section 19 of the Water Services Act 2017) provides for the making of a Strategic Funding Plan by Irish Water for submission to and approval by the Minister. In accordance with Section 16 of the Water Services Act 2013, the consent of the Minister, with the approval of the Minister for Public Expenditure and Reform, is required for the entering into a capital commitment for any project valued at over €20 million.

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Given the strategic importance of ensuring a sustainable, resilient water supply for the Dublin, Eastern and Midlands Region in order to sustain economic growth and development in the region, the scale of the proposed investment and the need for an efficient, cost effective and future proofed solution out to 2050, the Minister requires an independent review of Irish Water's proposed Eastern and Midlands Water Supply Project.

In accordance with the matters provided for under section 40 of the Water Services (No. 2) Act 2013, the Minister hereby requests that the CRU carries out a review and prepares a report of Irish Water's approach to arriving at its proposed WSP. This is in recognition of the CRU's statutory role as independent economic regulator of Irish Water, including that to review Irish Water's proposed capital investment plans as part of the process to approve proposed water charges plans under governing legislation.

The review will examine Irish Water's approach to arriving at its proposed WSP and the analysis undertaken by Irish Water to arrive at its preferred approach. This will include:

- A review of Irish Water's approach to the project and an examination of the inputs and assumptions made by Irish Water in arriving at the proposed solution to determine if they are consistent with best engineering practice.
- An examination of whether Irish Water has given due and appropriate consideration to the key issues raised in responses received as part of the consultation process in arriving at its proposed approach.
- A review of Irish Water's approach to developing the project to examine if Irish Water has appropriately examined all relevant options, including consideration of cost benefit analysis. This will include examining if Irish Water has given appropriate and relevant consideration to the principles of the Public Spending Code in relation to CBAs

In addressing the above, the review will include, *inter alia*, examination of the following issues:

- Irish Water's approach to the assessment of the need for a new supply source and the extent of that need. This will include an examination of:
 - Irish Water's approach to assessing available water supply including existing and future limitations on supply within the region to be served by the WSP,
 - Irish Water's estimates of future domestic and non-domestic water demand,
 - Irish Water's leakage reduction targets and the extent to which measures to reduce leakage in the public network, and customer side leakage, taken together with other likely water conservation measures, could reasonably address the projected water needs in the water supply area to be served by the project within the timeframes required and
 - the allowances proposed by Irish Water in relation to headroom and peaking factors to ensure a reliable and resilient water supply for the region.

- Irish Water's assessment of the potential contribution from groundwater sources to available water supply.
- The range of options, or combination of options, examined by Irish Water to address the identified need.
- Irish Water's approach to costing these options.
- Irish Water's approach to comparing those options.
- Irish Water's consideration of climate change impacts in the context of a resilient supply.
- Defining and estimating demand from the benefitting corridor.

It is noted that Irish Water has stated its intention to update the inputs and assumptions used to date in advance of submitting a planning application to An Bord Pleanála in 2019. The updated inputs, assumptions and any associated Irish Water analysis will be included in the review.

Review Process

The review process shall include the matters set out below.

- Review of Irish Water's work to date that has led to its preferred option, the WSP.
- Consideration of applicable international best engineering practice.
- Consultation with the Minister for Housing, Planning and Local Government, Irish Water An Forum Uisce and other bodies as deemed necessary.
- A final report.
- Presentation of the results of the study to the Minister.
