



Submission to CRU re Non-Domestic Water Tariff Framework – Proposed Decision

20th April 2019

Dublin Chamber welcomes the opportunity to respond to the CRU's Proposed Decision on the Non-Domestic Water Tariff Framework. While there are aspects of the Proposed Decision which are welcome, such as the decision to reduce the overall increase on water and wastewater as was originally proposed by Irish Water by 1%, the increase being faced by the business community remains considerable. The decision to put in place an automatic cap of 10% where customers face an annual bill increase of €750 or greater is also welcome. We have concerns that Dublin businesses will bear the brunt of the cost increases and are concerned that the decision to introduce a national pricing scheme lacks transparency as no regional breakdown of increase has been provided. Similarly, there is no regional breakdown of the population of mixed use connections with 'Domestic Allowance'. Finally, we call on relevant stakeholders to provide the business community with improved supports to reduce water consumption.

Introduction

Dublin Chamber of Commerce is the largest business membership organisation for Dublin. Representing 1,300 members of the business community of the Greater Dublin Area, its membership covers all sectors and crosses the business spectrum, from SME to large MNCs, employing 300,000 nationally.

Dublin Chamber supports initiatives by the Commission for Regulation of Utilities (CRU) and Irish Water to improve Ireland's water infrastructure. We acknowledge the challenges facing the CRU in its deliberations and thank the CRU for its ongoing regard for business concerns.

The capital's water supply is at full capacity and its infrastructure is suffering from years of underinvestment. We therefore recognise the necessity for increased revenue for Irish Water, but remain concerned that much of the burden of its investment is being placed on the urban business community.

In our initial submission responding to Irish Water's proposed tariff framework, we raised a number of key concerns in relation to regional impact, the exemption afforded to mixed use connections, and, the

extremely high rate of increase in charges being faced by the business community.¹ While there are aspects of the CRU's decision on the proposed tariff framework that we welcome, such as the overall reduction in the tariff, we remain concerned as to the impact of the tariff on regional competitiveness and request a number of clarifications to show the regional distribution of the 4 Bands, including a breakdown by local authority.

Finally, we argue that as the business community will be shouldering the burden of providing the revenue necessitated by years of underinvestment, it is essential that there should be enhanced efforts to secure a reduction in overall water consumption. This should be supported by incentives to the business community (which is making a substantial contribution to required revenue) to reduce water consumption and achieve a reduction in their costs.

Impact on Business Community

In our August 2018 submission in response to Irish Water's proposed tariff framework, we raised significant concerns as to the impact of introducing the initially proposed 20% increase, an increase that would disproportionately impact upon the Dublin region and its competitiveness.

We commend the CRU for its efforts in ensuring some small reduction in the extremely high increase initially proposed by Irish Water; while this is a small improvement and the increase being faced by business remains high, the change is welcome. We note the overall reduction for the combined Water Supply and Wastewater charge is 1%; when looking at the water supply charge singularly, there is a 2% reduction over the initial Irish Water proposition.²

Fig 1.³ CRU Proposed Decision

Percent of Allowed Revenue costs allocated to the non-domestic sector					
	Service				Total
	Water Supply	Wastewater	Trade Effluent ⁸	Other ⁹	
Current Non-Domestic billed revenue	10.34%	6.14%	1.54%	1.43%	19.45%
CRU Proposed Decision on cost allocation	11.25%	8.76%	1.54%	1.43%	22.98%

¹ Dublin Chamber Submission to CRU re Irish Water Non Domestic Tariff August 2018 <http://www.dublinchamber.ie/DublinChamberofCommerce/media/banners/Dublin-Chamber-Submission-to-CRU-on-Non-Domestic-Water-Tariffs.pdf>

² CRU Decision on Non Domestic Water Charge Framework. April 2019 <https://www.cru.ie/wp-content/uploads/2019/04/CRU19042-CRU-Proposed-Decision-Paper-Irish-Water%E2%80%99s-Non-Domestic-Tariff-Framework.pdf> p7

³ CRU Decision on Non Domestic Water Tariff p7

Fig 2. Irish Water Proposal ⁴

Percent of Allowed Revenue costs allocated to the non-domestic sector					
	Service				Total
	Water Supply	Wastewater	Trade Effluent ⁶	Other ⁷	
Current Non-Domestic billed revenue	10.84%	6.80%	1.40%	0.91%	19.95%
Irish Water's proposed cost allocation	13.13%	8.65%	1.40%	0.91%	24.09%

We also welcome the proposal from CRU for Irish Water to apply a 10% cap on increased charges automatically where customers will see an annual bill increase of €750 or greater as was proposed in our August 2018 submission, replacing the 'opt-in' system proposed by Irish water.⁵

We welcome the reduction in the non-domestic cost allocation from the Irish Water proposal of 23.74% to the lower share of 22.98%, but we remain concerned as a business representative organisation at the precedent of relying on the business community to this extent to remedy historic Government underinvestment in vital national infrastructure.

Impact on Dublin

As the nation's capital, Dublin is the economic engine for the entire country and thus needs to remain competitive. Dublin Chamber indicated in our response to Irish Water's framework proposal that the tariff will pose a risk to Dublin's competitiveness.⁶ There is significant concern in the business community about the water charge, particularly among businesses in the service sector, including hotels, bars, restaurants and cafes.

