



An Coimisiún
um Rialáil Fónais
Commission for
Regulation of Utilities



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Irish Water's Non-Domestic Tariff Framework

Tariff Application Rules

CRU Decision Paper

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CRU Mission Statement

The CRU's mission is to protect the public interest in Water, Energy and Energy Safety.

The CRU is guided by four strategic priorities that sit alongside the core activities we undertake to deliver on the public interest. These four strategic priorities are:

- Deliver sustainable low-carbon solutions with well-regulated markets and networks;
- Ensure compliance and accountability through best regulatory practice;
- Develop effective communications to support customers and the regulatory process;
and
- Foster and maintain a high-performance culture and organisation to achieve our vision.

Executive Summary

The CRU published its decision on Irish Water's Non-Domestic Tariff Framework (CRU/19/074)¹ on 3 July 2019. This Framework sets out the new harmonised national tariff rates which will apply to Irish Water's non-domestic water and wastewater connections. It was due to be implemented on 1 May 2020 but has been delayed temporarily due to the COVID-19 pandemic.

The CRU published its Tariff Application Rules consultation paper (CRU/20/022)² on 21 February 2020. The purpose of this consultation paper was to present proposals for specific policy approaches that will affect the application of the new Framework and to garner views from the public and interested parties. Irish Water submitted proposals to the CRU regarding a range of policy proposals and the CRU proposed amendments to these proposals which it considered beneficial. The CRU then consulted on all the proposals. Six interested parties responded to the consultation.

The tariff application rules concern two broad topics:

- what rules should apply when assigning non-domestic connections to a tariff class; and
- rules around leak allowances granted to non-domestic connections when a leak on the customer's side³ of the meter has been identified and fixed.

This decision paper outlines the proposals regarding each topic; summarises the views received from interested parties regarding the proposals; outlines the CRU's responses to these views; and presents the CRU's decisions regarding each topic.

Topic 1: Rules for Assigning a Connection to a Tariff Class

Each metered tariff class has a different standing charge and volumetric charge, based on the costs of serving different non-domestic connections. Under the Non-Domestic Tariff Framework metered⁴ non-domestic connections will be assigned to one of four tariff classes based on their Annual Quantity (AQ), which is the volume of water used (or wastewater

¹ <https://www.cru.ie/wp-content/uploads/2019/07/CRU19074-CRU-Decision-Paper-Irish-Waters-Non-Domestic-Tariff-Framework-1.pdf>

² <https://www.cru.ie/wp-content/uploads/2020/02/CRU20022-CRU-Consultation-Paper-Tariff-Application-Rules.pdf>

³ For clarity, non-domestic customers' pipes downstream of the meter comprise the "external supply pipe" and the "internal pipework".

⁴ The issues discussed in this paper affect metered connections only. Unmetered connections do not have an Annual Quantity (AQ).

discharged for wastewater only connections) by the connection⁵ over a 12-month period. An AQ will be calculated by Irish Water once a year for every connection, and this determines the connection's tariff class for the next tariff year.

The different standing charges and volumetric charges in each tariff class mean that some connections with an AQ near a tariff class boundary may prefer to be in a position to pay the tariff rates of the adjacent tariff class, or that some connections that change tariff class from year to year may face a step change in their annual bill. The CRU recognises that this is not ideal. In its Non-Domestic Tariff Framework Decision (CRU/19/074) the CRU decided that tariffs would remain fixed for the first three years, as a way to provide certainty to non-domestic water customers, over the transition period to the new tariff Framework. The CRU will seek to revise tariffs under the Non-Domestic Tariff Framework in three years' time, that do not generate significant changes in bills for small changes in consumption. In the meantime, this decision paper outlines targeted exceptions to the general rules.

The CRU, when coming to its decisions, has recognised the need to balance multiple objectives. In maintaining consistency with the overall approach to non-domestic tariffs, the CRU has attempted to minimise changes from the overall approach, for exceptional circumstances. Therefore, these exceptional circumstances are focussed on customers that would be adversely affected by step changes between tariff classes, when they changed their consumption.

The standing charges and volumetric charges of the different tariff classes under the Non-domestic Tariff Framework were calculated, based on estimates of the number of connections and volumes in each tariff class, and the costs of serving each group of connections. Because all costs do not change directly with the number of connections or volume, there is not a smooth transition of a bill when consumption increases or decreases by a small amount. However, on balance, the CRU is of the view that the new non-domestic tariffs (set out in CRU/19/074) best meet the multiple objectives of promoting efficiency in water use, cost reflectivity, cost recovery, equity, stability and simplicity. The absence of a smooth bill transition will exist until the tariff rates are re-formulated at the end of the three-year transition period. This decision introduces targeted rules to protect customers from situations with the most significant bill impacts.

⁵ Throughout this paper the term 'connection' is used to refer to a customer's connection at their premises.

Topic 2: Rules to address the granting of Non-Domestic Leak Allowances

Irish Water proposed an enduring leak allowance policy that strengthened their current non-domestic leakage allowance policy (inherited from the Local Authorities) which has weak incentives for customers to fix their leaks quickly, especially when compared to non-domestic leakage allowance policies in place in the UK (see Appendix of this paper). The CRU proposed further amendments to the leak allowance policy which placed stricter conditions on the granting of non-domestic leak allowances.

After considering the views of interested parties, the CRU has decided to implement its own proposals with some changes which follow beneficial suggestions from respondents. In order to receive a full leak allowance, customers must notify Irish Water of the leak within six months of the bill where the leak is first evidenced and must fix the leak within a further six weeks. If one or both of these time limits is not met, the customer will have a further three months to notify and fix the leak in order to receive a 50% leak allowance. Leak allowances will be granted for leaks on the external supply pipe and also for leaks on underground pipework. Customers will be able to apply for one self-certified leak allowance per premises but any further applications must be accompanied by a valid plumber's report.

The enduring leak allowance policy is designed to protect non-domestic connections from "bill shock" due to leaks; incentivise the timely identification and fixing of leaks by non-domestic connections; and avoid the risk of unfair financial burdens being placed on connections with no leaks.

This paper also discusses two issues upfront. These issues are:

- 1) concerns regarding connections being assigned to the incorrect tariff class due to the COVID-19 pandemic; and
- 2) the new implementation date for the Non-Domestic Tariff Framework.

Next steps

Irish Water will now implement the decisions outlined in this decision paper. The decisions regarding disputed AQ take effect immediately and the other decisions regarding the assigning of connections to a tariff class shall take effect when the Non-Domestic Tariff Framework is implemented. The new enduring leak allowance policy shall take effect on 1 October 2020.

Public / Customer Impact Statement

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

The issues discussed in this decision paper affect the metered non-domestic customers of Irish Water only.

A new Non-Domestic Tariff Framework was due to be implemented on 1 May 2020 but has been delayed temporarily due to the COVID-19 pandemic. Under this Framework non-domestic connections will be placed in one of four tariff classes based on the annual volume of water they use (or wastewater they discharge for wastewater only connections). Each tariff class has a different standing charge and volumetric charge, based on the costs of serving different non-domestic connections. This means that if a connection changes its annual water use (or wastewater discharge for wastewater only connections) from year to year, it may change tariff class and be liable to pay different charges.

This decision paper outlines the conditions under which a connection may be placed into a tariff class and may pay tariff rates (enduring or transitional) which are different from those in the tariff class corresponding to their annual quantity of water consumed.

The second area of this paper concerns leak allowances granted to non-domestic connections when a leak on the customer's side of the meter has been identified and fixed. The leak allowance policy is designed to protect non-domestic connections from "bill shock" due to leaks, incentivise the timely identification and fixing of leaks by non-domestic connections, and avoid the risk of unfair financial burdens being placed on connections with no leaks.

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1. Introduction

1.1 Background

The CRU published its decision on Irish Water's Non-Domestic Tariff Framework (CRU/19/074)⁶ on 3 July 2019. The Framework sets out the new harmonised national tariff rates for water and wastewater services, the rules for how the tariffs are designed and the rules for how non-domestic connections will be transitioned to their new tariff rates over a three-year period. The Framework was due to be implemented on 1 May 2020 but has been delayed temporarily due to the COVID-19 pandemic.

Under the Framework non-domestic connections will be placed in one of four tariff classes based on the annual volume (called Annual Quantity, or AQ) of water they use (or wastewater they discharge for wastewater only connections). Each tariff class has a different standing charge and volumetric charge, based on the costs of serving different non-domestic connections. This means that a connection which changes its annual water use (or wastewater discharge for wastewater only connections) from year to year could possibly change tariff class and be liable to pay different charges.

The CRU's decision on Irish Water's Non-Domestic Tariff Framework purposefully left a number of tariff application rules to be consulted upon in a second phase. It was necessary to set out the basic design of the Framework, and to decide on the transitional arrangements which will apply, before consulting and deciding upon these more detailed rules.

The CRU published its consultation on the tariff application rules (CRU/20/022)⁷ on 21 February 2020 and the consultation closed on 17 April 2020⁸. The CRU published Irish Water's submission document, which contained Irish Water's proposals regarding the tariff application rules (CRU/20/023)⁹, alongside the consultation paper.

The topics covered by the tariff application rules consultation are listed below:

- **Topic 1:** Rules for assigning connections to a tariff class;

⁶ <https://www.cru.ie/wp-content/uploads/2019/07/CRU19074-CRU-Decision-Paper-Irish-Waters-Non-Domestic-Tariff-Framework-1.pdf>

⁷ <https://www.cru.ie/wp-content/uploads/2020/02/CRU20022-CRU-Consultation-Paper-Tariff-Application-Rules.pdf>

⁸ The consultation was initially due to close on 3 April 2020 but was extended by two weeks due to the COVID-19 pandemic. Two respondents submitted their responses to the consultation after this date.

⁹ <https://www.cru.ie/wp-content/uploads/2020/02/CRU20023-Irish-Water-Tariff-Application-Rules-submission-document.pdf>

and

- **Topic 2:** Rules regarding customer-side leaks for non-domestic connections.

The consultation paper put forward Irish Water's proposals, and CRU's amendments to these proposals, regarding these topics and asked for respondents' views on same.

1.2 Purpose of this Paper

The purpose of this decision paper is to give CRU's responses to interested parties' views regarding the proposed tariff application rules and to outline the CRU's decisions on each aspect of the tariff application rules.

1.3 CRU's Legislative Remit & Strategic Plan

As part of the Irish Government's reform of Ireland's water and wastewater services, Irish Water has been responsible for charging non-domestic connections since 1 January 2014. The CRU's role as the economic regulator of Irish Water is to protect the interests of water customers, to ensure that water and wastewater services are delivered in a safe, secure and sustainable manner, and to strive to ensure that Irish Water operates in an economic and efficient manner.

