

Small Firms Association

Submission on CRU's Proposed Decision on Irish Water's Non- Domestic Tariff Framework

Presented to:
Commission for Regulation of Utilities

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Introduction

The Small Firms Association (SFA) is the trusted partner of small businesses (less than 50 employees) in Ireland, with members in all sectors and parts of the country. Its mission is to deliver business-focused advice and insights to member companies, influence government policy to the benefit of small businesses and connect its members in a thriving community.

The SFA has a vision of Ireland as the most vibrant small business community in the world – supporting entrepreneurship, valuing small business and rewarding risk takers. The SFA makes this submission to the Commission for Regulation of Utilities based on our knowledge and experience of the small business community, which comprises over 246,000 businesses, employing half of the private sector workforce, some 720,000 people.

Overview

The cost of doing business in Ireland is a key concern for SFA members. This year, the National Competitiveness Council stated once again that Ireland remains a high cost location with numerous barriers and disincentives for entrepreneurs and established businesses. This is the reality being faced by members of the SFA every day. Many operate in low margin environments, making it difficult for them to absorb cost increases. On the other hand, the post-crisis marketplace and demand for value makes it impossible for many to pass the increase onto customers.

In this context, the burden on specific businesses as well as national competitiveness must be front of mind when considering any business costs over which Government has influence or control.

The CRU's Proposed Decision on Irish Water's Non-Domestic Tariff Framework will impact different businesses in different ways. There will be winners and losers from any structural decisions on tariffs. For this reason, the SFA comments contained in this submission are relatively high level and reflect areas of broad consensus among members.

General response to the CRU's Response Paper

In general, the CRU's Proposed Decision is welcome from a small business perspective. A huge volume of background information has been made available, outlining how determinations were made on each proposal. It is clear from this information that small non-domestic users were central to the CRU's decision on the tariff design.

Some of the key aspects on which the SFA agrees with the CRU's decision are:

- 23% Cost Allocation
- 2 unmetered customer classes
- Tariffs are stable - expected inflation to 2022 is built into tariffs
- Revised transition strategy - 10% cap on annual increases in cases where the enduring tariff level represents an increase of more than €750.

Specific comments

The SFA welcomes the reduced costs allocated to the standing charge, thereby lowering the level of the standing charge in most customer classes. Small non-domestic users will be most influenced by this change, as it reduces the boundary effect at most tariff boundaries, which was predominantly driven by a large step change in the standing charge level for each class.

According to the CRU's Response Paper approximately 10,000 connections will not reach their enduring tariffs by the end of the 3-year transition period. To allow for clarity, once the CRU has determined the future tariff structure, these 10,000 connections should be notified that they will not reach their enduring tariffs by the end of the 3 year transition period and work should begin on proposals to support these businesses after the 3-year transition period ends. It is encouraging that the CRU recognises the need to avoid a 'cliff edge' in 2024, but it will be necessary to persuade the Exchequer likewise.

Other issues

The engagement of both Irish Water and CRU with the Small Firms Association to date on the non-domestic tariff framework consultations have been very welcome. Documentation, phone calls and working group meetings have all been used effectively to inform SFA staff about the proposals and the consultations, allowing us to inform members and invite their input.

A huge volume of information has been made available by Irish Water and CRU in relation to the consultations. This is appreciated by organisations such as the Small Firms Association but is unlikely to be read by any small business owner-manager who is time poor and has many pressing considerations over the course of a day. It should not, therefore, be assumed that end users are aware of the proposals. In general, the consultation process is not an effective tool to inform non-domestic users, especially small businesses.

Once the CRU has determined the future tariff structure and the level of the charges, a comprehensive communication plan should be put in place to relay this information to customers. The SFA is open to assisting with briefings for its members, articles in its publications etc. A CRU/Irish Water national media campaign will likely also be needed.

The SFA welcomes the additional information submitted by Irish Water justifying its choice of thresholds for each customer class. However, it is disappointing that the requested clarity on Irish Water's proposed basis for classifying its customers and how this will work in practice will not be available to customers until Phase 2 of this Project (in Q4 2019). Given the step change in charges associated with moving from one class to another, this information must be made available no later than Q4 2019 to ensure stability and predictability for small businesses.

As noted in the CRU response paper, the CRU has challenged Irish Water to reduce operational costs. The business community calls on CRU to closely monitor the efficiency of Irish Water. Costs that are not efficiently incurred should not be passed on to non-domestic users via tariffs.

Conclusion

To reiterate, the SFA broadly supports the proposals from Irish Water and CRU on the non-domestic tariff framework. This submission contains several suggestions that would strengthen the proposals and ensure a smooth transition for the small businesses in Ireland.

The SFA is keen to continue to engage with CRU and Irish Water as this process continues.

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