Irish Water’s Household Water Conservation Proposal (Excess Use Charges)

CRU Decision and Response to Comments Paper
Customer Impact Statement

The Commission for Regulation of Utilities (CRU) is the independent economic regulator of Irish Water. Irish Water is the national utility responsible for public water and wastewater services in Ireland and is tasked with operating, improving and investing in water and wastewater systems to provide safe, reliable and high-quality services to customers.

The Government in its Water Services Policy Statement (WSPS) 2018–2025¹, noted that clean, useable water requires a considerable investment of resources, energy, capital and labour. In this regard, the CRU considers that it is sensible to promote conservation of existing resources as part of a suite of measures to improve the standard of water services in Ireland.

Extreme weather events of 2017 and 2018 brought into focus how precious and vulnerable a resource that water is, notably the two major storm events (Ophelia and Eleanor), along with a prolonged dry spell in summer 2018. These events tested Irish Water’s ability to provide an adequate supply of clean water to the public and highlighted the importance of water conservation.

In 2017, legislation was introduced which sets a household water allowance and provides for charging customers who use above a certain threshold. This charge is known as the “excess use charge”. It encourages households to conserve water and, where possible, identify and fix leaks in their water supply. Excess use charges are intended to promote conservation and personal responsibility for water use and help Ireland meet the requirements of the Water Framework Directive.

The household water allowance is 213,000 litres per year. Household use up to this level will be funded publicly through general taxation. Households that use more than 213,000 litres will be charged for the excess use over the allowance. The charge places responsibility on domestic customers to contribute to the cost of using water above the annual allowance, or to reduce their consumption to avoid the charge. Households with more than four occupants can apply to Irish Water for a higher household allowance. Prior to incurring the charge customers will receive notification from Irish Water that they may be subject to the charge and will have time to reduce their consumption before they receive a bill from Irish Water. Customers with a medical need may apply to Irish Water for an exemption from the charge. Irish Water provides information on how to reduce water consumption on its website.²

Earlier this year Irish Water submitted its household water conservation (excess use charge) proposal to the CRU. This proposal detailed elements of the excess use charge that were not prescribed in legislation, such as the treatment of metered and unmetered customers, the level of

² https://www.water.ie/conservation/conserve-water/
the charge and a cap on the charge. In line with its legislative functions, the CRU consulted on this proposal, and sought the views of customers and stakeholders. The CRU welcomes the respondents’ valuable input. Having considered their views, the CRU has now reached a decision.

The CRU is today, 17 July 2019, publishing a decision on Irish Water’s proposals regarding the excess use charge. It is the role of the CRU to approve charges for customers by approving Irish Water’s Water Charges Plan (WCP). The CRU will engage with Irish Water and approve the WCP to reflect the decisions set out in this paper in due course.

The following are the key decisions contained in this paper:

- The CRU has approved Irish Water’s excess use charge proposal.
- The CRU has approved Irish Water’s procedure and the process for assessing and charging metered and unmetered customers.
- The CRU has approved Irish Water’s proposal to apply a flat unit rate excess use charge of €1.85 per 1,000 litres per service.
- The CRU has approved Irish Water’s proposal to set the combined cap on charges at €500 for water and wastewater services, i.e. €250 per service.
- The CRU has approved Irish Water’s proposal to charge unmetered customers at the cap.

This charge targets domestic customers that use water above the threshold amount. The CRU and Irish Water’s analysis indicate that the top 10% of households account for almost 40% of water services demand. Of that 10% of high-usage households, it is estimated that up to 60% may have leaks³. Customers that feel they may have a leak should contact Irish Water as they may be eligible for leak repair under the ‘First Fix Free’ Scheme. Fixing a leak may facilitate household consumption falling below the household annual allowance, and therefore avoid the excess charge.

Irish Water will inform domestic customers if they are using water above the annual household allowance. A ‘Call to Action’ letter will initially issue to those customers that appear to be using above the allowance. If a customer continues to use more than the allowance, Irish Water will then issue an official notice of apparent excess use. Domestic customers will only be liable for charges if they continue to exceed the threshold amount in the 12-month period after receiving this notice. As a result, domestic customers who continue to use over their annual allowance may not be billed until the start of 2021 at the earliest for any excess use in 2019. The CRU notes that Irish Water cannot reduce or discontinue the supply of water to a person for non-payment of the excess charge either temporarily or permanently.

For clarity, this paper provides a detailed description of the excess use charging process in Section

³ Approximately 60% had a leak at some stage during the period 1st September 2017 until 31st August 2018.
2 and sets out a flowchart of the process in Appendix B.

Some responses noted the potential negative effects of this decision on low-income households. The CRU recognises that in some cases, a customer may wish to reduce their consumption to avoid the excess use charge but may not have the means to fix leaks on their property. In this instance the CRU recommends that these customers engage with Irish Water, who will consider the specific circumstances of these customers and explore options such as payment plans. The CRU notes that the goal of the excess use charge is not to raise revenue, it is to promote behaviour change on consumption.
Executive Summary

Conservation is one of three key themes set out by the Government in its Water Services Policy Statement 2018–2025. The excess usage charge will promote conservation by providing a disincentive for customers to waste water, thus reducing the costs associated with providing domestic water services.

Under legislation, water use above the annual household allowance (213,000 litres) is considered excess use, and customers will be liable for excess use charges on the amount above this level. The annual household allowance is set at 1.7 times the average annual household usage of 125,000 litres. Households with more than four occupants will be able to apply for an additional allowance of 25,000 litres per additional occupant, and those with a medical need will be exempt from the charge.

In early 2019 Irish Water submitted its proposal to the CRU, which set out when a domestic customer may be liable for excess usage charges, the process through which a customer may be billed, and the design and level of the charge. In line with its legislative functions, the CRU consulted on this proposal, and sought the views of customers and stakeholders on Irish Water’s proposal. The CRU thanks the respondents for their valuable input. Having considered these views, the CRU has come to a decision on Irish Water’s proposal. The CRU is today, 17 July 2019, publishing a decision on Irish Water’s excess use charge. It is the role of the CRU to approve charges for customers by approving Irish Water’s Water Charges Plan. Irish Water’s WCP will be updated later this year to reflect the CRU’s decisions in this paper.

The following are the key decisions contained in this paper:

- The CRU has approved Irish Water’s excess use charge proposal.
- The CRU has approved Irish Water’s procedure and the process for assessing and charging metered and unmetered customers.
- The CRU has approved Irish Water’s proposal to apply a flat unit rate excess use charge of €1.85 per 1,000 litres (per service).
- The CRU has approved Irish Water’s proposal to set the combined cap on charges at €500 for water and wastewater services, i.e. €250 per service.
- The CRU has approved Irish Water’s proposal to charge unmetered customers at the cap.

The CRU requested that Irish Water take account of the following charging principles when

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5 The Minister will publish Statutory Instruments in due course which set out how the additional allowances and exemptions are to be claimed and approved.
developing its proposed excess use charges: cost reflectivity; equity and fairness; stability; simplicity; and, customer protection.

The CRU is of the view that Irish Water’s excess use charge satisfies the CRU’s principles and provides an adequate incentive to change behaviour among excess use customers. The CRU also recognises the overarching principle of environmental protection which underpins this policy.

The CRU has carefully considered the cost reflectivity of the charge and approves the charge of €1.85 per 1,000 litres per service. It may be appropriate to transition from this rate, in the future, to a rate based on the upcoming revenue control period, i.e. 2020 – 2024. The CRU has decided that €1.85 (per 1,000 litres) for each service is appropriate to promote behaviour change and will keep this unit rate under review after billing commences. In the interests of stability, the CRU has also decided that it is appropriate to keep the cap in place over the course of the revenue control period. This allows the CRU time to assess if the levels of the charges and the cap are appropriate to promote water conservation. The CRU would publicly consult on any proposals to review and update the charge in the future.
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1 Introduction

1.1 The Commission for Regulation of Utilities

The Commission for Regulation of Utilities (CRU) is Ireland’s independent energy and water regulator. The CRU was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities in energy. In 2014, the CRU was appointed as the independent economic regulator of Irish Water. Our mission is to protect the public interest in water, energy and energy safety.

1.2 Legislative basis

The Water Services Act 2017 was enacted in November 2017 amending the Water Services Act 2007 (the 2007 Act) and the Water Services (No.2) Act 2013 (the 2013 Act). The 2017 Act provided the basis for the introduction of excess use charges for domestic water customers.

Section 21 (6A) (a) of the 2013 Act, sets out that Irish Water shall charge for the provision of water services to a dwelling that exceeds the threshold amount. Section 21(2) of the 2013 Act sets out that the amount of the excess charge shall be calculated by Irish Water in accordance with the approved Water Charges Plan. In accordance with Section 22 of the 2013 Act it is the role of the CRU to approve charges for customers by approving Irish Water’s Water Charges Plan. The CRU will approve and publish the WCP following the publication of Statutory Instruments regarding larger household sizes and the medical exemption.