Under the Water Services Act (No.2) 2013¹⁰ the CRU has responsibility for approving the charges applied by Irish Water to non-domestic customers for water and wastewater services.

The CRU's 2019-2021 Strategic Plan¹¹ includes the objective to *“provide effective regulation of Irish Water to deliver secure, efficient and sustainable outcomes in the public interest”*. The desired outcomes related to this objective are outlined in Figure 1 below.

Figure 1: Objective and desired outcomes regarding regulation of Irish Water



The tariff application rules are an important part of the Non-Domestic Tariff Framework as they will set out how non-domestic connections are treated under the Framework in certain situations. As such, the tariff application rules will help deliver the outcome of implementing *“transparent, fair and equitable charges”* for *“non-domestic services”*.

¹⁰ <http://www.irishstatutebook.ie/eli/2013/act/50/enacted/en/html>

¹¹ <https://www.cru.ie/wp-content/uploads/2019/03/CRU19030a-CRU-Strategic-Plan-2019-2021-English-Version.pdf>

Further information on the CRU's role and relevant legislation can be found on the CRU's website at www.CRU.ie

1.4 Related Documents

In order to provide context to this decision paper, the following list of documents are provided which contain previous CRU consultations and decisions regarding water and wastewater tariffs applied to non-domestic connections of Irish Water.

- CER Information Note - Establishing Irish Water's Non-Domestic Tariff Framework (CER/16/304)
- CRU Information Note – Establishing Irish Water's Non-Domestic Tariff Framework (CRU/17/287)
- CRU Consultation Paper – Establishing Irish Water's Non-Domestic Tariff Framework (CRU/18/114)
- Current Non-Domestic Tariff Arrangements – Irish Water submission to the CRU (CRU/18/117)
- Non-Domestic Tariff Design Review and Enduring Proposals – Irish Water submission to the CRU (CRU/18/115)
- Non-Domestic Transitional Arrangements Proposals – Irish Water submission to the CRU (CRU/18/116)
- Irish Water Non-Domestic Tariff Proposals – An abridged guide (CRU/18/118)
- CRU Proposed Decision Paper – Irish Water's Non-Domestic Tariff Framework (CRU/19/042)
- CRU Response Paper – Irish Water's Proposals for a new Non-Domestic Tariff Framework (CRU/19/043)
- Irish Water document – CRU's proposed decision on Irish Water's Non-Domestic Tariff Framework – Irish Water Customer Information Paper (CRU/19/045)
- CRU Response Paper – Irish Water's Non-Domestic Tariff Framework (CRU/19/075)
- Irish Water document – CRU's decision on Irish Water's Non-Domestic Tariff Framework – Irish Water Customer Information Paper (CRU/19/076)
- CRU Decision Paper – Irish Water's Non-Domestic Tariff Framework (CRU/19/074)
- Irish Water Charges Plan – April 2020 (CRU/20/053)
- CRU Consultation Paper – Tariff Application Rules (CRU/20/022)
- Irish Water submission to CRU – Non-Domestic Tariff Application Rules (CRU/20/023)

1.5 Structure of this Paper

The remainder of this decision paper is structured as follows:

- **Section 2** – outlines the six tariff principles which the CRU required Irish Water to take into account when developing its proposals, and which the CRU took into account when developing its amended proposals regarding the tariff application rules;
- **Section 3** – discusses 1) concerns regarding connections being assigned to the incorrect tariff class due to the COVID-19 pandemic; and 2) the new implementation date for the Non-Domestic Tariff Framework.
- **Section 4** – gives the CRU’s responses to interested parties’ views on the proposals regarding the rules for assigning connections to a tariff class, and outlines the CRU’s decisions on these aspects of the tariff application rules;
- **Section 5** – gives the CRU’s responses to interested parties’ views on the proposals regarding the rules for customer-side leaks for non-domestic connections, and outlines the CRU’s decisions on this issue;
- **Section 6** – sets out the next steps;
- **Appendix** – outlines some key features of leak allowance policies in place for non-domestic connections in the UK.

1.6 Responses to the Tariff Application Rules Consultation Paper

The CRU received responses to the Tariff Application Rules consultation from six interested parties. The six respondents are list below:

- An Fóram Uisce (The Water Forum).
- Chambers Ireland;
- Department of Business, Enterprise & Innovation / Enterprise Ireland / IDA Ireland (combined response);
- Intel Ireland;
- Kerry County Council; and
- Tipperary County Council;

The six responses are published alongside this decision paper.

The CRU takes this opportunity to thank all the interested parties that responded to the Tariff Application Rules consultation and provided their views. The responses contained useful suggestions. All of these suggestions have been considered and some have been incorporated into the decisions outlined in this paper.

2. Tariff Principles

In January 2016 the CRU issued Irish Water with six tariff principles and required that Irish Water take these principles into account when developing its Non-Domestic Tariff Framework.

The principles issued to Irish Water are as follows:

- ❖ **Efficiency in use of water services:** Tariffs should incentivise the efficient use of water services.
- ❖ **Equity and no undue discrimination:** Tariffs should be equitable and not unduly discriminate between customers.
- ❖ **Stability:** Tariffs should be designed to ensure customer bill volatility is kept to a minimum.
- ❖ **Cost reflectivity:** Tariffs should be reflective of the costs of providing water services.
- ❖ **Cost recovery:** Tariffs should allow for the recovery of efficiently incurred costs of providing water services.
- ❖ **Simplicity:** Tariffs should be clear, transparent and easy to understand.

These six tariff principles guided Irish Water's development of its proposals for the tariff application rules. The CRU also used these principles to evaluate the amendments it proposed to Irish Water's proposals.

It is difficult to comply with all of the above principles equally at the same time, and inevitably the design of the tariff application rules involves striking a balance or making necessary trade-offs between these principles.

3. COVID-19, tariff class assignment and the implementation date of the Framework

The CRU considers that there are two other issues raised by respondents that need to be discussed before the Tariff Application Rules themselves. These issues are 1) concerns regarding connections being assigned to the incorrect tariff class due to the COVID-19 pandemic; and 2) the new implementation date for the Non-Domestic Tariff Framework. These issues are discussed in turn below.

3.1 Concerns regarding connections being assigned to the incorrect tariff class due to the COVID-19 pandemic

In its response to the Tariff Application Rules consultation, Chambers Ireland raised concerns that many connections could be assigned to the incorrect tariff class due to changes in consumption arising out of the closure of businesses during the COVID-19 pandemic. They stated that many businesses are not using their typical quantities of water due to the pandemic and thus the AQ process will put many connections into the incorrect tariff class.

The CRU asked Irish Water to do some analysis to understand the impacts of COVID-19. Irish Water considered two scenarios: 1) where the volume of water consumption by each connection fell by 20%; and 2) where the volume of water consumption by each connection fell by 40%, and analysed how many connections would be assigned to a different tariff class if their water consumption fell by this amount.

Table 1 below outlines the results of Irish Water's analysis. Based on consumption data used to set the new tariffs under the Framework, of the 175,574 metered connections: 93.5% are in Band 1, and 6.2% are in Band 2. Under the 20% drop scenario 94.9% are in Band 1, and 4.9% are in Band 2 and under the 40% drop scenario 96.2% are in Band 1, and 3.6% are in Band 2.

Therefore a 20% decline in consumption would lead to approximately 1% of connections being mis-assigned and a 40% decline in consumption would lead to just over 2.5% of connections being mis-assigned. This suggests that the Framework is robust with regards to

the definition of the volumes applicable to each tariff class and assignment of connections to tariff classes even to very significant falls in consumption that may occur as result of the COVID-19 pandemic. For this reason, the CRU considers that the approach to assigning connections to tariff classes that it decided on in CRU/19/074, remains robust even following decreases in consumption due to recent business closures. The CRU further notes that any mis-assignments that may occur can be addressed via the appeals process for disputed AQs (see section 4.5 for further detail on this).

The CRU will also ask Irish Water to ensure that customers have sufficient time to challenge their AQ, and that the process to do so is robust and customer friendly.

Tariff Class	Current		20% drop			40% drop		
	Number	%	Number	%	difference	Number	%	difference
Band 1	164,217	93.5%	166,553	94.9%	2,336	168,982	96.2%	4,765
Band 2	10,900	6.2%	8,661	4.9%	-2,239	6,346	3.6%	-4,554
Band 3	434	0.2%	343	0.2%	-91	232	0.1%	-202
Band 4	23	0.01%	17	0.01%	-6	14	0.01%	-9

Table 1: Irish Water analysis of water consumption drop scenarios

3.2 New implementation date for the Non-Domestic Tariff Framework

The Non-Domestic Tariff Framework was due to be implemented on 1 May 2020. However, on 31 March 2020, the CRU, in conjunction with the Department of Housing, Planning and Local Government and Irish Water, decided to defer the implementation of the Framework temporarily due to the COVID-19 pandemic. The decision to defer the implementation was made on the basis that changes in tariffs at the time of such economic uncertainty would not be good for customers.

However, as the country moves through the government's roadmap to reopening the economy, with most businesses able to operate from 29 June 2020 the CRU is of the view that the new tariffing regime will bring benefits to customers and will support those opening up again. The CRU is of the view that the Framework should be implemented soon, and the reasons for this view are outlined below.

The decision on the Framework outlined that 46% of connections will actually see a reduced annual bill under the new national harmonised tariffs (assuming that their consumption remains unchanged from the previous year). Indeed, the structure of the new tariff rates in tariff class Band 1 where the new standing charges are a lower proportion of the overall means that customers in this tariff class (mostly small businesses and low volume businesses) whose water usage has gone down will be more likely to see lower bills due to the implementation of the Framework. This will support such businesses that are opening up again as the country re-opens.

Table 2 below shows Irish Water's bill analysis for the water consumption drop scenarios discussed in section 3.1. This analysis shows that if every connection decreased its water consumption by 20%, then the introduction of the Framework tariffs would actually deliver lower bills for 50% of connections, and if every connections decreased its water consumption by 40%, then the introduction of the Framework tariffs would actually deliver lower bills for 54% of connections.

Table 2: Irish Water bill analysis

	Current	20% drop	40% drop
% bills increasing	54%	50%	46%
% bills decreasing	46%	50%	54%

The implementation of the Framework, and the application of the national harmonised tariff rates, will also provide certainty to businesses for the next three years. Certainty will be particularly important to businesses over the coming months and years given the uncertainty brought about by the COVID-19 pandemic.

