

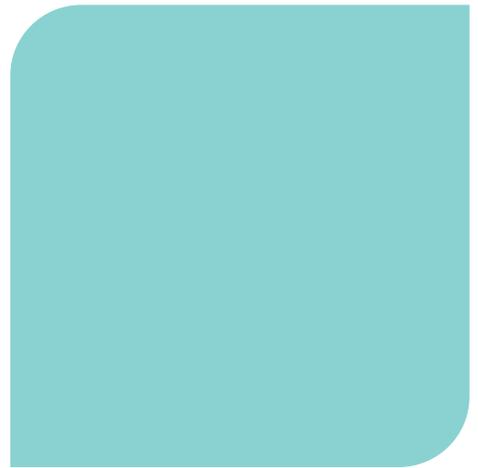
IW-DPSI-00.5

09 December 2021



Disconnection Policy

Supporting Information
Irish Water submission to the CRU



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1. Background

As part of its decision on the Connection Charging Policy, the Commission for Regulation of Utilities (CRU) requested that Irish Water (IW) submit its proposed enduring disconnection policy for domestic and non-domestic customers.

IW has submitted proposals setting out its policy for dealing with disconnections from IW's network (the Network). The Disconnection policy has the following objectives:

- i. explain the circumstances in which IW may carry out disconnection.
- ii. set out how IW will provide disconnection and reconnection services for our customers; and
- iii. explain the circumstances in which a customer may be charged for disconnection and/or reconnection.

The water charges plan provides that Disconnection and Reconnection charges are retained on the same basis as charged by the Local Authorities (LAs) on 31st December 2013. The basis for these charges was the latest LA County Managers Orders¹ containing charges for water services and custom and practice developed by the relevant LA. The Managers Orders are the source of all the current Disconnection and Reconnection charges included in this paper.

The intention of this accompanying document is to propose, and provide context for, a suite of standardised Disconnection and Reconnection charges and arrangements to support the Disconnection policy.

The CRU will review IW's Disconnection policy (including Disconnection and Reconnection charges and arrangements) proposals and will consult publicly on them before reaching final decisions on Disconnection policy issues. The water charges plan will then be updated to reflect the CRU decisions.

¹ The County Manager performs 'Executive Functions', in accordance with the policy framework established by the LAs elected members. The Manager carried out these functions by means of 'Managers Orders' – written, signed and dated orders setting out decisions made. These functions include charges for water services prior to 1st January 2014.

2. Introduction

The purpose of this paper is to:

- 1) summarise current disconnection and reconnection charges and arrangements; and
- 2) propose enduring, standardised charges and arrangements for customers disconnecting and reconnecting to the Network;

Section 3 describes the principles provided by the CRU to guide the development of the Connection Charging Policy. IW has applied these principles to the development of the proposed charges and arrangements.

Section 4 summarises the charges and arrangements currently in place for disconnection and reconnection services. This section also summarises the approach taken across a range of Irish and UK benchmarks.

Section 5 considers and proposes charging arrangements which will recover costs appropriately from customers disconnecting from and reconnecting to the Network.

Section 6 considers next steps.

3. Principles to guide Connection Charging Policy

In January 2016 the CRU set out the principles to guide IW in the development of the Connection Charging Policy. IW has applied these principles to the development of the proposed charges and arrangements.

1. **Cost reflectivity:** Charges should be reflective of the costs associated with providing a connection service to a developer².
2. **Efficient use of assets:** The policy should promote efficient use of existing assets and minimise the risk of stranding assets.
3. **Equity and non-discrimination:** Charges should be equitable and not unduly discriminate between customers.
4. **Stability:** Charges should be designed to ensure charge level volatility is kept to a minimum.
5. **Simplicity:** Connection charges and the charging policy should be clear, transparent and easy to understand.
6. **Cost recovery:** The policy should ensure that the utility can recover the efficiently incurred costs in providing new connections.

The CRU did not set out a priority for any principle but it did acknowledge that ‘at times conflict and trade-offs can exist between charging principles and it may be necessary for IW to strike an appropriate balance between the different principle objectives as necessary’.