The framework for the excess usage charge is set out in legislation. It states that each household will receive an annual allowance and no charges will apply for all water services used up to the threshold allowance. The threshold is set at 1.7 times the average annual household usage as calculated by the CRU (CRU/17/339). This resulted in an annual allowance of 213,000 litres for households with up to four occupants (inclusive). Households with more than four occupants are able to apply for an additional allowance of 25,000 litres per additional occupant. All water services demand above the threshold allowance is considered excess use and is liable for excess use charges.

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1.3 Excess usage charge and principles

Conservation is one of three key themes and policy objectives set out by the Government in its Water Services Policy Statement 2018–2025. In that statement, it is noted that conservation of water is an important theme as “the abstraction and treatment of water is costly and impacts on the natural environment. It is widely recognised that clean, useable water requires a considerable investment of resources, energy, capital and labour”.

The excess usage charge will promote conservation by discouraging excess use and heightening awareness of water as a precious resource, thus ultimately reducing the costs associated with providing domestic water services. In addition, this charge helps to ensure compliance with Ireland’s EU obligations under the Water Framework Directive (polluter pays principle). The charge is not intended as a revenue raising measure. Irish Water has estimated that the monies collected through this charge will account for approximately 1% of its allowed revenue. It is expected that as customers identify and repair leaks, the number of customers who are liable for this charge will decrease.

In addition to the overarching aim of conservation the CRU set out several principles, which the CRU is of the view the proposed excess usage charge should reflect. Prior to Irish Water submitting its proposal, the CRU requested that Irish Water take account of these principles when developing its proposal:

1. **Cost reflectivity**

Charges should be broadly reflective of the costs associated with the provision of water services. The principle of cost reflectivity aims to ensure that charges to customers for the provision of water services beyond the threshold amount is reflective of the overall cost placed on Irish Water in its provision of water services to these customers.

2. **Equity and Fairness**

Charges should be equitable and fair and should not unduly discriminate between customers, for example metered and unmetered customers, or lead to undue cross-subsidisation.

3. **Stability**

Charges should be stable and designed to ensure minimal volatility over time. This aims to protect customers from significant changes in charges from one year to the next relative to their usage beyond the threshold amount.

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4. Simplicity
The charging policy and the proposed charges should be transparent and easy to understand. Customers should be able to understand how charges are calculated. Processes by which customers can check their usage, apply for an additional allowance based on household size or an exemption for medical needs should also be accessible, clear and easy to understand.

5. Customer protection
Measures should be considered to ensure that customers who exceed the threshold amount are protected from unreasonably high charges.

The CRU acknowledged that conflicts and trade-offs can exist between these charging principles and that it may be necessary for Irish Water to strike an appropriate balance between the different principle objectives as necessary. Also, several aspects of the excess usage charge methodology (i.e. level of the household allowance) are already defined in legislation and therefore Irish Water’s proposal needs to be considered within those confines.

1.4 Purpose of the Decision
In Q1 2019 Irish Water submitted a proposal on excess usage charges. In line with its legislative functions, the CRU consulted on this proposal, and sought the views of customers and stakeholders on Irish Water’s proposal. Following public consultation and consideration of the views provided, the CRU has come to a decision on Irish Water’s Household Water Conservation (excess use charge) proposal. Irish Water’s Water Charges Plan will be updated later this year to reflect the CRU’s decisions in this paper.

This paper outlines the decisions the CRU has arrived at and rationale for those decisions. Through consultation and the decision-making process, the CRU aims to communicate effectively with the public, by providing in clear language the reasoning and evidence behind the CRU’s decisions. In addition, the CRU has provided a response to comments submitted by stakeholders as part of the consultation process. The CRU acknowledges respondents’ importance in the decision-making process and that their views have been thoroughly considered in reaching this decision.
1.5 Related Documents

The following documents are published alongside this paper:

- CRU Household Water Conservation (Excess Use Charges) Infographic (CRU/19/087)
- Irish Water Proposal – Household Water Conservation (Excess Use Charges) (CRU/19/088)

Some documents related to this publication are provided below:

- CRU’s consultation on Irish Water’s Household Water Conservation Proposal (Excess Use Charges) (CRU/19/024)

Information on the CRU’s role and relevant legislation can be found on the CRU’s website at www.cru.ie.

1.6 Structure of the Paper

This decision paper is structured as follows:

- Section 1 provides an introduction;
- Section 2 provides an overview of the excess use charging process;
- Section 3 provides responses to comments and details on the CRU’s decisions;
- Section 4 provides a summary and highlights the next steps;
- Appendix A provides responses received to the consultation; and,
- Appendix B provides a flowchart that explains the charging process.
2 Excess use charge process – CRU

Summary

In this section the CRU has presented a step-by-step written account of Irish Water’s excess usage charge process. For clarity this step-by-step guide should be read in conjunction with the flowchart of this process, which is contained in Appendix B of this paper.

Phase 1 – Customer analysis and monitoring usage

Step 1. Customer analysis

Domestic customers can be categorised in two groups, those that have a water meter (metered) and those that do not have a meter (unmetered). In order to analyse the usage of metered and unmetered customers Irish Water will do the following:

A. For metered customers Irish Water will analyse meter read data to identify usage and, by extension, excess usage.

B. In the case of unmetered customers Irish Water will take the following steps to identify usage:
   - Through the analysis of water balances, leak alarms and other means, Irish Water can monitor and identify District Meter Areas\(^8\) (DMAs) where there appears to be excess use.\(^9\)
   - If a DMA shows greater usage of water services than expected for the area, a leakage and pressure investigation crew is dispatched. Through listening and measuring supply at different points, investigation crews can determine the households that appear to be using water above the allowance amount.
   - Where it is possible for Irish Water to install a meter, Irish Water will contact the customer and offer to install the meter. If the customer accepts the meter they will become a metered customer. If a meter cannot be installed, Irish Water will connect a flow monitoring device (FMD) to the service pipe to monitor usage.\(^10\)

Step 2. Monitoring usage

Irish Water will assess the usage of customers by analysing meter data or flow monitoring device data over a rolling 12-month period.

The usage of customers that do not exceed the allowance will continue to be monitored for an ongoing 12-month period. A customer that does not exceed the annual allowance over a 12-month period will not be contacted by Irish Water and will remain in this phase of the process.

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\(^8\) A district metered area (DMA) is a discrete area of a water distribution network. DMA’s allow Irish Water to closely monitor flow and pressures through its telemetry system.

\(^9\) DMAs vary in size and depend on the nature of the water supply scheme and can differ between urban and rural areas. Typically, it is in the region of about 2,000 properties.

\(^10\) The Flow Monitoring Device uses sensors to detect temperature variations indicative of a flow of water within the pipe. The profile of temperature changes is used to identify continuous flow and estimate average daily flow. Irish Water can install the device on the service pipe or stopcock in the public realm outside the property, where the pipework and fittings are owned by Irish Water.
In the case that a customer exceeds the allowance over a 12-month period, this will be identified by Irish Water. This customer will then move to the next phase of the process.

**Phase 2 – Notification and Liability phase**

**Step 1. Irish Water issue “Call to Action” letter**

Customers who exceed their allowance in a prior 12-month period will receive a “Call to Action” letter from Irish Water advising them that they have exceeded their ‘default’ annual allowance amount of 213,000 litres. This letter will contain information on the Irish Water ‘First Fix Free’ scheme, how to conserve water, the availability of additional allowances for households greater than four people and exemptions for medical needs. This letter will also advise that a notice will be issued if excess use continues and encourages customers to fix any leaks now rather than be liable for excess use charges in the future.

Customers that engage with Irish Water regarding the ‘First Fix Free’ scheme will be assessed. Those that are eligible should continue to engage with Irish Water until the leak is resolved. These customers will then return to “monitoring usage” phase above and their usage will continue to be monitored.

**Step 2. Irish Water issue notice, customer requests for exemptions or additional allowances**

A notice\(^\text{11}\) will be issued to customers who have continued to exceed their household allowance in a more recent 12-month period (the CRU expects there to be a period of at least three months between Irish Water issuing the Call to Action letter and the notice). The notice will inform customers that they will be liable for excess use charges if they continue to exceed their household allowance into the future. Specifically, excess use charges will apply if:

I. half the household allowance is exceeded over the following 6 months; and  
II. the full household allowance is exceeded over the following 12 months from the date of the notice.