The implementation of the Framework will introduce more transparent, simple and equitable charging arrangements for all customers. These new charging arrangements will benefit customers over the coming years. It should be the case that a more transparent, simple and equitable approach to non-domestic water and wastewater charges will support businesses, the Irish economy and inward investment. Creating a simpler charging structure that is harmonised across the country will make it easier for customers to understand their charges and how they are applied. It will result in similar customers (in terms of water consumption and/or wastewater discharge) being charged the same amount for using the same service which achieves greater equity across customers across the country.

The tariffs rates under the Framework reflect only the costs that the different customer groups impose on the system, and thereby provide good signals for efficient water use. This aligns with Article 9 of the Water Framework Directive regarding cost recovery and the concept of 'polluter pays' principle. Additionally, the design of the tariffs includes further incentives to conserve water, to the benefit of all customers and the environment. This is particularly important while water capacity is tight across the country.

The CRU expects to announce the new date for the implementation of the Non-Domestic Tariff Framework by 1 August 2020. Customers shall be given 3 months' notice in advance of the date of implementation.

4. Topic 1: Rules for Assigning Connections to a Tariff Class

4.1 Issues Arising under Topic 1

Each non-domestic metered connection will be placed in one of the four tariff classes based on its annual volume of water use (or wastewater discharge for wastewater only connections). A connection's Annual Quantity (AQ) is the volume of water used (or wastewater discharged for wastewater only connections) by the connection over a 12 month period. An AQ will be calculated by Irish Water once a year for every connection under Irish Water's AQ process¹².

A connection will be assigned into a new tariff class for the next tariff year¹³ if the AQ calculation shows that the annual volume of water used (or wastewater discharged for wastewater only connections) reflects the volume of a different tariff class.

As outlined in consultation paper CRU/20/022, the CRU is of the view that a connection should pay the tariff rates of the tariff class corresponding to the assigned AQ of the connection. This applies both to the initial assigned AQ at the introduction of the Non-Domestic Tariff Framework, and in later years when the AQ of a connection is updated by Irish Water in response to a change in the volume consumed. The value of the tariffs for each tariff band are calculated based on the costs of serving connections whose consumption falls into the various tariff bands.

However, as outlined in consultation paper CRU/20/022, there were some scenarios that the CRU considered may warrant a different approach. These are described below:

- 1) Firstly, some connections may consider that their assigned AQ is incorrect, i.e. since it is based on historic consumption, it is not reflective of their likely water use (or wastewater discharge for wastewater only connections) in the next tariff year, and that they are being placed in the incorrect tariff class as a result.

¹² For further detail regarding Irish Water's AQ process, see Appendix of Irish Water's tariff application rules proposal document published alongside this paper

¹³ As the Non-Domestic Tariff Framework was initially due to be implemented on 1 May 2020, the tariff year was to run from 1 May to 30 April of the next calendar year. However, the implementation of the Framework has been delayed temporarily due to the COVID-19 pandemic. Therefore the tariff year will depend on the new implementation date.

- 2) Secondly, some connections may see an increase in their bills when their AQ changes from one year to another, and this may warrant specific measures. Two specific scenarios were considered: firstly where a connection reduces its water use (or wastewater discharge for wastewater only connections) and as a result, moves tariff class but its bill would increase at the new tariff rates; and secondly where a connection that is on a transition tariff increases its water use and moves tariff class, and this leads to a significant bill increase due to the fact that they are on a transition tariff (which by definition is lower than the corresponding enduring tariff).

A connection may move from one tariff class to another for two reasons. Firstly, it could reduce its water use (or wastewater discharge for wastewater only connections). This could be because of either a change in business conditions, or because it changed its business processes to be more water efficient. In this case, it would normally expect to see its bill decrease. However, it is possible that it could actually face an increase in its annual bill in the next tariff year – see example 1 below for the annual bills at the bottom of Band 2 and at the top of Band 1 for a Water Only connection. This leads to a perverse incentive for a connection close to a tariff class boundary to avoid reducing its water use (or wastewater discharge for wastewater only connections).

Example 1: Water Only Connection

	Bottom of Band 2	Top of Band 1
Annual Quantity	1000 m ³	999 m ³
Tariff Class	Band 2	Band 1
Annual Bill	€1,413.31	€1,911.89

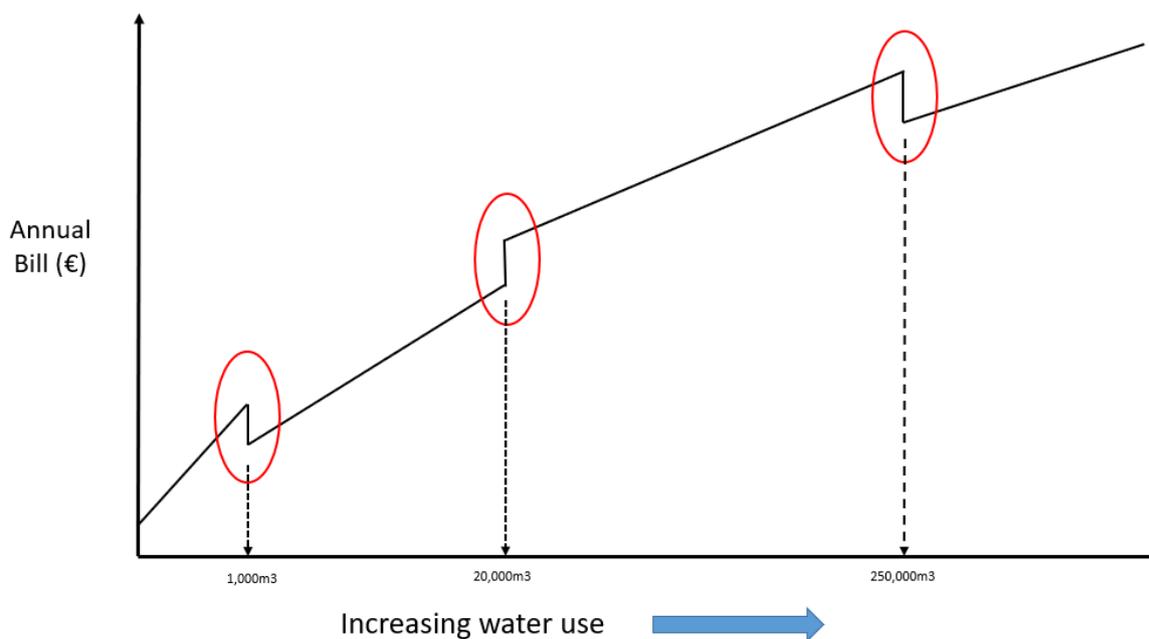
The second scenario occurs when a connection increases its annual water use (or wastewater discharge for wastewater only connections) and moves to a higher tariff class. A customer that increased its annual water use (or wastewater discharge for wastewater only connections) by a relatively small amount would expect to see a corresponding change in its annual bill. There are situations though, where a connection may move into a new tariff class and face a relatively large increase in its annual bill in the next tariff year due to the balance between standing and volumetric charges – see example 2 below for the annual bills at the top of Band 2 and at the bottom of Band 3 for a Wastewater Only connection.

Example 2: Wastewater Only Connection

	Top of Band 2	Bottom of Band 3
Annual Quantity	19,999m ³	20,000m ³
Tariff Class	Band 2	Band 3
Annual Bill	€36,533.97	€38,169.50

Figure 2 below gives a visual representation of how annual bills¹⁴ change with increasing water use. The tariff class boundary impacts are circled in red.

Figure 2: Annual bill versus increasing water use (not to scale)



¹⁴ Annual bills based on a connection receiving both a water and wastewater service and thus paying both water and wastewater charges.

Number of connections potentially affected

The tariff class boundary impacts discussed above should affect only a small number of connections every year. Irish Water's analysis indicates that a relatively small number of connections have water usage (or wastewater discharge) close to a tariff class boundary. For the vast majority of connections that see a change in their AQ between one year and another, the new AQ will be in the same tariff class as the AQ from the previous year.

Table 3 below is taken from Irish Water's tariff application rules submission (CRU/20/023) and estimates (based on 2017 data) the number of non-transitioning connections (i.e. connections on enduring tariff rates in Year 1) with an AQ within 5%, 10% and 20% of each tariff class boundary.

Table 3: Number of non-transitioning connections within 5, 10 & 20% of each boundary

	Boundary between Band 1 & Band 2	Boundary between Band 2 & Band 3	Boundary between Band 3 & Band 4
	1,000m ³	20,000m ³	250,000m ³
±0% to 5%	67	1	0
±5% to 10%	65	1	0
±10% to 20%	136	2	2
Total	268	4	2

Table 4 below is also taken from Irish Water's tariff application rules submission (CRU/20/023) and estimates (based on 2017 data) the number of connections on a transition tariff with an AQ within 5%, 10% and 20% of each tariff class boundary.

Table 4: Number of transitioning connections within 5, 10 & 20% of each boundary

	Boundary between Band 1 & Band 2	Boundary between Band 2 & Band 3	Boundary between Band 3 & Band 4
	1,000m ³	20,000m ³	250,000m ³
±0% to 5%	966	45	1
±5% to 10%	847	43	5
±10% to 20%	2,211	101	6
Total	4,024	189	12

4.2 Proposals regarding Topic 1

The **key points** of Irish Water’s proposals and CRU’s proposals regarding Topic 1 are outlined below.

	Irish Water proposals	CRU proposals
Disputed Assigned AQ	<p>Connections with an AQ outside of 5% of a tariff class boundary may challenge their assigned AQ but must prove that the assigned AQ is not reflective of their expected water use in the next tariff year.</p> <p>Connections with an AQ within 5% of a tariff class boundary may change tariff class.</p>	Any connection may challenge its assigned AQ but must prove that the assigned AQ is not reflective of its expected water use in the next tariff year.
AQ as the primary basis for assigning connections to a tariff class	Connections with an AQ within 5% of a tariff class boundary may change tariff class.	The AQ is the only basis for assigning a connection to a tariff class (with some limited exceptions). All connections should pay the tariff rates associated with their assigned tariff class.
Connection reduces water use, moves tariff class and faces an increased annual bill	<p>Such connections move to their new tariff class according to their assigned AQ.</p> <p>Connections with an AQ within 5% of a tariff class boundary can move back to their previous tariff class under the rule discussed previously.</p>	Such connections can stay on their previously assigned tariff rates.
Connection on enduring tariff increases water use, moves tariff class and faces an increased annual bill	<p>Such connections move to their new tariff class according to their assigned AQ.</p> <p>Connections with an AQ within 5% of a tariff class boundary can move back to their previous tariff class under the rule discussed previously.</p>	Such connections move to their new tariff class according to their assigned AQ.
Transitioning connection increases water use, moves tariff class and faces an increased annual bill	Such connections stay on their original transition tariff rates if they would be charged more than €100 more on the enduring rates of their new tariff class, otherwise they move to the enduring rates of their new tariff class.	<p>The CRU is consulting on two options. Such connections will either:</p> <p>(i) move straight to the enduring tariff rates of the new tariff class; or</p>

		(ii) have new transition tariff rates calculated which will transition the connection to its new enduring tariff rates over two years.
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4.3 Consultation Questions regarding the proposals under Topic 1

The following are the consultation questions in the TAR consultation paper (CRU/20/022) regarding the proposals under Topic 1.