In developing its proposals, IW has sought to strike this balance by evaluating each option against the charging principles set out by the CRU in a “Harvey Ball” style³ graphic. The extent to which each Harvey Ball is shaded reflects the extent to which we consider that an option meets each principle. No shading means that an option does not meet a principle, partial shading means an option partially meets a charging principle and full shading means an option fully meets a charging principle.

² The term ‘developer’ refers to any party (domestic or non-domestic) wishing to connect to the public water and/or wastewater network.

³ Harvey Balls are a useful tool for summarising qualitative information. We use them in a comparison table (see figure 1) to indicate the degree to which current or proposed charging arrangements meets a particular charging principle

4. Current charging arrangements and benchmarks

Upon review of the current charges (as applied in each LA area) and other utilities, it was found that disconnection / reconnection charges and arrangements are quite varied and the methodologies of billing and customer collection systems are not consistent.

Section 4.1 summarises current arrangements and section 4.2 summarises a cross section of UK and Irish benchmarks.

4.1 Current arrangements

Prior to 1st January 2014, water services were provided by the LAs independently of each other. The current charging arrangements reflect this position. There are 34 different sets of charging arrangements; one for each LA that levied charges prior to 1st January 2014. This section provides a high-level overview of the current disconnection and reconnection charging arrangements in place for IW's customers and section 5 (figure 2) details each price point currently applied compared to IW's proposed price points.

As illustrated in table 1 and associated explanatory notes below, charges and arrangements for disconnection and reconnection services provided in the Managers Orders vary across LA areas. There is a significant difference between the minimum and maximum charges.

Table 1 Summary of current disconnection and reconnection charges

Metric	€
Min	€100
Median	€609
Max	€1,300

Explanatory notes:

- 29 LA areas apply reconnection charges but no disconnection charges.
- One LA area applies a disconnection charge and a reconnection charge.
- Two LA areas apply disconnection charges but no reconnection charges.
- Two LA area applies no charge i.e. neither a disconnection nor reconnection charge and are excluded from the min, medium and max calculation.

4.2 UK and Irish benchmarks

4.2.1 UK Utilities

In the UK, there is generally no charge for a permanent disconnections but any future request to reinstate a connection to the network following permanent disconnection is usually regarded as a request for a new connection and charged accordingly. IW's proposals to not charge for permanent disconnection and to treat any request for reconnection to, following permanent disconnection from, the Network as a new connection⁴ aligns well with the UK approach⁵. UK utilities usually charge higher rates for out-of hours than in-hours work carried out. Most UK utilities quote charges for non-standard works (typically defined as those requiring pipework) based on reasonable costs incurred.

While UK water utilities are consistent in only applying standard⁶ charges for works associated with temporary disconnection and/or reconnection, there is an inconsistency regarding the application of these charges.

- Some UK utilities apply temporary disconnection and reconnection standard charges;
 - Some UK utilities include a charge for site surveys in the standard charge, for example a first site visit to understand if it is practicable to carry out a temporary disconnection or reconnection. These are built into the charges in table 2 where applicable.
- Some apply different charges depending on whether the disconnection is at a customer's request or for non-payment/denying access to a meter.
- Some apply a single charge to cover the cost of both disconnection and reconnection at the time of reconnection;
- Some do not quote charges for any element (temporary disconnection and reconnection); rather all such services are carried out at reasonable cost.

The range (€) of disconnection and reconnection charges among UK utilities are also quite varied.

⁴ Where a Customer has previously availed of a permanent disconnection; any request for re-connection to the Network will be treated as a request for a new Connection (see section 7d).

⁵ For example, Thames Water and Welsh Water also provide that the customer must apply for a new connection.

⁶ Standard charges are designed to cover the typical cost of carrying out standard works. Standard works for disconnection are often defined as not requiring pipe work alteration or resources over and above technician attendance.

Table 2 UK temporary disconnection and reconnection charge comparison

Area ⁷	Standard Temporary Disconnection Charge		Standard Reconnection Charge	Abortive ⁸ Site Visit Charge	
	Customer requested	Due to non-payment		For temporary disconnection	Reconnection
NIW	N/A	N/A	€173	€112	
Scottish Water	N/A	€511	€127	€213 ⁹	€106
Welsh Water	Reasonable Cost		Reasonable Cost	Reasonable Cost	
Thames Water	€383		€281	€315	€307
Yorkshire Water	€365		€273	€244	€273
Southern Water	€300		€300	€123 ¹⁰	€123

⁷ Refers to the wholesale utility provider in each area (see explanatory note 1).