The notice will also contain information on how customers can apply for additional allowances and medical exemptions. Customers may at this time apply for exemptions from the charge due to a medical need or apply for additional allowances in the case that the number of occupants in the household is greater than four. Information on how customers may apply for additional household allowance and medical exemptions will also be outlined in the notification letter.

The CRU understands\(^\text{12}\) that application forms will be available online or can be posted out by Irish Water upon request. The application form must be completed in full and signed by the customer (the Irish Water registered account holder). Following review of the application, Irish Water will inform the customer in writing if their application has been approved or declined or if further information is required. Incomplete applications will be held, and Irish Water may seek further information in some cases, to satisfy that the application is valid. Allowance approval letters will inform customers of their new household allowance amount.

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\(^{11}\) As prescribed by section 53D of the 2007 Act.  
\(^{12}\) The Minister will publish Statutory Instruments in due course which set out how the additional allowances and exemptions are to be claimed and approved.
Exemption approval letters will inform customers that their household is exempt from excess use charges. The obligation remains with the customers to advise Irish Water of any subsequent changes to their circumstances.

Once customers have received a notice their usage will continue to be monitored over the next 6-month period.

**Step 3. Confirmation/Reminder letter – 6-month review**

At the end of the 6-month monitoring period from the date of the notice, customers will receive either A or B below:

A. A confirmation letter informing them that usage has reduced, and that it is no longer above the applicable allowance. The confirmation letter will be sent to customers whose household usage over the 6-month notice period is less than half their applicable annual allowance. These customers will return to the “monitoring usage” phase above and their usage will continue to be monitored.

B. A reminder letter informing them that if excess use continues they will be liable for excess use charges. The reminder letter will be sent to customers whose household usage over the 6-month notice period is more than half their applicable annual allowance. These customers move onto the final phase of the process.

**Phase 3 – Billing phase**

**Step 1. End of 12-month liability period**

At the end of the 12-month monitoring period from the date of the notice, customers will receive either A or B below:

A. Customers whose household use has not exceeded their annual allowance within 12 months from issue of the notice will receive a confirmation letter informing them that usage has reduced. These customers will return to the “monitoring usage” phase above.

B. Customers whose household has used more than their annual allowance within 12 months from issue of the notice will be issued an excess use charges bill, covering the 12-month period from the date of the official notice, by Irish Water.
3 CRU Decisions on Irish Water’s Proposal

3.1 Introduction

The CRU published a consultation paper in March 2019 on Irish Water’s proposals regarding the excess use charge. In the consultation paper the CRU provided a summary of the key elements of Irish Water’s proposal as follows:

(a) Procedure – metered and unmetered customers

(b) Derivation of excess use charges

(c) Cap on excess use charges

The CRU made requests for comments from stakeholders on these elements and whether they were of the view the excess use charge would promote conservation. The CRU received four responses to the consultation from the following stakeholders:

- An Fóram Uisce;
- Irish Council for Social Housing;
- Sinn Féin; and,
- Society of Saint Vincent de Paul.

The CRU wishes to thank these respondents for their feedback. These responses can be viewed in full in Appendix A. Their views have been considered in the development of the decision.

In the first sub-section below the CRU has provided a summary of the overall response to the excess use charge consultation. The subsequent sub-sections then examine the key elements of the proposal as follows:

i. Irish Water proposal;

ii. CRU request for comment;

iii. Summary of the responses the CRU received to the request;

iv. CRU response to comments (where necessary); and finally,

v. CRU decision on that element of the proposal.

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13 See Irish Water’s proposal (CRU/19/088), which is published alongside this paper, for full details.
3.2 Excess use charge – general

3.2.1 Request for comment
In the consultation paper the CRU stated that it was of the view that the excess use charge broadly provides an adequate incentive to change behaviour among customers that are showing excess use. The CRU posed the following request for comment:

**Water conservation**

1. Do you think Irish Water’s policy proposal and the charges therein will successfully promote water conservation?

   If so, why? If not, how would you amend the proposal to better achieve this objective (within the legislative framework)?

3.2.2 Summary of responses
Of the four respondents, three were of the view that the excess usage charge should in principle promote water conservation. However, these respondents had reservations about certain aspects of the proposal. One respondent was of the view that the excess use charge would not promote conservation.

Sinn Féin is of the view that charging for excess use will not encourage water conservation. It states that there is no evidence that Irish people are wilfully wasting water. Sinn Féin considers that the focus should be on fixing the leaks in the public system, where up to 47% of treated water is lost, and assisting homeowners in fixing leaks through an expanded Find and Fix service.

All four responses highlight the need for the policy to put more emphasis on education and awareness campaigns in the area of water conservation by outlining ways in which Irish Water should educate customers about water conservation and the reasons for introducing excess use charges. In addition to education and awareness campaigns, Society of St. Vincent de Paul (SVP) note that water saving devices can lead to significant savings.\(^{14}\)

An Fóram Uisce understands the decision taken at national level to implement an excess usage charge is focused primarily on conservation rather than revenue raising and, in this regard, agrees with the policy. It takes the view, however, that excess charges should be a measure of last resort in supporting conservation and one of a range of measures in this regard. In addition, while accepting the principles set out by the CRU, An Fóram Uisce considers that the overarching

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principle of environmental protection is equally important.

The Irish Council of Social Housing (ICSH) support the principle of charging for excess water usage to promote conservation and efficient water usage. However, they consider the imposition of charges as proposed to be based on a crude assessment process which also fails to distinguish between those who cannot decrease water usage and those who will not.

SVP is supportive from an environmental point of view of measures, such as the excess use charge, that promote conservation. However, SVP is concerned about the pressure this will place on low income households and call for a greater emphasis on non-pricing water demand measures. It is SVP’s view that excess use water charges should be considered only as a last resort in terms of the overall approach to water conservation.

Finally, both Sinn Fein and SVP raise their concern about the cost of introducing the excess use charges and question the actual revenue from the charges. The SVP suggests considering alternative methods for water conservation, e.g. installation of water saving devices.

3.2.3 CRU response to comments

3.2.3.1 Excess use and additional conservation measures

As highlighted by Sinn Féin, domestic customers in Ireland do not appear to be on average using in excess when compared to a similar cohort such as in the UK. However, the excess use charge is not aimed at the average domestic household, it is aimed at providing an incentive for excess users to reduce their consumption. As stated by the CRU in the consultation paper, the top 10% of users account for approximately 40% of domestic water services demand. In addition, the top 1% of users account for approximately 19% of domestic water services demand. The CRU’s analysis of meter data shows that about 7-10% of customers could face a bill based on their usage. The data indicates that certain customers are using vast amounts of water and this charge may prompt a change in their behaviour. To put the scale of this use in perspective at a household level, the CRU’s Report to the Minister (CRU/17/339) highlighted that the average demand to a household is 125,000 litres a year and this figure includes excess users. Additional CRU analysis indicates that the average household demand of the top 10% of users is 546,000 litres a year, based on 2016 meter data. Strikingly, the average household demand of the top 1% of users is 2,526,000 litres a year, which is almost 19 times the average. Therefore, that 1% of Irish Water customers, approximately 15,000 homes, use an average amount of water equivalent to an Olympic sized swimming pool on an annual basis. It must again be emphasised that these are averaged figures. In some individual cases, usage is many multiples in excess of this figure.

The CRU is of the view that the targeted nature of the excess use charge and the immediate effect

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15 50m length *25m width *2m depth
of a price signal will be effective in significantly reducing the usage of excess users quickly, leading to significant water savings. Such a price signal should encourage customers to fix leaks and increase their awareness around water use.

However, the CRU agrees with the overall view of respondents that the excess use charge should be one of a suite of measures aimed at promoting water conservation. The CRU notes that Irish Water are continuing to address leakage on the public side. Water conservation and water resource management is a key strategic investment by Irish Water. The CRU understands that Irish Water prioritises programmes around leak detection and repair, network improvements, metering, and funding to fix customer side leaks. Under the National Leakage Reduction programme Irish Water has committed investment of €250 million over the next four years under the Find and Fix repair scheme and the Water Mains Rehabilitation programme.

Regarding education and awareness campaigns the CRU notes that Irish Water is active in this area. However, the CRU considers that more can be done in this area. As stated the excess usage charge targets only excess users - it is also important to increase awareness among normal users by informing them of the importance of conservation and the ways that they can reduce their consumption. The CRU notes that Irish Water supports a number of environmental education campaigns which raise awareness, promotes understanding and encourages people to take action on water conservation issues.\textsuperscript{16} Irish Water has also undertaken a research study, funded by the innovation allowance, which has provided Irish Water with some information on the direction of potential future research in understanding customer behaviour and in promoting household water conservation.