Question 1: Given that the issues discussed under Topic 1 should be remedied in three years' time when the tariff rates under the Non-Domestic Tariff Framework are revised, do you think that targeted tariff application rules should be introduced to cover the intervening period? Or do you think that no such rules are necessary?
Please provide rationale for your answer.

Question 2: Do you agree with the CRU's or Irish Water's proposed policy approach for dealing with disputed assigned AQ?
Please provide rationale for your answer. If you disagree with both approaches, please provide an alternative approach that you think would be better.

Question 3: Do you agree with the CRU's or Irish Water's proposed policy approach regarding how a connection is assigned to a tariff class?
Please provide rationale for your answer. If you disagree with both approaches, please provide an alternative approach that you think would be better.

Question 4: Do you agree with the CRU's or Irish Water's proposed policy approach regarding connections that reduce their annual water use (or wastewater discharge for wastewater only connections), move tariff class and face an increased annual bill?
Please provide rationale for your answer. If you disagree with both approaches, please provide an alternative approach that you think would be better.

Question 5: Do you agree with the CRU's or Irish Water's proposed policy approach regarding connections that increase their annual water use (or wastewater discharge for wastewater only connections), move tariff class and face an increase in their annual bill?
Please provide rationale for your answer. If you disagree with both approaches, please provide an alternative approach that you think would be better.

Question 6: If a transitioning connection increases its water use (or wastewater discharge for wastewater only connections) and moves tariff class and faces an increased annual bill on the enduring rates of its new tariff class, should this connection be treated differently to connections on enduring tariffs and continue to be given the benefit and protection of a glide-path to its new enduring tariff rates or should it move straight to the enduring tariff rates of the new tariff class?

Do you agree with the CRU's proposed policy approach (i), CRU's proposed policy approach (ii) or Irish Water's proposed policy approach regarding this scenario?

Please provide rationale for your answer. If you disagree with all approaches, please provide an alternative approach that you think would be better.

Question 7: Do you think that the connections covered by Question 4 should have to request to stay on their previously assigned tariff rates, or should they stay automatically? Please provide rationale for your answer.

4.4 Assigning connections to a tariff class

Respondents' views

All respondents bar one considered that AQ is generally the most appropriate method for determining tariff class. The one respondent that disagreed was of the view that Irish Water should, for every connection, calculate the annual bill across all four tariff classes and then charge the connection the lowest amount of the four. Two respondents argued that a flexible approach to assigning connections to a tariff class is important.

Several respondents stated that Irish Water should contact connections in a timely manner, and in advance of the tariff year, in relation to their AQ, their tariff class for the coming year, and any expected tariff changes.

One respondent welcomed CRU's plans to review tariff class overlap at the end of the 3-year transition period. The same respondent requested that Band 2 be split (at the end of the transition period) on the basis that there is huge variation within that band.

One respondent stated that the CRU should consult on what happens to connections on a transition tariff with a 10% cap at the end of the 3-year transition period and that this should be decided before the Non-Domestic Tariff Framework is implemented. The same respondent argued that the Tariff Application Rules should not be limited to 3 years and should cover the entirety of whatever period transition tariffs with a 10% cap are in place.

One respondent asked whether the year over which AQ is calculated is aligned with the tariff year.

CRU response and decision

The CRU, under the circumstances and taking all considerations in the round, is of the view that where a connection is correctly assigned to a tariff class, it should, except for some limited exceptions, pay the tariff rates of that tariff class. It is not appropriate to use criteria other than Annual Quantity as the basis for assignment to a tariff class. The CRU notes that most respondents agreed with this view. The CRU considers that any flexibility in the approach should be in the form of a limited number of focussed exceptions to this general rule, rather than blanket divergence from it.

The CRU considers that the suggestion that each connection be charged at whichever of the four tariff rates generated the lowest bills, would undermine the Non-Domestic Tariff Framework. The framework set tariffs based on the Fully Allocated Cost (FAC) methodology, which was used to formulate the tariff rates for each tariff class. The allocation of costs was based on an estimate of the number of connections, and corresponding volumes in each tariff class. If a connection could choose to be paying the tariffs of any tariff class, then the relationship between the tariffs and the costs of serving that tariff class would

be broken. The amount of money earned by Irish Water from non-domestic customers would not reflect the costs incurred for supplying those customers. Allowing a connection to choose its preferred tariff class would also make the billing process very complex for Irish Water, and has the potential to increase the administrative cost of applying the tariffs.

Assigning connections to a tariff class based on their AQ will encourage efficiency in the use of water services as changes in water use (or wastewater discharge for wastewater only connections) will lead to corresponding changes in bills. Scenarios where this is not the case, thus creating perverse incentives, and the related exceptions to the general rule are discussed later. It will also ensure that instances of two connections with the same AQ paying different tariff rates only occur in very specific and limited circumstances.

Assigning connections to a tariff class based on their AQ will ensure a more cost reflective outcome and will minimise the risk of Irish Water under-recovering its costs (which would lead to an increase in the level of Government subvention).

In its consultation on the Non-Domestic Customer Handbook (CRU/20/035) the CRU proposed that Irish Water will contact customers in advance of each tariff year to inform them of the AQ and the corresponding tariff class for the customers' connections for the coming tariff year. The CRU also proposed that where a customer's connection is moving tariff class, Irish Water will notify the customer of the material impact of the change in tariff class, including a forecasted annual bill at the new tariff class. Decisions regarding these proposals will be provided in the CRU's Non-Domestic Customer Handbook decision paper.

The CRU acknowledges the respondent that welcomed CRU's plans to review tariff class overlap at the end of the 3-year transition period and notes that they requested that Band 2 be split (at the end of the transition period). This review will take place in advance of the completion of the 3-year transition period. This review will examine the relevant costs at the time, and the range of connections and consumption values, to determine the appropriate tariff bands and tariff levels. The need to ensure that tariffs are set such that there is smooth transition in bills in response to moving from one tariff class to another will be a factor in the review.

The CRU notes the respondent's concern regarding the period after the three-year transition. Any change to non-domestic tariff arrangements (that will apply after the 3-year transition period) will be subject to a full public consultation. The CRU will consult on the need for further transitional arrangements for connections on a transition tariff which will have not reached their enduring tariff rates by the end of the 3-year transition period. This consultation will need to be based on the number of customers in tariff classes, volumes and costs of service in the years at the end of the transition period. The need for further transitional arrangements will be consulted on at that time, when the input data is known.

The year over which AQ is calculated is not directly aligned with the tariff year as the AQ must be calculated in advance of the tariff year.

CRU Decision

AQ is the only basis for assigning a connection to a tariff class (with some limited exceptions). All connections will pay the tariff rates associated with their assigned tariff class, except for the specific exceptions listed below.

4.5 Disputed assigned AQ

Respondents' views

All respondents bar one supported the CRU's proposal that connections should be able to dispute their assigned AQ with supporting evidence. The one respondent that disagreed argued that the CRU's proposals are too rigid and inflexible, would put the onus on businesses to challenge their assigned tariff class, and allow Irish Water no discretion to be flexible. They argued further that the COVID-19 pandemic makes this impractical and that for the duration of the RC3 period each connection should be charged at the most beneficial tariff rates for them.

One respondent stated that CRU should set out what would constitute sufficient evidence in the context of a connection disputing its assigned AQ to Irish Water. This respondent also stated that a clear and accessible process, with timelines, should be established through which a connection could dispute its AQ, and stated that CRU should act as arbitrator where a connection and Irish Water cannot agree on the connection's disputed assigned AQ.

Another respondent asked what role does CRU have to adjudicate on a decision regarding a disputed assigned AQ, and asked whether a customer can appeal to CRU regarding same.

CRU response and decision

All but one respondent supported the proposal. The respondent that did not support the proposal had identified an alternative that each connection be charged at the most beneficial tariff rates for them. This would remove the need for an appeals mechanism.

The CRU is strongly of the view that any connection should be able to challenge its assigned AQ and its assigned tariff class for the next tariff year. This option should be available to a connection if it considers that its assigned AQ is not reflective of the connection's expected annual water use (or wastewater discharge for wastewater only connections) for the next tariff year. Every connection doing so should provide supporting evidence and should be open to site visits by Irish Water.

Under normal circumstances, the process for disputing AQ will fall within Irish Water's remit to decide what constitutes sufficient evidence in the context of a connection disputing its assigned AQ. However, the CRU recognises the difficulty that business closures during March to June 2020 during the COVID-19 pandemic has caused for businesses to plan their future. For this reason the CRU expects Irish Water, for the assignment to tariff classes that covers the period of business closures during the COVID-19 pandemic, to take a reasonable approach to the appeals process and the information necessary to make a determination as

to the appropriate AQ for a particular connection, and to err on the side of the customer when coming to its decisions. This is important in light of the changes in consumption in response to the temporary business closures due to COVID-19.

If Irish Water denies a connection's request for a specific tariff class allocation, it will provide written reasoning to the connection to explain its decision. Where a customer and Irish Water cannot agree on the customer's disputed assigned AQ, the customer can raise a complaint regarding the dispute to the CRU under the CRU's non-domestic complaints process.

In its consultation on the Non-Domestic Customer Handbook (CRU/20/035) the CRU proposed that Irish Water will contact customers in advance of each tariff year to inform them of the AQ and the corresponding tariff class for the customers' connections for the coming tariff year. The CRU also proposed that where a customer's connection is moving tariff class, Irish Water will notify the customer of the material impact of the change in tariff class, including a forecasted annual bill at the new tariff class. Decisions regarding these proposals will be provided in the CRU's Non-Domestic Customer Handbook decision paper.

Irish Water will inform customers that they have the right to challenge their AQ and their assigned tariff class, and will provide a reasonable timeframe for customers to submit a challenge.

The CRU is of the view that it is important that each customer is informed of its connection's AQ in advance of each tariff year, so that each customer is aware of whether it should challenge its assigned AQ or not, but notes that this decision will be made in the Non-Domestic Customer Handbook decision paper.

CRU Decision

Any connection may challenge their AQ and their assigned tariff class for the next tariff year, but must provide supporting evidence that the assigned AQ is not reflective of the connection's expected water usage (or wastewater discharge for wastewater only connections) in the next tariff year and must be open to site visits by Irish Water.