⁸ UK utilities usually issue an abortive charge if a site visit happens but circumstances prevent a disconnection or reconnection from taking place (e.g. due to problems with access to a property or a customer made a late payment, so a disconnection was not required).

⁹ Applies for temporary disconnection due to non-payment.

¹⁰ The aborted site visit charge for the Southern Water wholesale applies to any aborted visit; survey, disconnection or reconnection.

Explanatory Notes:

1. All charges in table 2 are taken from water utility scheme of charges or equivalent; for Northern Ireland Water customers see [here](#) and for Scottish Water customers see [here](#). In England, wholesalers provide services to retailers, who in turn sell these services to business customers. See [here](#) and [here](#) for charges in the Yorkshire Water and Southern Water wholesale areas where Scottish Water Business is the licensed supplier. See [here](#) for charges in the Thames Water wholesale area where Castle Water is the licensed retail supplier.
2. In Table 2, 15th April 2021 STG to Euro FX rates are used. All charges are rounded to the nearest €.
3. Charges for Scottish Water, Thames Water and Southern Water¹¹ wholesale areas in table 2 include survey costs.

4.2.2 Other Irish Utilities

Gas Networks Ireland (GNI) charge customers to restore supply following isolation or reconnect their gas service post cut-off. In order to reconnect a customer following cut-off, ground will have to be re-opened to reconnect at the mains. Table 3 summarises GNI's charges for supply restoration and reconnection services.

Table 3: GNI charges for Supply Restoration and Reconnection services

GNI Supply Restoration Charges (excl VAT)	
<u>To restore supply to a premise that has had supply isolated:</u>	
Restore supply Domestic Meter, non safety related - normal working hours.	€63.91
Restore supply I/C Meter, non safety related - normal working hours.	€129.62
Restore supply Domestic Meter, non safety related - outside normal working hours.	€127.82
Restore supply I/C Meter, non safety related - outside working hours.	€259.24

¹¹ Customers are charged a site survey charge prior to disconnection and reconnection (see sections 4.2 and 5.2 of Scottish Water Business Stream charging scheme [here](#))

GNI reconnect service post cut-off (Charges excl VAT)

To reconnect where service has previously been cut off in the footpath/road:

Reconnect Domestic customer	€265.21 (€220 + €45.21 ¹²)
Reconnect I/C Customer = G4	€676.89 (€631.67 + €45.21)
Reconnect I/C Customer = G10, Fitter Fab Meter Unit.	€1,105.75 (€1,060.54 + €45.21)
Reconnect I/C Customer = G10, Modular Meter Unit.	€1,534.88 (€1,489.67 + €45.21)
Reconnect I/C Customer >G10	Firm price to be agreed in advance

¹² €45.21 is the cost per metre of GNI trenching

ESB Networks carries out Additional Services, including de-energisation and energisation, at the request of electricity suppliers. Charges for these services, which are normally passed on to a customer's electricity supplier, are approved by the CRU and published in the ESB Networks Statement Of Charges¹³.

Table 4: ESNB charges for de-energisation and disconnection services

ESB Networks Additional Transaction Charges			
No	Type of Additional Service	Charge Code	Charge (€) (excl VAT)
1	Visit to energise the connection point: For each visit to premises at the Supplier's request to energise a connection point.	A1	70.00
2	Visit to de-energise¹⁴: not actioned For each visit to a premises at the Supplier's request and the request is not actioned through no fault of DSO (cases specified in the Networks Code of Practice).	A2	70.00
3	Visit to de-energise: For each visit to a premises at the Supplier's request for any reason, resulting in de-energisation by withdrawal of fuses	A3	70.00
4	Visit to disconnect: Where the User requests the disconnection of a site	A4	161.00

Notes:

- ESB Networks operates a sliding scale of charges in situations where it undertakes multiple energisations, de-energisations or disconnections at the same site. Savings in travel time and job set-up time are reflected in a sliding scale of charges which are set out in the ESB Networks Statement of Charges.
- The charges are based on normal working hours. Specific times outside normal hours may not be guaranteed. Services carried out outside of normal working hours are subject to a charge equal to the appropriate charge in table 4 multiplied by a factor of 1.5.