3.2.3.2 Principles

In the consultation paper and within this decision paper the CRU has attempted to highlight the importance of water conservation in the context of the areas that it regulates. However, the CRU agrees with An Fóram Uisce that the overarching principle of environmental protection including public education on water conservation is essential and notes the environmental benefits of water conservation.

3.2.3.3 Low-income households

Regarding low-income households the CRU recognises that in some cases, a customer may wish to reduce their usage to avoid the excess use charge but may not have the means to fix leaks on their property. In this instance the CRU recommends that these customers engage with Irish Water, who will take into account the specific circumstances of these customers and in instances

\textsuperscript{16} For example, Irish Water has engaged with primary and secondary schools to increase knowledge and awareness of water conservation.
where a liability is owed may offer the customer a payment plan. As stated the goal of the excess use charge is not to raise revenue, rather it is to provide an incentive to reduce excess consumption. The CRU notes that Irish Water cannot reduce or discontinue the supply of water to a person for non-payment of the excess charge either temporarily or permanently. However, under Section 53 of the 2007 Act the wilful waste of water is an offence and this is why it is important for customers to engage with Irish Water on receipt of an excess use notification.

Also, as set out in Section 7 of the Domestic Customer Handbook, if a customer is experiencing financial difficulty, Irish Water must assist this customer in the following ways:

- Offer a payment plan to the customer which is appropriate to the customer’s needs.
- Where appropriate and where consent is given by the customer, engage with a money advisor acting on behalf of the account holder, for example MABS, or another recognised charity or third party.
- Where circumstances warrant it, Irish Water should be proactive in recommending the customer to seek guidance to his/her local MABS office or an appropriate alternative.

3.2.3.4 Cost of implementing the charge

Finally, regarding the cost of implementing the excess use charge, the CRU notes that Irish Water estimates that the operational costs associated with implementing the policy are approximately €3m on an annual basis. While the Household Water Conservation policy is a water conservation measure and not a revenue generation activity, Irish Water expects to collect between €7m-€9m annually, which will recover the implementation costs. It should be noted that the anticipated revenue amounts to less than 1% of Irish Water’s annual allowed revenue. It will not be a significant source of revenue, particularly in comparison to the annual anticipated domestic billed revenue of €270m, which the CRU approved in its first revenue control decision in 2014.

The above costs and revenues do not take into account the potential operating cost savings as a result of lower water consumption as well as the value to public finances in potential avoided capital investment in future as a result of lower demand.

3.2.4 CRU decision

The majority of respondents are of the view that the excess usage charge should promote water conservation. The CRU continues to be of the view that Irish Water’s excess use charge provides an adequate incentive to change behaviour among customers that use water above the annual allowance. As noted in the Water Services Policy Statement, with increasing water services demand and greater rainfall variability due to climate change; conserving supplies through reducing

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17 These figures are available in Irish Water’s Strategic Funding Plan 2019-2024
per capita demand, eliminating leakages and wastage as far as practicable, and effective management of water and wastewater capacity is becoming increasingly important.

Considering all the above, the CRU has decided to approve Irish Water’s excess use charge at a general level.

**CRU Decision**

1. The CRU approves the Irish Water proposal for an excess usage charge, as meeting the CRU objectives, including successfully promoting water conservation.

### 3.3 Procedure - metered and unmetered customers

**3.3.1 Irish Water’s proposal**

In accordance with the 2013 Act, Irish Water must establish usage in order to charge customers. The CRU set out the excess usage charge process in Section 2. Part of this process includes how Irish Water will identify usage at metered and unmetered households. The figure below shows how these customers’ usage is monitored.

**Establishing use of metered and unmetered customers**

Approximately 60% of Irish Water’s domestic customers are metered. For the 40% of Irish Water’s domestic customers that are not metered, Irish Water will establish areas of high usage through analysis of district meter area data. If Irish Water considers that a customer may be using water above the threshold, it will offer that customer a meter to monitor consumption for the purposes of water conservation.

If an unmetered customer’s property appears to be using above the annual allowance, and it is not
possible to install a meter, Irish Water will use alternative technology (i.e. a flow monitoring device) to monitor water use. Once either a meter or a flow monitoring device has been installed, Irish Water will then start to monitor the water consumption of the household, in the same way as households that have an existing meter.

3.3.2 Request for comment
In the consultation paper the CRU’s initial view was that Irish Water proposal for the treatment of metered and unmetered customers met the CRU’s principles. The CRU posed the following requests for comment:

**Charging process - metered and unmetered customers**

2. Is the process for charging metered and unmetered customers presented clearly?

3. Do you agree with the procedure that Irish Water proposes to use to assess the usage of metered and unmetered customers who appear to use water excessively?
   
   If so, why? If not, how should the procedure be amended (considering both legislation and CRU principles)?

4. Do you agree with the procedure that Irish Water proposes to use to notify and bill those customers who appear to use water excessively?
   
   If so, why? If not, how should the procedure be amended (considering both legislation and CRU principles)?

3.3.3 Summary of responses
Regarding the process for charging customers, ICSH, An Fóram Uisce and SVP highlighted the importance of including more details about the identification of customers with special medical conditions. An Fóram Uisce was of the view that it should be open to some level of public consultation.

The same respondents also suggest that the policy should take into consideration a potential confusion that can result between tenants and landlords. For tenants, who will be the registered account holders of Irish Water and the ones notified of excess usage, they may need landlord permission to proceed with applying for the First Fix Scheme and, of more importance, it will be a landlord responsibility to fix leaks internally. In the event of a leak on the property, if the landlord does not proceed with carrying out repairs, the tenant may be faced with a liability for excess use due to reasons beyond their control.

ICSH notes that the scope and limitations of the First Fix Scheme (FFS) need to be communicated widely as part of any communications on excess water usage. This scheme does not apply to internal leaks, but this point may not be widely understood by the public, it notes. SVP, Sinn Féin and An Fóram Uisce highlight the importance of expanding the FFS to internal repairs or providing...
customers with financial support to do so. SVP and Sinn Féin note that the Committee on Future Funding of Domestic Water Services recommended that options or schemes should be explored in order to address the cost of subsequent leaks, i.e. within the boundaries of the user’s property. SVP would welcome the establishment of a fund for water conservation devices and works for low income households, similar to the energy efficiency schemes currently offered by SEAI and the Department of Communication, Climate Action and the Environment.

Regarding identifying usage for metered and unmetered customers, An Fóram Uisce notes that information provided through direct metering is more accurate and provides households immediate access to their own usage through Irish Water’s website. An Fóram Uisce further adds that meters can assist with conservation by providing real time and accurate information on usage thus assisting in identifying leaks or excess water use.

SVP noted that there needs to be certainty that unmetered customers are being charged in an equitable manner and that the process for charging unmetered customers is not clear. In addition, SVP notes that a mechanism for appeals needs to be set out.

In terms of the communications issued directly to customers on water usage, An Fóram Uisce and SVP are of the view that it is very important that the approach and tone taken in such communication is helpful and clear and aids understanding of the purpose of the information and how customers might address their specific usage issues. SVP added that in their experience of working with households in financial distress, the proposed notification system and communication pathway may cause unnecessary stress and worry for vulnerable groups.

ICSH state that the Irish Water account should allow for smart and proactive communication, allowing account holders to update information proactively such as number of occupants, medical requirements etc., which may alter their allowance or allow an exemption, thus avoiding Irish Water sending notification letters to those accounts which will naturally have higher usage due to household size etc., and a reduction in administrative costs. SVP also highlight that there may be no need for Irish Water to issue letters to priority users who are critically dependent on water and those with five or more people in the household as Irish Water may already have this information. SVP adds that, those with medical conditions and who will have higher water consumption could be identified via medically assessed social welfare payments such as Carers Allowance and Disability Allowance.

ICSH considers, regardless of any excess use charging regime, that Irish Water should be writing to customers on meters who appear to have high usage to notify them of this, to advise them of the First Fix Scheme and to advise them of additional supports available if any to help fix leaks.
3.3.4 CRU response to comments

3.3.4.1 Further clarification – medical exemption
The CRU notes the responses received and the request for further clarity in some areas.

As stated in the consultation paper, the implementation of the medical exemption will be informed by the statutory instruments that are due to be published by the Minister in due course. The CRU has provided its understanding of how the process for medical exemptions will be managed in Section 2 of this paper. Regarding a further consultation on these exemptions, the CRU notes that the process will be set out in legislation and therefore this is not an area of the excess use charge that can be addressed through the CRU’s consultation process.

3.3.4.2 Tenants and landlords
In relation to the respective responsibilities of tenants and landlords Irish Water is subject to certain provisions of the Water Services Act 2007 in this regard. The 2007 Act places the primary responsibility for payment for water services on the occupier of the property, if they can be identified. Otherwise the owner of the property is responsible. In the event that a leak occurs on the premises the CRU notes that Section 54 of the 2007 Act states that the owner of a premises shall ensure that the distribution system of the premises, and all taps connected to it are maintained in such condition as to ensure that water does not leak from it. However, where a landlord takes no action to repair a leak in a tenanted property this would be a matter for the tenant and the landlord to resolve, as for all household repairs.