The CRU expects Irish Water, for the assignment to tariff classes that covers the period of business closures during the COVID-19 pandemic, to take a reasonable approach to the appeals process and the information necessary to make a determination as to the appropriate AQ for a particular connection, and to err on the side of the customer when coming to its decisions.

If Irish Water denies a connection's request to change tariff class, it will provide written reasoning to the connection to explain its decision. Where a customer and Irish Water cannot agree on the customer's disputed assigned AQ, the customer can raise a complaint regarding the dispute to the CRU under the CRU's non-domestic complaints process.

Irish Water will inform customers that they have the right to challenge their AQ and their assigned tariff class, and will provide a reasonable timeframe for customers to submit a challenge.

4.6 Connection that decreases its AQ, moves tariff class and faces an increased annual bill

Respondents' views

All respondents bar one supported CRU's proposal that a connection that decreases its AQ, moves into a different tariff class and faces a higher annual bill, should remain on the tariff rates associated with its old tariff class. The respondent that disagreed stated that no such tariff class change should occur as, in their view, all connections should be on the most beneficial tariff rates in every year any case. Two respondents stated that the CRU's proposals should happen automatically in this scenario (i.e. that the connection should not have to apply to Irish Water to stay on its old tariff rates).

CRU response and decision

The CRU notes that all respondents bar one supported its proposal that a connection that decreases its AQ, moves into a different tariff class and faces a higher annual bill, should remain on the tariff rates associated with its old tariff class. The one respondent that disagreed wanted each connection to be charged at the most beneficial tariff rates for them, which would make any exceptions to the general rule of tariff class assignment by AQ moot in any case, so effectively no respondents disagreed with the CRU's proposal.

CRU is firmly of the view that perverse incentives which encourage the inefficient use of water services should be removed where possible. This means that a customer that reduces its water use should not see an increase in its bill, as this could encourage wasteful use of water in order to reduce bills. Therefore the CRU has decided that any connection that reduces its annual water use (or wastewater discharge for wastewater only connections) to the extent that it should move tariff class, but would see a higher annual bill at the new tariff class rates (at the newly assigned AQ) than its previous annual bill (which was at the old tariff class rates at the same AQ), should stay on its old tariff rates (i.e. its old standing charge and volumetric charge) for the next tariff year.

This is consistent with the CRU's tariff principle that tariffs should incentivise the efficient use of water. It is also consistent with the CRU's tariff principle of stability as customers will be protected from the "bill shock" of reducing their water use (or wastewater discharge for wastewater only connections) but facing a higher annual bill as a result in the next tariff year.

While the CRU acknowledges that an automated approach may be simpler for the affected customers, the costs of automation might outweigh the benefits. First, the number of connections that avail of this is unlikely to be large, based on our analysis in Tables 3 & 4, which shows that only around 4,500 connections are within 20% of a tariff class boundary.

Secondly, this issue is likely to only apply for two annual tariff periods (from year 1 to year 2, and from year 2 to year 3). After that, the tariff revision will aim to address this problem. For these two reasons, the CRU does not consider it appropriate to require an automated approach from Irish Water. Therefore, the CRU has decided that connections in this scenario must contact Irish Water to request to stay on their old tariff rates (noting that Irish Water will automatically accept these requests). Such requests can be made in any year where the situation arises during the three-year transition period.

Irish Water shall inform connections that are moving to a lower tariff class and facing a higher annual bill as a result, that they have the right to request to stay on the tariff rates of their old tariff class.

The CRU will review the tariffs under the Non-Domestic Tariff Framework at the end of this period with a view to preventing this issue from arising in the future.

CRU Decision

Any connection that reduces its annual water use (or wastewater discharge for wastewater only connections) to the extent that it should move tariff class, but would see a higher annual bill in the new tariff class (at the newly assigned AQ), can request to stay on its old tariff rates (i.e. its old standing charge and volumetric charge) for the next tariff year, and Irish Water will automatically accept such requests.

Irish Water shall inform connections that are moving to a lower tariff class and facing a higher annual bill as a result, that they have the right to request to stay on the tariff rates of their old tariff class.

This will apply until the end of the transition period.

4.7 Connection that increases its AQ, moves tariff class and faces an increased annual bill

Respondents' views

One respondent supported CRU's proposal that any connection that increases its AQ, moves tariff class and faces a higher annual bill should be charged the tariff rates of the new tariff class. One respondent was of the view that new transition tariffs should be calculated for and applied to connections in this scenario.

CRU response and decision

The CRU notes that one respondent supported its proposal that any connection that increases its AQ, moves tariff class and faces a higher annual bill should be charged the tariff rates of the new tariff class, and that one respondent argued that new transition tariffs should be calculated for and applied to connections in this scenario.

There are many reasons why a connection may increase its water use and move tariff class – business conditions might have improved from one year to another leading to the expansion of the business; the change in water use may be an anomaly (in which case the connection can request, by providing evidence, that Irish Water return them to their original tariff class for the forthcoming year); or the connection may have a leak (note that a connection that identifies a leak may be able to avail of a leak allowance under the leak allowance policy, see next section). Overall, the CRU is of the view that an increase in water use should be reflected in a higher bill, as this provides the right price signal to use water efficiently.

The CRU considers that there should be a significant reason for changing the fundamental principle that a connection should always pay the tariffs of the tariff class corresponding to the AQ of the connection. Connections should pay tariff rates that are reflective of the costs of serving their connection volume as far as possible as this is important for equity between customers, and for cost recovery by Irish Water.

In deciding on the Non-Domestic Tariff Framework, the CRU identified the need for some connections to be placed on transition tariffs in order to protect them from “bill shock”. This was because, as a result of the harmonisation of tariffs across the country customers that had been paying historically low tariffs could experience significant bill increases once moved on to the cost-reflective harmonised tariffs. Connections on enduring tariffs did not see large changes in their bills as a result of harmonisation. The CRU, therefore, considers that such connections should be move directly to their new tariff class, as this is a standard approach to an increase in water use due to their business activity. Connections already on a transition tariff are discussed separately below.

CRU Decision

Any connection, that is on an enduring tariff, that increases its annual water use (or wastewater discharge for wastewater only connections) and moves into a new tariff class under the AQ process, shall pay the tariff rates of the new tariff class in the next tariff year irrespective of the magnitude of the increase in its annual bill.

4.8 Connection on a transition tariff that increases its AQ, moves tariff class and faces an increased annual bill at the enduring tariff rate of its new tariff class

Respondents' views

Three respondents agreed with the CRU option that new transition tariffs should be calculated for transitioning connections in this scenario, which would transition the connection to the tariff rates of its new tariff class over two years. One respondent agreed with the second CRU option that such connections should move immediately to the enduring tariff rates of the new tariff class.

Two respondents stated that such connections should stay on their original transition tariffs.

CRU response and decision

The CRU consulted on two options regarding this scenario:

- i. Such connections should move straight to the enduring tariff rates of the new tariff class; or
- ii. Such connections should have new transition tariff rates calculated by Irish Water in order to transition the connection to its new enduring tariff rates over two years.

The CRU notes that one respondent supported the first option above and three respondents supported the second, while two respondents supported neither and argued that such connections should stay on their original transition tariffs.

Transition tariffs were introduced for connections that faced a significant bill increase due to the introduction of the new Non-Domestic Tariff Framework. Transition tariffs were set to give some protection from “bill shock” to connections that faced large increases in their bills when moving away from the Local Authority charges to the new harmonised tariffs. The transition tariffs are designed to give eligible connections a glide-path to the enduring tariff rates of their tariff class over the 3-year transition period. The CRU acknowledges that transition tariffs are a benefit that have been provided to some connections to ease the transition to full enduring tariff rates, on the understanding that connections that continue to use the same level of water (or discharge the same level of wastewater for wastewater only connections) may not be in a position to absorb significant bill increases quickly and should be given some protection from “bill shock”.

The CRU has decided that a connection on a transition tariff that increases its water use (or wastewater discharge for wastewater only connections) and moves tariff class and faces an increased annual bill on the enduring tariff rates of its new tariff class should continue to be

given the benefit and protection of a glide-path to a new enduring tariff rate, for the appropriate tariff class. However, this should be in the form of a new transition tariff rather than allowing the connection to stay on its old transition tariff rates. The reason for this is that the transition tariffs are temporary in nature, and that the long-term objective is to have all connections paying the tariffs associated with their tariff class.

This will encourage the efficient use of water and wastewater services as connections on a transition tariff will be incentivised not to unnecessarily increase their water use (or wastewater discharge for wastewater only connections) if they could potentially move tariff class and face a large increase in their annual bill. Such connections that do move tariff class and face an increase in their annual bill will have the “bill shock” ameliorated by the new glide-path. However, any 10% annual cap ceases to apply under the new glide-path so some connections could face an increase in their bill in excess of 10% per annum for the remainder of the transition period.

As the new transition tariffs will glide-path such connections to their new enduring tariff over two years, they will be paying cost reflective tariff rates by the end of the transition period. The CRU also notes here that incentives for efficient water use should lead to lower investment costs for Irish Water in the long term.

Allowing such connections to stay on their old transition tariff rates would mean that they would get an extra benefit of paying transition tariff rates that are not reflective of their actual water use (or wastewater discharge for wastewater only connections) and could unduly increase the government subvention¹⁵.

CRU Decision

Any connection on a transition tariff that increases its water use (or wastewater discharge for wastewater only connections) to the extent that it moves tariff class, and would see a higher annual bill at the tariff rates of the new tariff class (at the newly assigned AQ) compared to its original transition tariff rates (at the same AQ), shall have new transition tariff rates calculated by Irish Water in order to transition the connection to its new enduring tariff rates over the remaining years of the transition period¹⁶.

¹⁵ The cost of transitioning connections to their enduring tariff rates (i.e. the revenue shortfall incurred by Irish Water due to connections on a transition tariff not paying the full cost reflective tariff rates) will be paid by the Government subvention.

¹⁶ The new transition tariff will transition the connection to the enduring tariff of its new tariff class in two equal steps, as outlined in section 3.2 of the Tariff Application Rules consultation paper (CRU/20/022)

4.9 Other issues raised by respondents

Respondents' views

One respondent stated that metering and billing should be harmonised nationally. They were also of the view that the metering process and data sharing with customers should be improved.

One respondent encouraged and supported measures taken by Irish Water to facilitate water conservation within its customer base through the promotion of its Water Stewardship Training Programme and the support of innovative practices for water conservation.

One respondent stated that competitiveness should be included as a tariff principle. This respondent also stated that the tariff year should be aligned to a typical budgetary calendar year.