¹³ Available [here](#)

¹⁴ De-energise is defined as "the deliberate prevention of the flow of electricity between the Distribution System and the facility through the Connection Point for any purpose other than a System Outage. The terms De-Energisation and De-Energising and like terms shall be construed accordingly". This definition is set out in the ESB Networks document 'Rules for Application of Transactional Charges for Additional Services to Use of System', available [here](#).

- For non-standard de-energisations which involve additional work over the normal means of de-energisation (movement of any isolator, breaker, switch or the removal of any fuse), individually assessed charges will be quoted. A rights of entry (if required) is to be provided by the supplier.

Section 4.6 of the Guide to the Process for Connection of Demand Customers to the Distribution System¹⁵ outlines the ESNB policy on Reconnection, which can be summarised as follows:

Reconnection Timeframe	Domestic Premises	Commercial Premises
<2 years from De-energisation	<ul style="list-style-type: none"> • A Re-energisation charge will apply if the Customer was de-energised at the request of an energy supplier. • No Connection charge will apply. 	<ul style="list-style-type: none"> • Connection and energisation charges may apply if capacity is not available or work is required to restore the connection.
>2 years from De-energisation	<ul style="list-style-type: none"> • A Re-energisation charge will apply. • Where work is required to reconnect the premises, standard connections charges will also apply. 	<ul style="list-style-type: none"> • Normally treated as a new connection. • Reduced Connection Charges will apply in certain circumstances. The reduction in the connection charge is based on the number of years since de-energisation (up to a maximum of 20 years).

¹⁵ Available [here](#)

5. IW's proposed charging arrangements

Section 5.1 sets out IW's summarised proposed charging arrangements for permanent¹⁶ disconnection and reconnection (as set out in the accompanying Disconnection Policy). Section 5.2 proposes charging arrangements for temporary¹⁷ disconnection and reconnection. Section 5.3 evaluates IW's proposals using 'Harvey Ball' graphics.

5.1 Arrangements for Permanent Disconnection and Reconnection

In accordance with our accompanying Disconnection policy proposals, IW proposes that a charge will not apply for a permanent disconnection (for example, if a building is being demolished). This is consistent with the approach typically taken by UK utilities. This approach may encourage customers to request disconnection of derelict properties where disused water connections may pose a contamination risk to the Network.

Any future request to reinstate a Connection to the Network following permanent disconnection will be regarded as a request for a new Connection and will be charged in accordance with the Connection Charging Policy (section 7d).

Charges will apply for the removal of a temporary connection for a water supply and/or wastewater discharge during construction or a once-off event. The charge for these disconnections is recoverable via the temporary connection charge, applied in accordance with the IW Connection Charging policy.

5.2 Arrangements for temporary disconnection and reconnection

Table 4 sets out IW's proposed standard charges for temporary disconnection and reconnection services. Standard charges will apply where the disconnection or reconnection can be facilitated without works to connection assets and/or requiring pipework).

Table 4 IW's proposed standard charges for temporary disconnection and reconnection

Service	In/Out Standard hours	For Customer Requested	Due to non-payment	Abortive Site Visit Charge
Temporary Disconnection	In	€140	N/A	€140
	Out	€210	N/A	€210
Reconnection following Temporary Disconnection	In	€140	€500	€140
	Out	€210	N/A	€210

¹⁶ See section 3.2 of the Disconnection policy for a definition of permanent disconnection.

¹⁷ See section 3.1 of the Disconnection policy for a definition of temporary disconnection.

IW proposes that temporary disconnection and/or reconnection services requiring additional or non-standard works (e.g. those requiring works to connection assets and/or requiring pipework) are charged in accordance with reasonable costs incurred. IW also proposes that any disconnection of an unauthorised connection (carried out in accordance with IW's Disconnection Policy proposals) are charged in accordance with reasonable costs incurred.