3.3.4.3 Metered and unmetered customers
The CRU’s continued view is that Irish Water proposal for the treatment of metered and unmetered customers meets the CRU’s principles. The principle of ‘equity and fairness’ is particularly relevant to this aspect of the proposal. In the CRU’s view the ability of Irish Water to identify which households are consuming in excess of the household annual allowance (and hence subject to an equitable charge) is essential. If Irish Water were unable to charge unmetered customers, consuming in excess of the household annual allowance, the excess usage charge would be discriminatory, as it would apply to metered customers only, despite both categories (metered and unmetered) of domestic customers receiving the same water services from Irish Water. In addition, if unmetered customers were not exposed to the excess usage charge, there would be no incentive or accountability for this significant proportion (~40%) of all Irish Water customers to reduce their water use.

More specifically, in relation to the concern raised by SVP that unmetered customers need to be charged on an equitable basis, i.e. one which is reflective of the comparable data from metered houses, the CRU, following discussions with Irish Water is satisfied that the flow measurement device is able to reliably identify excess use, thereby maintaining equity. Also, by offering an
unmetered customer the opportunity to install a meter, it maintains equity and fairness between customer types.

3.3.4.4 Communication with customers
The CRU agrees that in terms of communication with customers it is very important that the approach and tone taken provides clarity and understanding to customers of the purpose of any such communication and how customers might address their specific usage issues. The CRU understands that Irish Water has engaged with National Adult Literacy Agency (NALA) on the ‘Call to Action’ letters and have reflected their feedback regarding the importance of using clear and simple language. Irish Water has indicated that they will also include a leaflet explaining how to reduce water usage and how to check for leaks.

Regarding proactive communication with larger households the CRU notes that Irish Water does not have up to date information on household sizes. This data was provided by customers of Irish Water in 2015 and, naturally, is becoming less and less accurate over time. In addition, the majority of Irish Water customers did not register occupancy data with Irish Water. Although Irish Water does have information on vulnerable customers, the CRU notes that vulnerable customers are not necessarily exempt from excess use charges. An exemption will only apply where a customer has a medical need. Regulations around medical exemptions will be set out in a Statutory Instrument in due course.

3.3.4.5 First Fix
The CRU notes the comments of ICSH regarding the scope and limitations of the First Fix Scheme (FFS) and how this needs to be communicated widely as part of any communications on excess water usage. The CRU acknowledges that the scheme does not apply to internal leaks. The CRU also notes the comments of SVP, Sinn Féin and An Fóram Uisce on the importance of expanding the FFS to internal repairs or providing customers with financial support to do so given the considerable financial burden of such leaks. The CRU would note, however, that it is not possible currently for Irish Water to enter a customer’s property and fix an internal leak. The First Fix Scheme may be reviewed in the future with a view to expanding the scheme to include internal repair.

In its Household Water Conservation proposal, Irish Water notes that it may allow additional time before charging for excess usage if a customer engages with Irish Water on receipt of their notice and is awaiting a ‘First Fix Free’ or provides IW with required information that an internal leak has been repaired or is in the process of getting repaired. It notes that these exceptions will be managed on a case-by-case basis.
3.3.4.6 Appeals
Finally, with regard to appeals the CRU notes that the same process applies as per the previous water charges regime. A customer can make a complaint/appeal to Irish Water by calling a contact number that is on the bill. If Irish Water cannot resolve the issue, the customer can then escalate their complaint to the CRU.

3.3.5 CRU decision
The CRU notes the responses with regard to the procedure and has provided further clarifications. The CRU continues to be of the view that the procedure, including the treatment of metered and unmetered customers meets the CRU's principles. The principle of 'equity and fairness' is particularly relevant to this aspect of the proposal. In the CRU’s view, the ability of Irish Water to identify which households are using in excess of the household annual allowance (and hence subject to an equitable charge) is essential. If Irish Water were unable to charge unmetered customers, consuming in excess of the household annual allowance, the excess usage charge would be discriminatory, as it would apply to metered customers only, despite both categories (metered and unmetered) of domestic customers receiving the same water services from Irish Water. In addition, if unmetered customers were not exposed to the excess usage charge, there would be no incentive for this significant proportion (~40%) of all Irish Water customers to reduce their use.

By offering an unmetered customer the opportunity to install a meter, it maintains equity and fairness between customer types.

Considering all of the above, the CRU has decided to approve Irish Water's excess use charge procedure.

**CRU Decision**

2. The CRU’s decision is to approve Irish Water’s proposal and the process for assessing and charging metered and unmetered customers.

3.4 Derivation of excess usage charges

3.4.1 Irish Water’s proposal
Domestic customers may receive two water services from Irish Water – water supplied to your home and wastewater taken away. Some customers use only one water service, others have both. For example, some customers may have a septic tank and will be a customer for water but not wastewater services. If a customer uses both services, the amount of wastewater produced is set
equal to the amount of water that is supplied. It is the responsibility of the customer to notify Irish Water of the services it uses.

All water services used above the threshold allowance (213,000 litres per annum) is considered excess use and will be liable for excess use charges. Irish Water has considered two options for setting unit charges to be applied to units of water and wastewater services used above the threshold allowance. Irish Water’s preferred option is Option 1.

Under Option 1 Irish Water proposes to set the charges at €1.85 per 1,000 litres above the threshold for single-service customers and at €3.70 per 1,000 litres above the threshold for customers that use two services. These rates are the same unit rates that were used to calculate domestic water charges during the period 1st January 2015 until 31st March 2016.

Table 3.1: Option 1 - Volumetric unit charges for excess use (Source: Irish Water proposal)

<table>
<thead>
<tr>
<th>Volumetric Unit Charges</th>
<th>€ per 1,000 litres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumetric unit Water Supply charge</td>
<td>1.85</td>
</tr>
<tr>
<td>Volumetric unit Wastewater charge</td>
<td>1.85</td>
</tr>
<tr>
<td>Volumetric unit Combined Service charge</td>
<td>3.70</td>
</tr>
</tbody>
</table>

Option 2, which Irish Water also considered, involves using the unit rates based on Irish Water’s cost allocation exercise, that is part of its Non-Domestic Tariff Framework. The cost allocation exercise examined the costs of providing water and wastewater services to both the domestic and non-domestic customer bases. The unit rate was then calculated by dividing the costs allocated to domestic consumers by the volume used by domestic consumers. This is calculated based on the CRU’s most recent allowed revenue decision for 2019 (CRU/18/211).

Table 3.2: Option 2 – Indicative domestic unit rates from Irish Water’s cost allocation exercise (Source: Irish Water proposal)

<table>
<thead>
<tr>
<th>Volumetric Unit Charges</th>
<th>€ per 1,000 litres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumetric unit Water Supply charge</td>
<td>2.03</td>
</tr>
<tr>
<td>Volumetric unit Wastewater charge</td>
<td>2.02</td>
</tr>
<tr>
<td>Volumetric unit Combined Service charge</td>
<td>4.05</td>
</tr>
</tbody>
</table>

Within its proposal Irish Water assessed these two options against the principles set out by the CRU in Section 1.3. The result of this assessment is that Irish Water proposes applying Option 1 i.e. 2015/16 domestic unit rates, to units of water and wastewater services used by households above their threshold allowance.

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18 The principle of water in/water out applies. Section 22 (9) of the Water Services (no 2) Act 2013 states that “for the purposes of calculation a charge under section 21, the amount of Wastewater discharged from a Premises is deemed to be equal to the amount of water supplied to that Premises, unless Irish water and the Customer agree otherwise.
3.4.2 Request for comment

In the consultation paper the CRU stated that its initial view is that Irish Water’s proposal is reasonable. The CRU posed the following requests for comment.

**Derivation of excess usage charge**

5. Do you agree that Irish Water’s proposal to derive the unit charge using Option 1 best meets the principles set out by the CRU?

6. Should a transition (following public consultation) from Option 1 to a more cost-reflective approach be considered once the CRU has made a decision on the appropriate allocation of costs between domestic and non-domestic customers?

If so, why? If not, how do you think the charge should be calculated (considering both legislation and CRU principles)?

3.4.3 Summary of responses

An Fóram Uisce notes the reasoning by which average household usage has been determined and the rate of charge to be applied. Regarding the proposed review of the charge and cap after a period of stability, An Fóram Uisce state that it agrees with this approach as it provides clarity and also safeguards for all during its early implementation stages.