CRU response and decision

Billing Frequencies

The CRU is aware that there is a wide variation of non-domestic metering and billing frequencies across the country but notes that this is outside the scope of the TAR consultation.

Measures to facilitate water conservation

The CRU also encourages and supports the measures taken by Irish Water to facilitate water conservation within its customer base through the promotion of its Water Stewardship Training Programme and the support of innovative practices for water conservation. This programme aims to support Irish businesses as they seek to improve their water stewardship practices and impacts. Further details can be found on Irish Water's website at <https://www.water.ie/for-business/water-stewardship-trainin/>.

Competitiveness as a principle

The CRU recognises how important the principle of competitiveness is to businesses. The CRU takes account of the need for Irish Water tariffs to support economy wide competitiveness through the revenue controls it places on utilities. Through these processes, we drive efficiencies and ensure economic investment in necessary infrastructure while also trying to keep costs as low as possible for customers. Specifically, the CRU benchmarks Irish Water's costs against comparator utilities and challenges Irish Water to be more efficient by setting realistic targets of delivering and improving services to its customers for less costs over time. If Irish Water fail to achieve the efficiency cost target at the end of a revenue control period, Irish Water is not allowed to recover the inefficient spend from customers in the next control period.

The CRU's goal under the Non-Domestic Tariff Framework is to set tariffs that:

- reflect the true costs of providing water and wastewater services to customers;
- incentivise efficient use of water;
- are equitable and do not unduly discriminate between customers; and
- are clear, transparent and easy to understand for customers.

This, in combination with the revenue controls placed on Irish Water, aims to ensure that the prices that businesses pay for water and wastewater services are transparent and competitive and that no cross-subsidisation occurs between different types of water customer. It should be the case that a more transparent, simple and equitable approach to non-domestic water and wastewater charges will support businesses, the Irish economy and inward investment.

Tariff Year

Regarding the aligning of the tariff year to a typical budgetary calendar year, the CRU explained in section 3.2 why it considers that the Framework should be implemented sooner rather than later. The CRU expects to announce the new date for the implementation of the Non-Domestic Tariff Framework by 1 August 2020. Customers shall be given 3 months' notice in advance of the date of implementation. The date of implementation will establish the start of the annual 'tariff year' for non-domestic customers going forward.

4.10 CRU decisions

The CRU's set of decisions regarding the rules that apply when assigning non-domestic connections to a tariff class are outlined below.

CRU Decisions

AQ is the only basis for assigning a connection to a tariff class (with some limited exceptions). All connections should pay the tariff rates associated with their assigned tariff class as a general rule.

Any connections may challenge their AQ and their assigned tariff class for the next tariff year, but must provide supporting evidence that the assigned AQ is not reflective of the connection's expected water usage (or wastewater discharge for wastewater only connections) in the next tariff year and must be open to site visits by Irish Water.

The CRU expects Irish Water, for the first year of the Non-Domestic Tariff Framework, to take a reasonable approach to the appeals process and the information necessary to make a determination as to the appropriate AQ for a particular connection, and to err on the side of the customer.

If Irish Water denies a connection's request to change tariff class, it will provide written reasoning to the connection to explain its decision. Where a customer and Irish Water cannot agree on the customer's disputed assigned AQ, the customer can raise a complaint regarding the dispute to the CRU under the CRU's non-domestic complaints process.

Irish Water will inform customers that they have the right to challenge their AQ and their assigned tariff class, and will provide a reasonable timeframe for customers to submit a challenge.

Any connection that reduces its annual water use (or wastewater discharge for wastewater only connections) to the extent that it should move tariff class, but would see a higher annual bill in the new tariff class (at the newly assigned AQ) can request to stay on its old tariff rates (i.e. its old standing charge and volumetric charge) for the next tariff year, and Irish Water will automatically accept such requests.

Irish Water shall inform connections that are moving to a lower tariff class and facing a higher annual bill as a result, that they have the right to request to stay on the tariff rates of their old tariff class.

This will apply until the end of the transition period.

Any connection, that is on an enduring tariff, that increases its annual water use (or wastewater discharge for wastewater only connections) and moves into a new tariff class under the AQ process, shall pay the tariff rates of the new tariff class in the next tariff year irrespective of the magnitude of the increase in its annual bill.

Any connection on a transition tariff that increases its water use (or wastewater discharge for wastewater only connections) to the extent that it moves tariff class, and would see a higher annual bill at the tariff rates of the new tariff class (at the newly assigned AQ) compared to its original transition tariff rates (at the same AQ) shall have new transition tariff rates calculated by Irish Water in order to transition the connection to its new enduring tariff rates over the remaining years of the transition period.

5. Topic 2: Customer-side non-domestic leak allowance policy

5.1 Irish Water's existing interim leak allowance policy

As outlined in the TAR consultation paper (CRU/20/022), Irish Water currently operates an interim leak allowance policy for non-domestic connections where a customer-side leak has been identified and fixed. This existing interim policy is based on the policies that various local authorities previously followed with regards to leak allowances and was not approved by the CRU. It is summarised below.

- The existing interim leak allowance policy is applied on a national basis regardless of whether an individual LA previously operated a leak allowance policy or not.
- Leaks located on the external supply pipe and leaks located on the internal pipework of the customer's premises are eligible for an allowance.
- If a customer uses both water and wastewater services the leak allowance applies to both services.
- Leak allowances are only granted to metered connections.
- Non-domestic customers are responsible for fixing leaks on their side of the meter, and leak allowances are only granted when the leak has been fixed.
- Leaks reported to Irish Water must be either:
 - Accompanied by a valid plumber's report; or
 - Self-certified if the customer fixes the leak.
- A customer who self-certifies that a leak has been fixed must provide Irish Water with evidential meter reads within two weeks, demonstrating a return to normal usage.
- One leak allowance based on self-certification is permitted per premises per year.
- There is no limit on the number of leak allowances that can be granted for leaks fixed by a plumber and accompanied by a valid plumber's report.
- To determine the leaked water volume, Irish Water calculates the value of the usage attributable to a leak. This is the difference between the Average Daily Usage (ADU) for the period the leak existed and the ADU for the period before the leak existed. A minimum of 2 meter reads before the leak occurred is required to determine normal usage. Irish Water validates that a leak has been fixed by analysing a meter read after the leak has been fixed to ensure that usage values have returned to normal. When comparing usage figures between the periods, seasonality will be taken into account by comparing like for like time usage intervals.

- Leaks occurring on or after 1 January 2014 are eligible for a leak allowance and there is no time limit for either notifying Irish Water of the leak or fixing the leak.
- The leak allowance reimburses the connection for the full volume of leaked water.
- Irish Water will contact a customer once a leak allowance has been approved. As part of this process, Irish Water will apply the allowance as a credit to the customer's account. Should the customer have a bill which is outstanding the credit will be used to reduce the value of that bill. The customer will be informed of the balance on their account after the credit is applied and will be asked to pay the difference not covered by the leak allowance if necessary. If there are no outstanding bills a credit will reduce the amount the customer is liable to pay in the next billing period(s). If it is not possible to contact a customer, Irish Water will issue the customer with a revised bill which includes the details of a leak adjustment.

Irish Water's existing interim leak allowance policy does not have many of the conditions that are typically seen in the leak allowance policies of water utilities in the UK (see Appendix of this paper for some of the typical conditions that are applied by water utilities in the UK).

As part of the tariff application rules consultation process, CRU requested that Irish Water submit proposals for an enduring national harmonised leak allowance policy. Irish Water's proposals, and the CRU's proposed amendments to same, are outlined in the next section.

5.2 Proposals under Topic 2

Irish Water proposals

Irish Water's proposed changes to the existing interim leak allowance policy, as laid out in CRU/20/022 and CRU/20/023 are summarised below.

Irish Water Proposals:

1. The maximum period over which the leaked water volume will be calculated for the purpose of calculating the leak allowance is limited to the billing period of the bill where the leak was first evidenced, plus a maximum of six months to allow a customer identify the leak and notify Irish Water plus a further maximum of six weeks to fix the leak. Note that the six week period to fix the leak can be extended by Irish Water if it determines that extenuating circumstances exist which are impeding a leak being fixed (for example if a road opening licence is required).
2. If a customer fails to meet either the timeline of six months to notify the leak to Irish Water or the timeline of six weeks to fix the leak then the leaked water volume, for the purpose of calculating the leak allowance, will only be calculated over a maximum of six months plus six weeks – the calculation will not be backdated to the point when the leak was first identified.
3. Only those non-domestic customers whose accounts are in good standing (i.e. not in arrears) will be eligible for a leak allowance. Irish Water will not apply a leak allowance until the customer's account is brought up to date for the period of normal usage before the leak occurred. Customers on a payment plan will be considered not to be in arrears for the purpose of the leak allowance policy.
4. In cases where Irish Water is notified of a leak before the implementation date of the revised leak allowance policy¹⁷, these will be dealt with under the old leak allowance policy. If Irish Water is notified of a leak on or after the implementation date, the revised policy will apply.

¹⁷ The implementation date of the new enduring leak allowance policy was given in Irish Water's submission (CRU/20/023) as 1 May 2020. However, the final implementation date is set out in this decision paper.

CRU proposals

The CRU's proposed amendments to Irish Water's proposals, as laid out in CRU/20/022, are summarised below.

CRU Proposals:

- a) Leak allowances based on self-certification should be limited to one per customer per premises, for however long the customer occupies that premises. Any further requests for a leak allowance would require a valid plumber's report.
- b) Leak allowances should only be granted for leaks which occur on the external supply pipe, not for leaks on the internal pipework of a customer's premises.
- c) If a customer does not meet either the timeline of six months to notify the leak to Irish Water or the timeline of six weeks to fix the leak then:
 - 1) The leak allowance should be calculated based on 50% of the leaked water volume, calculated over a maximum of six months plus six weeks; or
 - 2) No leak allowance should be granted.
- d) The CRU agrees with points 3 and 4 of Irish Water's proposals.

5.3 Consultation Questions

The following are the consultation questions put to interested parties in the TAR consultation paper (CRU/20/022) regarding the Irish Water and CRU proposals under Topic 2.

Question 1: Do you agree, in principle, that leak allowances should be offered to non-domestic connections? Or do you think that leak allowances should not be granted and that non-domestic connections should pay for their metered water use regardless of leaks? Please explain your reasoning.

Question 2: Do you think that the time limits proposed by Irish Water, outlined below, are reasonable?

(a) The maximum period over which the leaked water volume will be calculated for the purpose of calculating the leak allowance will be limited to the billing period of the bill where the leak was first evidenced, plus a maximum of six months to allow a customer identify the leak and notify Irish Water plus a further maximum of six weeks to fix the leak (noting that the six weeks to fix the leak may be extended by Irish Water in extenuating circumstances); and

(b) The period over which the leaked water volume is calculated will be limited to a maximum of six months plus six weeks if the time limits in (a) are not met.