While we acknowledge the rationale behind the CRU's decision to support the national approach to the introduction of the tariffs, we outline a number of areas below which require clarification and further information in order to assess the possibility of a disproportionate impact on the Dublin business community which would be in direct contradiction to the stated principles as set by the CRU for the Non-Domestic Tariff Framework.⁷

⁴ Irish Water Proposal for a New Non-Domestic Tariff Framework. June 2018 <https://www.cru.ie/wp-content/uploads/2018/06/CRU18114-CRU-Consultation-Paper-Irish-Waters-Proposals-for-a-new-Non-Domestic-Tariff-Framework.pdf> p4

⁵ CRU Decision on Non Domestic Water Charge. p108

⁶ Dublin Chamber Submission to CRU August 2018

⁷ CRU Non-Domestic Water Charge p35

The inclusion of a domestic allowance for mixed use connections was highlighted as a concern in Dublin Chamber's August 2018 submission. The CRU's decision to support Irish Water's proposal to apply a domestic allowance value for mixed use development appears to favour the agriculture sector, with the burden then being borne by the urban business community.

We call on the CRU to release a breakdown by local authority of the location and density of non-domestic mixed use connections in order to provide greater transparency.

We request a breakdown by local authority of;

(i) connections that will see decreases to their bills, connections that will see bill increases less than €250, connections that will see bill increases of between €250 and €750, and thus be eligible for a transition tariff;

(ii) connections that will see bill increases of €750 or greater and thus be eligible for a transition tariff and 10% cap on their annual bill increase, and;

(iii) the distribution of those that fall into the mixed use non domestic user category.

Dublin Chamber is strongly of the view that this breakdown will further indicate the potential impact that the non-domestic water charge will have on the national business community which is highly productive and mostly based within the Greater Dublin Area.

Furthermore, considering the level of revenue expected from the Greater Dublin Area, we would request further information as to the regional breakdown of investment in water infrastructure together with the expected regional benefit of such investment that will result from the revenue raised from the new tariff. We also request a breakdown of the expected revenue by local authority area.

Transition - Business Supports & Communication

Dublin Chamber accepts and is on record as an advocate for the need to make significant investment to secure Ireland's water supply.⁸ With Dublin now reaching full capacity, the city is at risk of shortages with any and all severe weather events.⁹ The capital and its business community is very much at risk from the impact of decades of underinvestment.

We note with disappointment that no assessment has been made of the impact on competitiveness by region and that, indeed, this criterion has been ruled out by the Regulator in assessing how Ireland's future water pricing structures will be determined.

In light of this, we recommend that the CRU and Irish Water commit to improved communications with Irish Water customers on the need for improved infrastructure. While we acknowledge the available

⁸ Dublin Chamber Op-Ed. November 2018 <https://fora.ie/readme/dublin-water-supply-crisis-4354808-Nov2018/>

⁹ Water Supply Project <http://www.watersupplyproject.ie/project-history/>

information on the transition process that is and will be made available to customers, we argue that the reasons for the tariff also need to be communicated.

We acknowledge the work of the CRU toward ensuring that the transition for business to the enduring tariff is a phased and signposted process. We acknowledge the difficulty of predicting how the process will progress in the initial years; however, we encourage the CRU to continue to make provisions so that businesses are able to plan into the future with certainty and with more than a three year foresight.

As the CRU's decision paper outlines, its intent is that any new water charging framework be in keeping with the aims set out in the Government's *Water Services Policy Statement 2018-2025*, including to deliver the new framework with a customer focus and for it to be designed to '*aid conservation*'.¹⁰

With this aim in mind, we encourage the CRU to include in its plans for the introduction of the new tariff a greater communications programme with its non-domestic customer base on methods and technologies that they can employ to reduce water consumption. Not only will this be welcome for the business community for the purpose of lowering bills; it will also contribute to environmental sustainability efforts and would be in keeping with the CRU's target of establishing greater price certainty for consumers.¹¹

In consideration of the burden of addressing decades of underinvestment in water infrastructure being placed on the business community, we would argue that it is incumbent upon the Regulator and Irish Water to provide supports to the business community in any efforts to reduce consumption, an action that will in any case benefit water supply and overall city sustainability into the future.

Conclusion

In conclusion, Dublin Chamber acknowledges the CRU's decision to slightly reduce the tariff and the decision to ensure an automatic introduction of the 10% cap for businesses that face an increase of over €750.

However, there are still a number of outstanding questions as to the breakdown of how the tariff will impact different regions. A breakdown by local authority of expected revenue is necessary for transparency in the process of moving to an enduring tariff. Dublin may face significant competitiveness pressures as a result of the new tariff. We call on Irish Water and the Regulator to afford further consideration to the competitiveness of Dublin as the engine of the national economy; putting its business environment under undue strain would be to the detriment of the entire country.

Similarly, the treatment of mixed use connections is of concern. Dublin Chamber calls on the CRU and Irish Water to make available the breakdown in regional distribution of mixed use connections.

¹⁰ CRU Framework p2

¹¹ CRU Framework p4

Finally, in order to aid the transition to the enduring tariff, we would ask that the Regulator consider the requirement for increased consumer communications and increased support for consumers to reduce consumption.