3.4.4 CRU decision

The CRU notes the response received that indicates an acknowledgement of the basis for the level of the charge and support for a period of stability after implementation with a subsequent review.

The CRU recognises that the choice of a unit rate will involve trade-offs between the principles provided to Irish Water. The application of a unit rate that remains stable regardless of the amount of water used above the threshold amount meets the principles of simplicity and stability. In addition, the €1.85 per 1,000 litres (per service) charge proposed by Irish Water results in charges that are easily understood by customers, as this value has previously been in the public domain under the previous domestic water charging regime.

The CRU continues to be of the view that Irish Water’s proposal to apply a unit charge to usage above the annual allowance is reasonable. Also, the charge was in place in the past, allowing for a degree of familiarity.

The CRU notes that the unit rate derived using the calculation underlying Irish Water’s proposed option, Option 1, is based on an appraisal of Irish Water’s efficiently incurred costs at IRC1, i.e. in 2015, rather than the CRU’s recent allowed revenue decision for 2019. This means that it does not necessarily meet the principle of cost-reflectivity.

By comparison the unit charge in Option 2 is derived from the CRU’s recent allowed revenue decision for 2019 and the costs of providing water and wastewater services to domestic and non-
domestic customer bases, that have been reviewed as part of the non-domestic tariff process. However, the CRU’s decision on the cost allocation approach that forms the basis of the non-domestic tariffs was not finalised in time for this consultation process. The CRU is of the view that this option would not be appropriate at this point. It may, however, be appropriate to transition after a period of time from Option 1 to the approach taken under Option 2 to ensure greater cost-reflectivity in the charge. However, in the interests of stability the CRU has decided that it is appropriate to keep the unit rate in place until the end of the upcoming Revenue Control period (RC3), i.e. until the end of 2024. This allows the CRU to assess over time if the charge is influencing customer behaviour and promoting conservation. At that point a transition to a more cost-reflective charge may be considered. The CRU would again publicly consult on any proposals to review and update the charge in the future.

In addition, the CRU notes that the calculation used to derive Option 1 is in itself reasonably cost-reflective, as the resulting unit rates are similar (€3.70 per 1,000 litres for water and wastewater services in comparison to €4.05 per 1,000 litres), thereby indicating that Option 1 does not fall significantly short of meeting this principle.

Considering all of the above, the CRU has decided to approve Irish Water’s proposal to apply a flat unit rate, and to derive this rate using Option 1.

### CRU Decision

3. The CRU’s decision is to approve Irish Water’s proposal to apply a flat unit rate excess use charge of €1.85 per 1,000 litres per service, for all metered consumption in excess of the household allowance.

### 3.5 Cap on excess usage charges

#### 3.5.1 Irish Water’s proposal

The CRU’s principle of customer protection states that measures should be considered to ensure that customers who exceed the annual household allowance are protected from unreasonably high charges. As a result, while the legislation did not specify a maximum charge, Irish Water proposes a cap on the maximum charge as set out in the table below.

<table>
<thead>
<tr>
<th>Maximum Excess Use Annual Charge</th>
<th>€ per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Water Supply charge</td>
<td>250</td>
</tr>
<tr>
<td>Maximum Wastewater charge</td>
<td>250</td>
</tr>
<tr>
<td>Maximum Combined Service charge</td>
<td>500</td>
</tr>
</tbody>
</table>

Table 3.3: Maximum annual excess use charges (Source: Irish Water’s proposal)
Irish Water is of the view that the proposed cap strikes an appropriate balance between encouraging household water conservation while also ensuring that customers are protected from unreasonably high charges.

In addition, Irish Water has proposed that if excess use is confirmed at an unmetered dwelling, and a meter is not installed, excess use charges will be applied at the capped excess usage charge of €250 for one service or €500 where a customer uses both services.

3.5.2 Request for comment

In the consultation paper the CRU’s initial view was that Irish Water’s proposals were reasonable. The CRU posed the following requests for comment.

3.5.3 Summary of responses

Regarding the cap, An Fóram Uisce notes the reasoning for the basis of the cap. SVP is of the view that the capped charge for households offers customers some security by avoiding shock charges.

However, in terms of the level of the cap, SVP and ICSH are of the view that the caps are high and that they will be difficult for those on low income or vulnerable customers to meet. SVP and ICSH are of the view that progressive/scaled caps should be considered, i.e. caps that increase overtime.

An Fóram Uisce considers a review of the cap to be necessary in time as there are concerns that measures such as a cap could, in the long term, be counter-productive in terms of the further
progression of water conservation programmes in Ireland.

3.5.4 CRU decision

The CRU notes the responses, which indicate support for a cap but that a lower and progressive level of a cap should be considered.

In the consultation paper the CRU stated that the cap should strike the balance between protecting customers from unreasonably high charges while still providing an incentive for customers to conserve water. The CRU continues to be of the view that Irish Water’s proposal to apply a cap on the charge achieves these principles.

Regarding the level of the cap, the CRU notes that while excess usage charges are uncommon in an international context, annual charges of €250/€500 for one or both services, are broadly reflective of typical customer charges in other jurisdictions (for overall use). It should be noted that such a charge only sets in after a customer has used an Exchequer-funded allowance that is 1.7 times the average annual household use. In this context, the CRU continues to be of the view that the proposed cap appears to be set at a reasonable level to promote conservation. The CRU notes the responses and recognises that in some cases customers may be incapable of affording the level of the cap. As set out in Section 3.2.2, the CRU recommends that these customers engage with Irish Water, who will consider the specific circumstances and may offer a payment plan to customers in instances where affordability is an issue. This maintains the effectiveness of the excess use incentive and is expected to lead to a reduction in overall usage levels.

As highlighted by An Fóram Usíce the implementation of a cap could reduce the further progression of water conservation in Ireland. As such the CRU will keep the level of the cap under review to assess if it is appropriate as a water conservation measure. The CRU has decided that, following the implementation of a charging regime, Irish Water will monitor and report to the CRU on a number of key performance indicators (KPIs). By reporting on these KPIs the CRU and stakeholders can assess whether the excess usage charge has been successful in promoting water conservation. However, as is the case with the level of the unit rate, in the interests of stability the CRU has decided that it is appropriate to keep the proposed cap in place until the end of the upcoming Revenue Control period (RC3), i.e. until the end of 2024. At that point an increase in or reduction to the level of the cap may be considered. The CRU would again publicly consult on any proposals to review and update the charge in the future.

Finally, regarding Irish Water’s proposal to set the charge for unmetered excess users at the cap, the CRU continues to be of the view that Irish Water’s proposal is reasonable. The CRU considers

19 For example: Usage of top 10% and top 1% of customers; average annual household usage; percentage of customers with leaks; usage of customers following sending out of Call to Action and Official Notice letters; number of metered and unmetered bills issued.
that this proposal meets the principle of ‘equity and fairness’ and does not raise any issues of discrimination between customer types. The CRU accepts the need to strike a balance between conservation of water and imposing a fair charge on customers.

Considering all of the above, the CRU has decided to approve Irish Water’s proposal to set the combined cap on charges at €500 for water and wastewater services, i.e. €250 per service, and to charge unmetered customers at this cap.

**CRU Decision**

4. The CRU’s decision is to approve Irish Water’s proposal to set the combined cap on charges at €500 for water and wastewater services, i.e. €250 per service.

5. The CRU’s decision is to approve Irish Water’s proposal to charge unmetered customers at the cap.
4 Summary

The CRU has now made a decision on Irish Water’s household water conservation (excess use charges) proposal. The CRU is of the view that the excess charge will provide an appropriate incentive for excess domestic water users to reduce their usage. This will ultimately be of benefit to all water users as the conservation of existing resources will, as part of a suite of measures, improve the standard of water services in Ireland.

In Table 4 below, the CRU provides a summary of the decisions set out in this paper.

<table>
<thead>
<tr>
<th>Decision</th>
<th>Section</th>
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<tbody>
<tr>
<td>1. The CRU’s decision is to approve Irish Water’s excess use charge at a general level.</td>
<td>3.2.4</td>
</tr>
<tr>
<td>2. The CRU’s decision is to approve Irish Water’s process for assessing and charging metered and unmetered customers.</td>
<td>3.3.5</td>
</tr>
<tr>
<td>3. The CRU’s decision is to approve Irish Water’s proposal to apply a flat unit rate excess use charge of €1.85 per 1,000 litres per service.</td>
<td>3.4.4</td>
</tr>
<tr>
<td>4. The CRU’s decision is to approve Irish Water’s proposal to set the combined cap on charges at €500 for water and wastewater services, i.e. €250 per service.</td>
<td>3.5.4</td>
</tr>
<tr>
<td>5. The CRU’s decision is to approve Irish Water’s proposal to charge unmetered customers at the cap.</td>
<td>3.5.4</td>
</tr>
</tbody>
</table>

4.1 Next steps

The following are the milestones that follow the publication of this decision.