Please provide rationale for your answer.

Question 3: Which of the CRU proposed options below do you support where the time limits in question 2 above are not met?

(a) That the leak allowance will be calculated based on 50% of the leaked water volume, calculated over a maximum of six months plus six weeks; or

(b) That no leak allowances will be granted if the time limits are not met.

Please provide rationale for your answer.

Question 4: Do you disagree with the CRU's proposals

(a) to limit the availability of self-certified leak allowances to one per customer per premises, for however long the customer occupies that premises; and/or

(b) that leak allowances should only be granted for leaks which occur on the external supply pipe, not for leaks on the internal pipework of a customer's premises?

Please provide rationale for your answer.

Question 5: Are there any other conditions that you would like to see placed on the granting of leak allowances? If so, please explain your proposed condition(s) and explain how they would be beneficial.

5.4 Should leak allowances be granted

Respondents' views

All of the respondents which commented on the issue, which was five out of six, supported the granting of leak allowances in principle. Two respondents noted that the granting of leak allowances should be balanced with incentivising customers to identify and fix leaks. One respondent welcomed the harmonisation of leak allowance rules across the country. One respondent stated that they were not in principle against placing conditions on leak allowances, but opposed inflexible requirements, especially given the current circumstances regarding the COVID-19 pandemic.

CRU response and decision

The CRU notes that all of the respondents which commented on the issue supported the granting of leak allowances in principle, and agrees strongly with the respondents which noted that this should be balanced with incentivising customers to identify and fix leaks.

The CRU notes that one respondent opposed inflexible conditions regarding the granting of leak allowances. The CRU's objective regarding Irish Water's enduring leak allowance policy is to protect non-domestic connections from "bill shock" due to leaks they were not aware of, prior to receiving an unexpected high bill, and to promote conservation by incentivising the timely fixing of customer-side leaks, while also ensuring that disproportionate costs are not placed on other connections that experience no leaks.

The CRU agrees that the harmonisation of leak allowance rules across the country is a welcome development as it improves the equity of treatment.

CRU Decision

Irish Water shall grant leak allowances to non-domestic customers that identify and fix leaks on their side of the meter, subject to conditions.

5.5 Maximum time limits

Respondents' views

All five respondents which commented on the issue supported time limits for the granting of leak allowances. Two respondents stated that Irish Water's proposed time limits of six months to notify the leak and six weeks to fix the leak were fair and reasonable. One respondent argued that Irish Water should show flexibility due to the COVID-19 pandemic and related business closures and furloughs. One respondent supported limiting the time period for which a leak allowance would be granted further, to six months plus six weeks only (i.e. not in addition to the billing period).

Two respondents were of the view that Irish Water should do more to notify customers if they suspect there is a leak at their connection.

CRU response and decision

The CRU notes that all of the respondents that commented on the issue supported time limits for the granting of leak allowances. The CRU notes that two respondents felt that Irish Water's proposed time limits were fair and reasonable, one respondent felt that Irish Water should show more flexibility, and one respondent felt that the time limits should be shortened.

The CRU agrees that the time limits proposed by Irish Water are fair and reasonable and is of the view that they strike a good balance between incentivising customers to identify and fix leaks quickly; protecting customers from the "bill shock" of an unexpected high bill due to a leak; reducing the risk of placing a disproportionate financial burden on connections which do not suffer a leak; and reducing the cost recovery risk placed on Irish Water. Therefore the CRU has decided to follow the time limits as proposed by Irish Water.

CRU Decision

The maximum period over which the leaked water volume will be calculated for the purpose of calculating the leak allowance is limited to the billing period of the bill where the leak was first evidenced, plus a maximum of six months to allow a customer identify the leak and notify Irish Water plus a further maximum of six weeks to fix the leak. Note that the six week period to fix the leak can be extended by Irish Water if it determines that extenuating circumstances exist which are impeding a leak being fixed (for example if a road opening licence is required).

5.6 Extra CRU options if time limits are missed

Respondents' views

Three respondents didn't support either of the CRU's options. One respondent supported granting no leak allowance if either of the time limits is missed. One respondent supported granting a leak allowance for 50% of the leaked water if either of the time limits is missed, and suggested a further six month time limit for this, with no leak allowance being granted if the further six month time limit was also missed.

CRU response and decision

The CRU notes the wide mix of views regarding the two extra options it proposed should the time limits not be met, but is convinced that the time limit proposals put forward by Irish Water need to be made stricter in order to greater incentivise timely action from customers with regards to identifying and fixing leaks.

The CRU notes that one respondent suggested a hybrid option whereby a leak allowance would be granted for 50% of the leaked water for a maximum of six months plus six weeks if either of the time limits was missed, but no leak allowance would be granted if a further six month time limit was also missed. In the CRU's view this is a welcome suggestion and has merit. It would incentivise customers to act even if they missed the initial time limits, and would also protect customers somewhat from potentially very significant "bill shock" due to customer-side leaks if they failed to meet either of the initial six month or six week time limits. However, in the CRU's view an extra time limit of six months is too long as this would extend the total overall time limit for getting a leak allowance to over a year after the initial unexpected high bill. Therefore the CRU has decided to follow this suggestion but place a three month time limit, rather than six months, on the granting of the 50% leak allowance.

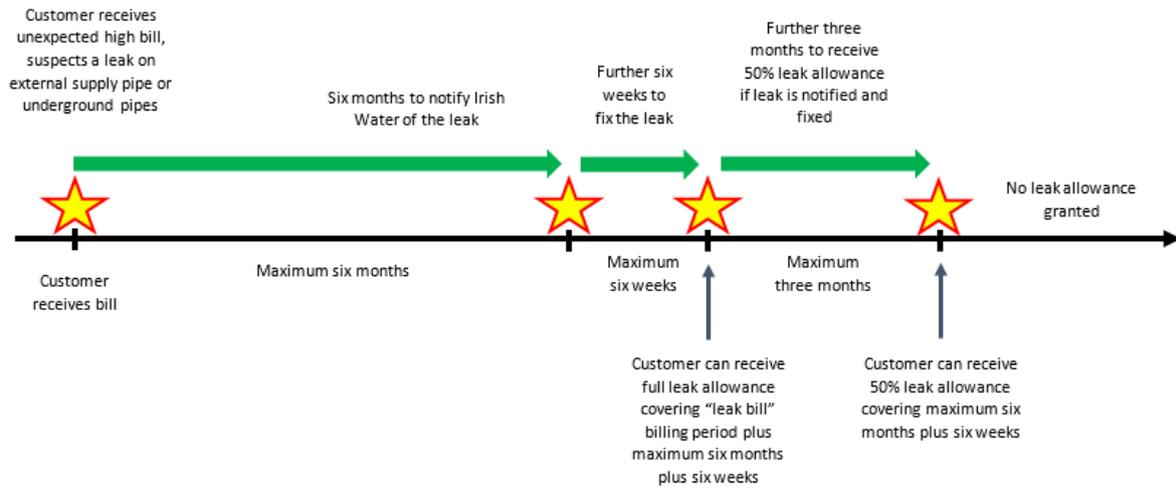
CRU Decision

If a customer fails to meet one or both of the time limits, i.e. six months following the bill where the leak was first evidenced to identify the leak and notify Irish Water plus a further six weeks to fix the leak, but then both notifies and fixes the leak within a further three month time limit, then a leak allowance will be granted for only 50% of the leaked water volume (over a period of six months plus six weeks only).

If the customer does not notify the leak to Irish Water and fix the leak within this further three months then no leak allowance will be granted.

Figure 3 outlines all the time limits.

Figure 3: Maximum time limits for leak allowances



5.7 Self-certified leak allowances

Respondents' views

Three out of the four respondents who commented on this issue supported the CRU's proposal to limit self-certified leak allowances to one per customer per premises, provided that leak allowances remain available for applications with a valid plumber's report. One respondent did not support the CRU's proposal, and argued that a premises with one leak would be more likely to have further leaks in future.

CRU response and decision

The CRU notes that only one respondent disagreed with its proposal to limit self-certified leak allowances to one per customer per premises, while three respondents agreed, provided that leak allowances remain available for applications with a valid plumber's report. The CRU is not persuaded by this respondent's argument that a premises with one leak would be more likely to have further leaks in future and thus self-certified leak allowances should not be limited as proposed. If a premises suffers further leaks following the receipt of its one allowed self-certified leak allowance, it may of course apply for further leak allowances but such applications must be accompanied by a valid plumber's report. The CRU considers this a fair and reasonable condition. The CRU also remains concerned that allowing one leak allowance per year based on self-certification would unfortunately leave the leak allowance policy open to potential gaming. Therefore, the CRU has decided that leak allowances based on self-certification will be limited to one per customer per premises, for however long the customer occupies that premises.

CRU Decision

Leak allowances based on self-certification shall be limited to one per customer per premises, for however long the customer occupies that premises. Any further requests for a leak allowance must require a valid plumber's report.

5.8 Leaks on internal pipework

Respondents' views

One respondent supported CRU's proposal to only grant leak allowances for leaks on the external supply pipe, i.e. to not grant leak allowances for leaks on the internal pipework of a customer's premises. This respondent argued that this would encourage customers to monitor their water use and would result in greater water stewardship.

One respondent argued that CRU's proposal is too inflexible, and two respondents were of the view that consideration should be given to the granting of leak allowances in respect of leaks on internal pipework that occur underground.

CRU response and decision

The CRU agrees with the respondent which argued that only granting leak allowances for leaks on the external supply pipe, i.e. not granting leak allowances for leaks on the internal pipework of a customer's premises, would encourage customers to monitor their water use and would result in greater water stewardship. The CRU also considers that this would encourage customers to carry out regular maintenance and checks on their internal pipework in order to stop leaks occurring in the first instance and to find and fix any leaks quickly in the second instance.

However, the CRU recognises the calls by two respondents to consider the granting of leak allowances in respect of leaks on internal pipework that occur underground, and acknowledges that this idea has merit. While customers have more control over leaks in their own building compared to leaks on the external supply pipe, this is not the case for leaks that occur underground. Regular maintenance and checks are unlikely to find leaks that occur underground, and so customers would likely only become aware of underground leaks when they receive an unusually high bill. Therefore the CRU has decided that leak allowances shall be granted for leaks that occur on the external supply pipe *and* leaks that occur on underground internal pipework.

CRU Decision

Leak allowances shall only be granted for leaks which occur on the external supply pipe, or for leaks which occur on underground internal pipework, not for leaks on internal pipework of a customer's premises which occur above ground.