Explanatory notes:

1. Rationale for charges

- The customer requested disconnection and reconnection charges proposed in table 1 are based on an hourly rate¹⁸ for site visit from a skilled professional (e.g. Engineer) plus a reasonable estimate of IW overhead.
- Charges are based on cost estimates assuming minimum 2 hours per visit.
- For out of standard hours customer requested disconnections and reconnections, overtime is assumed at 1.5 x normal or in standard hours rate (€140).
- IW will issue an abortive charge if a site visit happens, but circumstances prevent a disconnection or reconnection from taking place (e.g. due to problems with access to a property).

2. Disconnection and reconnection due to non-payment:

- IW will only disconnect a non-domestic premise due to non-payment as a measure of last resort when all other methods of arrears payment have been exhausted.
- Where IW initiates a Temporary Disconnection for reasons of non-payment, IW proposes that the Customer may reconnect to the Network by making all outstanding payments and paying the reconnection charge.
- For disconnection due to non-payment, it is IW's policy not to disconnect on the first site visit¹⁹. The charge for Reconnection following temporary disconnection of €500 covers the cost of both disconnection and reconnection. This will require 3 site visits ((1) initial site survey, (2) disconnection and (3) reconnection). The charge also covers costs incurred by IW in administering its Credit and Collections (including Dunning) process (letters, emails, SMS and telephone costs), Feet on the Street (FOTS), Disconnection and Reconnection activities (call centre work order processing and workflow scheduling of site visits).
- IW proposes charging customers after reconnection following disconnection due to non-payment. IW will, therefore, waive charges for

¹⁹ This is equivalent to the UK where a temporary disconnection site visit is often preceded by a site survey visit. IW considers the first site visit an effective part of IW's Disconnection Policy. In many cases IW will resolve the issue on the first site visit, for example often by a customer agreeing to settle their bill and/or enter into a payment plan, without the need for a subsequent disconnection visit.

all disconnection related activity costs (e.g. customer engagement, first site visit and aborted site visits if applicable) if the customer fully or partially²⁰ settles the account before the actual disconnection takes place.

²⁰ Partial means that the customer is signed up to a part payment plan and repaid at least 50% of the outstanding debt.

5.3 Assessment of proposed charging arrangements

IW has used 'Harvey Balls' to summarise the evaluation of IW's proposals against the CRU charging principles.

Figure 1 Proposed charging arrangements - summary evaluation against principles

Charging principles	Proposed arrangements
1 Cost reflectivity	●
2 Efficient use of assets	◐
3 Equity and non-discrimination	●
4 Stability	◐
5 Simplicity	●
6 Cost Recovery	●

IW's proposals for standardised disconnection and reconnection charges and arrangements perform well against all principles; **'Cost reflectivity'**, **'Equity and non-discrimination'**, **'Simplicity'** and **'Cost recovery'**. National charges would apply equally to all customers, are simple and clear for customers to understand and, as they are based on the current cost base, will recover the full cost of carrying out disconnection and reconnection services.