- Irish Water issues a “Call to Action Letter” to customers that are using above the annual allowance. Letters to issue in Q3 2019.
- The CRU will publish an updated Water Charges Plan in Q3 or Q4 2019.
- First excess use bills will likely be issued to customers (no earlier than Q1 2021).
## A – Responses to consultation

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Page Number</th>
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<tbody>
<tr>
<td>An Fóram Uisce</td>
<td>1</td>
</tr>
<tr>
<td>Irish Council for Social Housing</td>
<td>6</td>
</tr>
<tr>
<td>Sinn Féin</td>
<td>8</td>
</tr>
<tr>
<td>Society of St. Vincent de Paul</td>
<td>9</td>
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</table>
SUBMISSION TO THE COMMISSION FOR REGULATION OF UTILITIES ON

Irish Water's Household Water Conservation Proposals (Excess Use Charges)

12th April 2019
Introduction to An Fóram Uisce
An Fóram Uisce (the Water Forum) was established in June 2018 in accordance with the provisions of Part 5 of the Water Services Act 2017. An Fóram is the only statutory body representative of all stakeholders with an interest in the quality of Ireland’s water bodies. An Fóram consists of 28 members including representatives from a wide range of organisations with direct connections to issues relating to water quality and also public water consumers. Approximately 50 different organisations were involved in the nomination of members.

Irish Water’s Household Water Conservation Proposals (Excess Use Charges)
An Fóram notes its role in relation to the CRU consultation requirements in accordance with the provisions contained in the Water Services Act 2017. An Fóram received a presentation from the CRU on the proposed policy at a special meeting held on the 27th March 2019 during which a number of elements of the proposals were discussed.

An Fóram is supportive of all reasonable measures that can be taken in order to raise public awareness of the value of water and encourage conservation in terms of its usage. It is equally supportive and encouraging of an effective water conservation programme in relation to public supplies to reduce the considerable loss of water currently being experienced. It is convinced of the need to raise public awareness of this issue and to encourage and assist households and businesses to effectively manage their water consumption in order to eliminate leakages, conserve usage and minimise the volume of waste water being discharged.

An Fóram understands the decision taken at national level to implement an excess usage charge is focused primarily on conservation rather than revenue raising and in this regard, is in agreement, in principle, with this policy. It takes the view, however, that excess charges should be a measure of last resort in supporting conservation and one of a range of measures in this regard.

Accordingly, it is most important that this policy is predicated on raising awareness of this issue and, advising and assisting consumers to take effective action to identify and resolve
usage issues. The effective communication of this message is of paramount importance if this policy to be successful. So too is the proactive management by Irish Water of consumer queries and concerns in relation to usage and leakages.

An Fóram notes the underpinning principles in relation to the proposes policy as those of cost reflectivity, equity and fairness, stability, simplicity and customer protection. While accepting these principles, An Fóram considers that the overarching principle of environmental protection including public education on water conservation is equally important and should provide guidance in terms of how the policy is drafted and implemented.

In relation to the specific issues raised by the CRU, the following summarises the observations of the members of An Fóram and concerns that have been raised.

**Water Conservation**

An Fóram is of the view that there are three key elements which underpin behavioural change - awareness raising, generating a concern as to the personal or social consequences of an action and a system of reward and punishment.

It considers that the optimal strategy regarding water conservation is a focus on general awareness and the creation of a concern with water wastage. The transactional costs associated with the development and implementation a system of rewards and punishment at individual consumer level may simply make this element unrealistic and it is not clear to An Fóram if the CRU has adequately factored this issue into its proposals. An Fóram considers that a targeted education and awareness programme for households is the primary and optimal response to excess usage and will give householders the necessary tools to identify and address leakage and excess usage issues.

In noting the various supports available to households, including the First Fix Free Scheme, it is considered that some households will need a greater level of support and assistance – especially those with medical needs and those who are in a poverty situation. It is noted that there will be a scheme in relation to defining medical needs which will result in additional household allowances – this is welcomed and it is suggested that same be open to some level of public consultation.

In terms of addressing the needs of low income households who do not have budgetary buoyancy to carry out plumbing works in their home, it is recommended that a scheme be introduced to provide financial or technical assistance to such households so that they can address issues. Recognising that the primary aim is conservation, it is possible to align such assistance to current environment public schemes which grant aids the environmental conservation processes. It is important that such households are not further impoverished
by being billed for excess usage while not having the financial means of addressing the leakage problem.

A further concern relates the tenant/landlord issues where the leakage is caused by a structural fault which is beyond the responsibility of the tenant but which the landlord fails to address.

**Charging Process – metered and unmetered customers**

An Fóram notes the approaches in terms of identifying usage for metered and unmetered customers. Clearly, information provided through direct metering is more accurate and provides households immediate access to their own usage through Irish Water's website. While understanding concerns that some customers may have with regard to the installation of meters, there is a view within An Fóram to encourage the installation of meters which provide real time and accurate information on usage thus assisting in identifying leaks or excess usage. Clearly, information with regard to the purpose of the installation of meters is very important for many consumers and this could be addressed through a public awareness campaign.

In terms of the communications issued directly to customer on water usage, it is very important that the approach and tone taken in such communication is helpful and clear and aids understanding of the purpose of the information and how customers might address their specific usage issues.

**Derivation of excess usage charge and Cap on excess usage charge**

An Fóram notes the reasoning in terms of the basis on which average household usage has been determined, the rate of charge to be applied and the cap set in terms of maximum charge. It is accepted and agreed that this policy should provide clarity and also safeguards for all during its early implementation stages, in order to facilitate customers and Irish Water making the required adjustments. It is further noted that these figures will be subject to review in due course and same is considered to be most necessary as there are concerns that measures, including caps could, in the long term, be counter-productive in terms of the further progression of water conservation programmes in Ireland.

**Conclusion**

An Fóram notes that this policy is subject to the final approval of the CRU on completion of this consultation process. The timeframes in terms of the roll out of the final policy are also noted including the eventual date for the implementation of the charge. Notwithstanding same, and having regard to the immediate water services and environmental considerations in relation to this issue, An Fóram is concerned that Irish Water continues to roll out its various programmes aimed at identifying excess usage and proactively engaging with its consumers in order to address issues.
An Fóram would like to thank the CRU for this opportunity to submit in relation to the proposed policy and hopes that its views will be of assistance in finalising same and is available to assist in any way it can in relation to this process.

End/ 

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Irish Council for Social Housing

ICSH Submission on Excess Usage Charges in Ireland
April 2019

Background

The Irish Council for Social Housing (ICSH) is the national representative federation for not for profit housing associations in Ireland. The ICSH was established in 1982 to act as a representative voice for the growing number of voluntary housing associations emerging at that time. Membership of the ICSH comprises of 270 not for profit housing associations who manage over 33,000 homes across the country. ICSH members, in addition to providing and managing good quality rental housing at affordable levels, also deliver a range of complimentary services to tenants. Homes and services are provided for low income families, persons who are homeless, older people and people with disabilities.

The Irish Council for Social Housing (ICSH) welcomes the opportunity to input into the development of proposals for Excess Usage Charges by CRU.

Submission

The ICSH support the principle of charging for excess water usage as a means to promote conservation and efficient usage. However, we consider the imposition of charges as proposed to be based on a crude assessment process which also fails to distinguish between those who cannot action changes to decrease water usage and those who will not.

To this end, we have identified several observations on the proposed charging structure and these are detailed below.

The Irish Water account should allow for “smarter” communication, allowing account holders to update information proactively such as number of occupants, medical requirements etc, which may alter their allowance, thus avoiding IW sending notification letters to those accounts which will naturally have higher usage due to household size etc. Following the proposed approach results in a lot of administration both from a customer perspective and also from IW, and much of this can be avoided.

It is important that the scope and limitations of the First Fix Scheme are communicated widely as part of any communications on excess water usage. This scheme does not apply to internal leaks but this point may not be widely understood by the public.
The ICSH believes the communication of excess usage needs to be looked at with an increasing number of account holders being tenants rather than property owners, which has an impact on the ability to grant access and permission to carry out works. For tenants, who will be the registered account holders of Irish Water and the ones notified re excess usage, they may need landlord permission or direction in order to be able to grant access for the First Fix Scheme and, of more importance, it will be a landlord responsibility to fix leaks internally. In the absence of the landlord carrying out repairs, the tenant may be left with an increasing bill from Irish Water due to reasons beyond their control. IW must put in place some mechanism so this is avoided and account holders who are actively engaging are not punished.