The plumber's reports and self-certified documentation which accompany leak allowance requests must be clear on the location of the leak.

5.9 Other leak allowance issues

Respondents' views

No respondents disagreed with the Irish Water proposal, which was supported by CRU, that only those non-domestic customers whose accounts are in good standing (i.e. not in arrears) should be eligible for a leak allowance.

One respondent stated that a clause should be inserted into any leak allowances exhorting the relevant customer to be vigilant in the monitoring of water usage and to alert Irish Water to any possible recurrence of leakage. This respondent also argued that Irish Water should do more to notify customers if they suspect a leak.

One respondent stated that Irish Water should monitor usage data and provide early warnings to customers if they suspect a leak. This respondent also stated that customers should regularly check their meters to monitor their own water usage.

CRU response and decision

The CRU notes that no respondents disagreed with the Irish Water proposal, which was supported by CRU, that only those non-domestic customers whose accounts are in good standing (i.e. not in arrears) should be eligible for a leak allowance. The CRU has decided to follow this proposal.

CRU Decision

Only those non-domestic customers whose accounts are in good standing (i.e. not in arrears) shall be eligible for a leak allowance.

Irish Water shall not apply a leak allowance until the relevant customer's account is brought up to date for the period of normal usage before the leak occurred.

Customers on a payment plan shall be considered not to be in arrears for the purpose of the leak allowance policy.

The CRU notes that no respondents commented regarding the implementation date of Irish Water's enduring leak allowance policy. The CRU has decided that the enduring policy will come into effect on 1 October 2020.

The CRU notes that no respondents disagreed with the Irish Water proposal, which was supported by CRU, that in cases where Irish Water is notified of a leak before the implementation date of the new enduring leak allowance policy, these will be dealt with under the old leak allowance policy, and in cases where Irish Water is notified of a leak on or

after the implementation date, the new enduring policy will apply. The CRU has decided to follow this proposal.

CRU Decision

Irish Water's enduring leak allowance policy for non-domestic connections shall come into effect on 1 October 2020.

In cases where Irish Water is notified of a leak before the implementation date of the new enduring leak allowance policy, these will be dealt with under the old leak allowance policy, and in cases where Irish Water is notified of a leak on or after the implementation date, the new enduring policy will apply.

The CRU agrees that customers who receive a leak allowance should be reminded to be vigilant in the monitoring of water usage and to alert Irish Water as quickly as possible to any possible recurrence of leakage. The CRU also agrees that Irish Water should monitor water usage data and notify customers as quickly as possible if they suspect a leak at their connection. These actions should reduce leakage overall, reduce the amount ultimately being paid out in leak allowances and limit the risk of placing a disproportionate financial burden on connections with no leaks.

In March 2020 the CRU published a consultation paper on the CRU's proposed amendments to the service level requirements contained within the Irish Water Non-Domestic Customer Handbook. The purpose of this consultation is to strengthen the standards of service Irish Water is obliged to provide to its non-domestic customers and ensure that they are fit for purpose and appropriate for customers.

In its consultation on the Non-Domestic Customer Handbook (CRU/20/035) the CRU has proposed to add a clause to Billing Code of Practice which would require Irish Water to alert the relevant customer via an appropriate communication channel if a meter reading shows an unusual and significant increase in consumption. This requirement states: "A significant increase in a Customer's metered consumption may indicate leakage on the Customer's pipes. If Irish Water finds that a meter reading shows an unusual and significant increase, Irish Water will alert the Customer to this via an appropriate communication channel. It is the Customer's responsibility to check for and repair leaks on the Customer's pipes".

The CRU is due to make a decision on the proposed changes to the Non-Domestic Customer Handbook shortly.

CRU Decision

Irish Water shall remind customers who receive a leak allowance to be vigilant in the monitoring of water usage and to alert Irish Water as quickly as possible to any possible recurrence of leakage.

5.10 CRU decisions

The CRU's full set of decisions regarding Irish Water's enduring leak allowance policy for non-domestic connections is outlined below.

The CRU's view is that these decisions deliver an enduring leak allowance policy for non-domestic connections that will:

- protect non-domestic connections from “bill shock” due to leaks that they were not aware of until they received an unexpected high bill;
- promotes conservation by incentivising non-domestic connections to fix customer-side leaks in a timely manner;
- reduce the risk of under-recovery by Irish Water; and
- reduce the risk of disproportionate costs being placed on other connections that experience no leaks.

CRU Decisions

Irish Water shall grant leak allowances to non-domestic customers that identify and fix leaks on their side of the meter, subject to the conditions below.

The maximum period over which the leaked water volume will be calculated for the purpose of calculating the leak allowance is limited to the billing period of the bill where the leak was first evidenced, plus a maximum of six months to allow a customer identify the leak and notify Irish Water plus a further maximum of six weeks to fix the leak. Note that the six week period to fix the leak can be extended by Irish Water if it determines that extenuating circumstances exist which are impeding a leak being fixed (for example if a road opening licence is required).

If a customer fails to meet either of the time limits, i.e. six months following the bill where the leak was first evidenced to identify the leak and notify Irish Water plus a further six weeks to fix the leak, but then both notifies and fixes the leak within a further three month time limit, then a leak allowance will be granted for only 50% of the leaked water volume (over a period of six months plus six weeks only).

If the customer does not notify the leak to Irish Water and fix the leak within this further three months then no leak allowance will be granted.

Leak allowances based on self-certification shall be limited to one per customer per premises, for however long the customer occupies that premises. Any further requests for a leak allowance must require a valid plumber's report.

Leak allowances shall only be granted for leaks which occur on the external supply pipe, or for leaks which occur on underground internal pipework, not for leaks on internal pipework of a customer's premises which occur above ground.

The plumber's reports and self-certified documentation which accompany leak allowance requests must be clear on the location of the leak.

Only those non-domestic customers whose accounts are in good standing (i.e. not in arrears) shall be eligible for a leak allowance.

Irish Water shall not apply a leak allowance until the relevant customer's account is brought up to date for the period of normal usage before the leak occurred.

Customers on a payment plan shall be considered not to be in arrears for the purpose of the leak allowance policy.

Irish Water's enduring leak allowance policy for non-domestic connections shall come into effect on 1 October 2020.

In cases where Irish Water is notified of a leak before the implementation date of the new enduring leak allowance policy, these will be dealt with under the old leak allowance policy, and in cases where Irish Water is notified of a leak on or after the implementation date, the new enduring policy will apply.

Irish Water shall remind customers who receive a leak allowance to be vigilant in the monitoring of water usage and to alert Irish Water as quickly as possible to any possible recurrence of leakage.

6. Next Steps

Irish Water will now implement the decisions outlined in this decision paper.

The decisions regarding disputed AQ take effect immediately and the other decisions regarding the assigning of connections to a tariff class shall take effect when the Non-Domestic Tariff Framework is implemented.

The new enduring leak allowance policy shall take effect on 1 October 2020.

Appendix: Leak Allowance Policies in the UK

The table below outlines some key features of the leak allowance policies followed by various water utilities in the UK regarding non-domestic connections.

Utility	Are leak allowances granted for Water?	Are leak allowances granted for Wastewater?	Does the location of the leak matter when granting leak allowances?	Time Limit for leak to be repaired (to qualify for allowance)	Time Limit (after leak is repaired) for applying for allowance	Limit on leak allowances over a given period	Calculating the leak allowance
Welsh Water	No (1)	Yes	The leak must be on the external supply pipe to qualify	28 days	6 months	Only one within 3 years	Any allowance is based on a maximum of 12 months prior to the date the leak was repaired
Scottish Water	Yes	Yes	(a) If the leak is located outside the boundary of the customer's property, then a leak allowance may be granted for 100% of leaked volume. (b) If the leak is located on the external supply pipe within the boundary of the customer's property, then a leak allowance may be granted for 50% of the leaked volume.	See "Calculating the leak allowance"	See "Calculating the leak allowance"	Only one within 12 months	Any allowance is based on a maximum of 3 months prior to the date the leak was repaired for bi-annually read meters, and a maximum of 3 months for monthly read meters, allowing time for a customer to identify and repair a leak. See also "Does the location of the leak matter?"
Castle Water (Thames Water)	Yes	Yes	The leak must be on the external supply pipe to qualify	6 weeks	3 months	Only one per eligible premises	Any allowance is based on a maximum of 12 months prior to the date the leak was repaired
WAVE (Anglian Water)	Yes (2)	Yes	The leak must be on the external supply pipe to qualify	8 weeks	12 weeks	No limit	Allowance given for between 25% and 100% of the leaked volume, depending on time taken to repair the leak Allowance is based on the period from the last central market meter read to the date of repair
Water Plus (United Utilities)	No	Yes	The leak must be on the external supply pipe to qualify	2 weeks	12 months	Only one per customer's period of occupancy	Any allowance is based on a maximum of 12 months prior to the date the leak was repaired
Water Plus (Severn Trent)	Yes	Yes	The leak must be on the external supply pipe to qualify	28 days	6 months	Only one per customer's period of occupancy	1) An allowance of 50% of the leaked water covering a period not exceeding 6 months 2) An allowance of 50% of the excess wastewater, which could have returned to the sewerage systems, covering the period from the estimated date of the leak to the date of repair 3) An allowance of 100% of the excess wastewater, which could not have returned to the public sewerage system, covering the period from the estimated date of the leak to the date of repair
Yorkshire Water Business (Yorkshire Water)	Yes	Yes	(a) If the meter is located outside the boundary of the customer's property, then the leak must also be located outside the boundary of the customer's property to qualify. (b) If the meter is located within the boundary of the customer's property, Yorkshire Water will consider applications if the leak is on the meter.	30 days	6 months	Only one within 36 months (4)	Any allowance is based on a maximum of 6 months prior to the date the leak was repaired
Northern Ireland Water	No (3)	Yes	The leak must be on underground pipe-work within the customer's property	4 weeks	6 weeks	No limit	Allowance is based on the period from the date of the last bill (based on an actual read) to the date of the leak's repair

Notes

- (1) If the meter serves a mixed-use connection, for example a pub with a flat (occupied as a home), a leak allowance may be awarded for water on the domestic element of the bill only.
- (2) But only if the leak is at the water meter.
- (3) If a leak occurs within the domestic portion of a property used for both domestic and non-domestic purposes this will register as consumption on the meter. A large bill may result even though non-domestic usage (and therefore chargeable consumption) may not have increased. In these circumstances, customers can apply to have both the water and wastewater elements of the bill adjusted subject to the relevant conditions.
- (4) There is no limit for wastewater allowances providing it can be evidenced that the water did not return to the sewer.