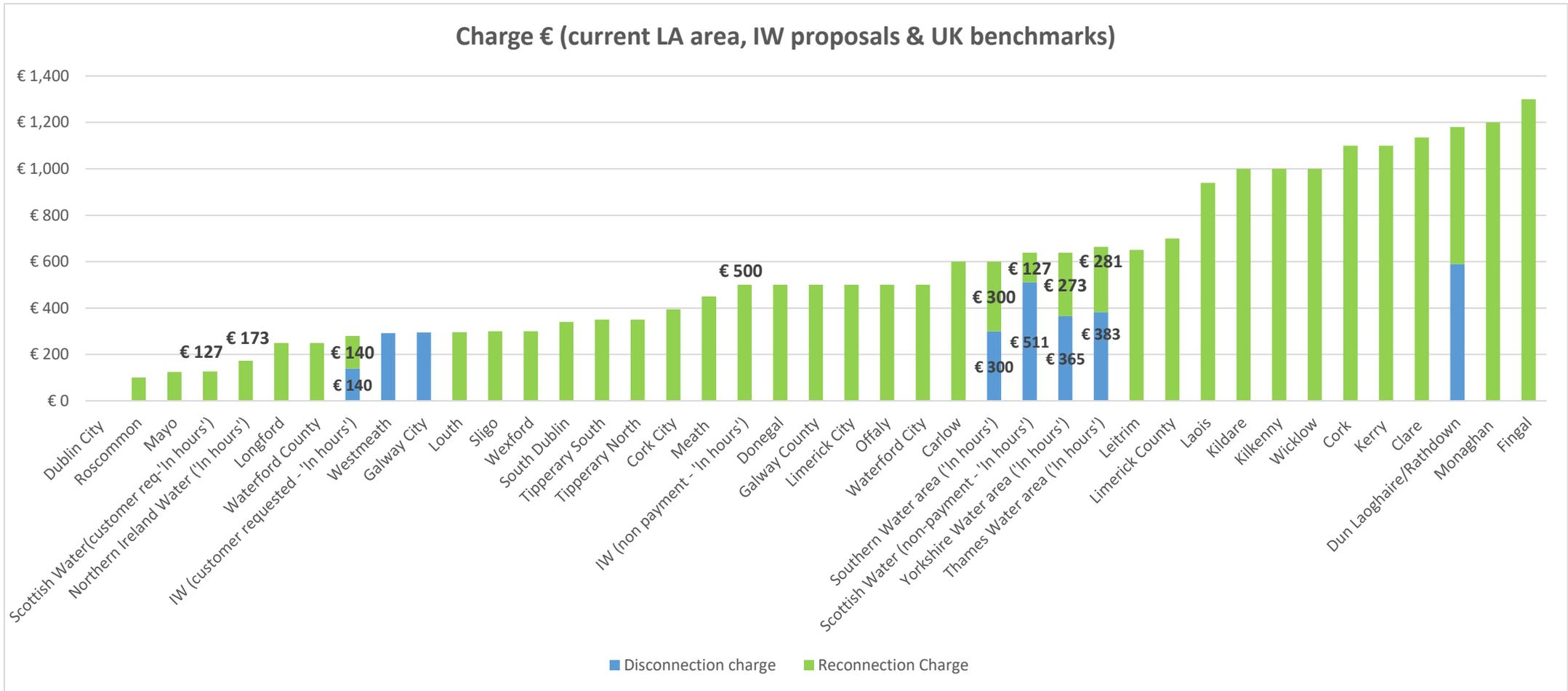
The **'Stability'** and **'Efficient use'** principles are less relevant given that disconnection and reconnection services tend to be one-off services availed off by customers.

On the basis of the above assessment, IW proposes to introduce national charging arrangements. This presents an opportunity to standardise and harmonise the highly fragmented disconnection and reconnection charging arrangements currently in place.

IW proposes disconnection and reconnection charging arrangements set on a national basis

Figure 2 compares IW's proposed price points for standard temporary disconnection and reconnection services to each price point currently applied in Ireland and across a selected range of UK benchmarks (taken from table 2).

Figure 2 IW's proposed charging arrangements compared to current arrangements and selected UK benchmarks



6. Next Steps

IW will update the water charges plan to reflect the CRU's decision following public consultation on disconnection and reconnection charging arrangements.

In accordance with legislative²¹ requirements and section 5.1.1 of IW's Disconnections policy proposals (if approved by the CRU), IW will also update the water charges plan to reflect the following:

'IW may disconnect a non-domestic customer's premises if monies remain outstanding as a result of a failure to pay a bill relating to the connection and/or supply of water services. IW may carry out a disconnection if a charge in respect of the Premises remains wholly or partly unpaid after the expiration of two months after the charge has become payable.'

As set out in section 5.1.1 of the Disconnections policy proposals, IW will only disconnect a premises due to non-payment as a measure of last resort when all other methods of arrears repayment have been exhausted. IW applies a Dunning process²² which takes into account the status (how long overdue), age and value of debt outstanding when determining the form of communicating with a customer. Communications progress from reminders to more formal letters, phone calls and site visits as accounts become more overdue. Upon each contact in the Dunning process, IW offers those customers in financial difficulty options to enter into a payment plan, to part pay or pay in full. Disconnection is only pursued as a last resort when IW has not received any engagement from a customer in relation to outstanding debt.

²¹ Section 21(7) of the 2013 Water Services (No. 2) Act provides that IW may reduce or discontinue the supply of water to a premises where a charge under this section in respect of the premises remains wholly or partly unpaid for such period of time as may be specified in the approved water charges plan or an approved agreement, as may be appropriate.

²² Dunning is the process of methodically communicating with customers to ensure the collection of accounts receivable.