ICSH considers, regardless of any excess charging regime, that Irish Water should be writing to customers on meters who are showing high usage to notify them of this, to advise them of the First Fix scheme and to advise them of additional supports available if any to help fix leaks.

For vulnerable users in particular, the proposed cap on rates seem very high as an initial imposition (€500) with the goal being water conservation IW should propose more proactive means of engaging with customers to fix leaks and educate on water usage before a scaled level of penalties are introduced.

The plan does not provide any detail on education which is a key area for avoiding wilful excess usage. Every stage of the engagement process should provide information and options for account holders on how to reduce usage and options available for support. In terms of the communications issued directly to customer on water usage, it is very important that the approach and tone taken in such communication is helpful and clear and aids understanding of the purpose of the information and how customers might address their specific usage issues.

Medical exemption

Similar to the previous point on the IW communication structure allowing for proactive account holder communication to avoid notification and warning letters, there should be a mechanism to notify IW that the account holder, or a member of the household, has a medical condition which exempts from any possible charges.

The process for securing a medical exemption should be easy to use, clear, and widely published and there is not enough information available on the proposed process to be able to identify if this is the case at the moment.

For further information, please contact [redacted] or email [redacted]
Sinn Féin submission to the CRU consultation on Irish Water’s excess use charge proposal

Sinn Féin do not think that charging for excess use will encourage water conservation.

There is no evidence that Irish people are wilfully wasting water. The focus should be on assisting low income households to source leaks and fix them.

Additionally, according to Irish Water’s own figures, household water consumption in this state is one of the lowest in the OECD.

We use an average of 123 litres per person per day, compared to England where people use on average 140 litres, in Sweden it is 200 litres, and in Italy it is 250 litres.

The government hopes to raise €39m over five years via this charge. It will cost Irish Water more to collect this charge than the charge will raise, which makes no sense.

Alternative proposal

The Report of Joint Committee on the Future Funding of Domestic Water Services published in April 2017 noted under its Water Conservation section that:

One of the most urgent tasks of water conservation is reducing water lost in the public system. The Committee recommends that adequate resources are invested to reduce these leaks in the shortest possible timeframe

The Cross-Party Committee report further noted that:

The ‘First Fix Free Scheme’ remain in place and options or schemes should be explored in order to address the cost of subsequent leaks, i.e. within the boundaries of the user’s property. The Committee also recommends that the water utility engage in a national awareness campaign with regard to the existing scheme to assist with active conservation on the part of the user.

Sinn Féin believe that the focus should be on fixing the leaks in the public system, where up to 47% of treated water is lost, and assisting homeowner in fixing these through an expanded find and fix service.

ENDS//
HOUSEHOLD WATER CONSERVATION

Submission to the Commission for the Regulation of Utilities

APRIL 23, 2019
SVP SOCIAL JUSTICE AND POLICY TEAM
Introduction

SVP is the largest charity of social concern and action in Ireland, with a variety of services for households being provided by over 11,000 voluntary members and almost 1000 staff across the country. At the core of our work is home visitation, where we assist families and individuals all around the country through social contact, advice and practical support. One of the largest areas of SVP expenditure in our support of low income households is dealing with utility debt and working with families who find themselves in constant arrears or with the threat of disconnection. The onset of excessive use charges poses another cost for these households and SVP is anxious to see that people on low income are given appropriate consideration in regard to these charges. We therefore welcome the opportunity to respond to the Commission for the Regulation of Utilities on the proposals for Household Water Conservation and Excessive Use Charges.

Water conservation

From an environmental point of view SVP is supportive of measures that reduces water consumption and ensures the sustainability of our water supply and understand that an excess usage charge can be one way to promote conservation. However, we are concerned that excessive water use charges will place additional pressure on low income households. Greater emphasis needs to be placed on non-pricing water demand measures, including the reduction of leakage in water supply networks, public awareness campaigns and incentives to install water saving devices and more efficient household appliances.

Continued work and investment in terms of implementing the Leakage Reduction Programme including active leakage control, pressure management, system upgrades and good system design will be the most effective measure in terms of water conservation. Public awareness campaigns are also considered to be effective in reducing household water consumption and it is estimated that water saving devices can save up to 40% of water per year in an average household.¹

SVP note that the charge is not intended as a revenue raising measure and that the monies collected through this charge will account for approximately 1% of its allowed revenue. It would be useful to have information on the expected costs associated with implementing the current proposals, including the pursuit of non-payment, against the costs of alternatives such as subsidies for the installation of water saving devices and for public awareness campaigns. Investing in the latter would help meet the objective of water conservation without putting undue financial pressure on low income households or penalise those who unconsciously have high water consumption due to leaks or other medical/household needs.

Overall, significantly more information is required on consumption patterns of the Irish public before the excessive use charging policies of Irish Water can be applied. It is SVP’s view that excessive water charges be considered only as a last resort in terms of the overall approach to water conservation.

Charging Process: Issues for Vulnerable and Low Income Households

SVP welcome the exemption for excessive use charges for those with medical conditions. However, the proposal does not contain sufficient detail on how these households will be identified. As well as those with medical conditions, those with high water needs include some older people, household with babies and children, people with disabilities, and carers. Based on our experience of working with households in financial distress, the proposed notification system and communication pathway may cause unnecessary stress and worry for vulnerable groups. Irish Water already has a list of priority users who are critically dependent on water and those with five or more people in the household. This information could be utilised to ensure these households are not contacted unnecessarily regarding an excessive use notification. Furthermore, those with medical conditions and who will have higher water consumption could be identified via medically assessed social welfare payments such as Carers Allowance and Disability Allowance. Those who are struggling to meet the additional costs associated with disability, medical conditions and caring but who do not qualify for a means tested social welfare payment could provide medical certification from their GP to allow them to avail of the exemption. The costs associated with medical certification would also need to be considered.

Information should be provided in a format that people can use and understand. All communication tools should adhere to the National Adult Literacy Agency’s Plain English Guidelines. Many of the people we assist struggle to pay bills for essentials such as energy bills and sometimes have to make a choice between heat and food. The issue of self-disconnection of pre-pay meters or going without heating due to cost is prevalent among the people SVP assist. Although, such practices would be less likely in terms of water consumption, we would still be concerned that if excessive use is not defined and communicated effectively, some households may reduce the water usage below what is required to avoid charges. It is vitally important the excessive use threshold is communicated in a way that is understandable for people, for example converting 1,000 cubic litres into a tangible unit of measurement. Irish Water could consider developing an online water consumption calculator similar to one developed here: https://www.home-water-works.org/calculator. This could also generate tips to households on how to reduce their consumption if it is approaching “excessive” in some areas of household use.

SVP have significant concerns for low income households who may have excessive water consumption due to leaks. We note that the “first fix free scheme” is only available for leaks detected outside the boundary of the property. The internal water system on a property may be in such a bad state that it causes excessive leaks, yet there is no additional support for such households which might not be able to afford to rectify the source of the problem. As a result they could face a charge for water they are not consuming, placing undue hardship on low income households. They maybe willing to rectify the problem, but they might not have the means to do so. A second related issue is that a tenant may be charged for excessive use due to a breach of landlord obligations to repair leaks or uphold a minimum standard within it’s property. There is no detail in the proposals on how such cases would be dealt with, particularly where the landlord is not engaging.

The Committee on Future Funding of Domestic Water Services recommended that options or schemes should be explored in order to address the cost of subsequent leaks, i.e. within the boundaries of the user’s property. SVP would welcome the establishment of a fund for water
conservation devices and works for low income households, similar to the energy efficiency schemes currently offered by SEAI and the Department of Communication, Climate Action and the Environment. As outlined above we are also recommending that Irish Water engage in a national awareness campaign with regard to the existing scheme to assist with active conservation on the part of the user. A specific campaign aimed at informing landlords of their obligations and available schemes in this regard would also be welcome.

The capped charge for households offers customers some security by avoiding ‘shock charges’ but they proposed caps are very high and will be difficult for those on low or fixed incomes to meet. The level and application of the caps should be reviewed and consideration should be given to a lower capped rates which are progressive after first charging and with consideration for people already experiencing energy poverty and their ability to pay.

Finally, there will be a significant number of unmetered housing and such households need to be certain that they are being charged in an equitable manner which is reflective of comparable data from metered houses. The process of charging unmetered customers is not clear and the mechanism for appeals needs to be properly set out.

**Conclusion**

In conclusion, Irish Water should work with consumer representative groups to provide accessible information to households on how best to conserve water. Any additional incentives, resources or penalties must be mindful of households that are ‘hard to reach’, experiencing poverty or who are vulnerable. The impact of the current proposals should be evaluated to monitor their effectiveness and overall impact on reduction in water consumption.
B – Flowchart of excess usage charge process