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**SUBMISSION TO THE COMMISSION FOR REGULATION OF UTILITIES ON**

**Non-Domestic Tariff Application Rules**

24<sup>th</sup> April 2020



## **Introduction to An Fóram Uisce**

An Fóram Uisce | The Water Forum (hereafter referred to as An Fóram) was established in June 2018 in accordance with the provisions of Part 5 of the Water Services Act 2017. An Fóram is the only statutory body representative of all stakeholders with an interest in the quality of Ireland's water bodies. An Fóram consists of 26 members including representatives from a wide range of organisations with direct connections to issues relating to water quality and also public water consumers. Approximately 50 different organisations were involved in the nomination of members.

An Fóram's main concern in relation to the provision of drinking water is that the citizens and businesses of Ireland should have access to safe, potable drinking water supplies and in relation to waste water, that all services are provided and maintained in a manner that safeguards public health and environmental well-being. The cost of access to both services, and their on-going service provision, should be based on an economically reasonable, equitable, fair and transparent basis.

## **Submission to CRU on Non-Domestic Tariff Rules**

The CRU approved Non-Domestic Tariff Framework is based on estimates of the number of customers and volumes in each tariff class and tariffs are set to cover the costs associated with providing services (water and wastewater) to these groups of customers. There are four tariff classes with different standing and volumetric charges in each. Non-domestic metered connections will be assigned to a tariff class each year based on their annual water volume usage (and wastewater collected for connections with a wastewater metre) from the previous year, this is known as their Annual Quantity (AQ).

The Irish Water submission to the CRU on Non-Domestic Tariff Application Rules, aims to address issues that have arisen outside of the approved Non-Domestic Tariff Framework. These issues include: (a) assigning tariff class to connections and how to charge connections that move tariff during the 3 year transition period and how to deal with connections experiencing boundary impacts and (b) current leak allowance policy and changes in how it is applied.

An Fóram notes its role in relation to the CRU consultation requirements in accordance with the provisions contained in the Water Services Act 2017. An Fóram would like to thank the CRU for facilitating an online meeting and presenting on Irish Water's Tariff Application Rules and the CRU proposed amendments to same to the Water Services Standing Committee on 3<sup>rd</sup> April 2020.

In this consultation, the CRU has requested An Fóram to make a response on:

- a. Assigning non-domestic connection to a tariff class

- b. Leak Allowance Policy for Non-Domestic Connections that identify and fix a leak

## **Assigning non-domestic connection to a tariff class**

An Fóram notes that the CRU proposed amendments to the Irish Water Rules for Assigning Connections to a Tariff class aims to provide greater clarity around:

- disputed Annual Quantity usage;
- protect connections from bill increases when they reduce water use, thereby preserving the incentive for connections to use water efficiently;
- maintain equity and cost recovery across connections and aims to protect connections on transition tariffs from 'bill shock' owing to a large bill increase due to a small increase in water usage.

An Fóram welcomes the assignment of connections to tariff class based only on Annual Quantity (water used or wastewater discharged for wastewater connections) and in the interests of fairness and in order not to undermine the Non-Domestic Tariff Framework, support the CRU assessment that all connections have a right to challenge its assigned AQ if it is not reflective of its expected water use. The Irish Waters proposal for special conditions for those connections within 5% of the tariff boundary would benefit a small number of connections but could potentially lead to tariff inequity between connections. Therefore, An Fóram supports the CRU assessment that using AQ is the primary basis for assignment to a tariff class will provide clarity and should ensure adequate cost recovery for Irish Water and greater equity for consumers.

The CRU recognises that there may be instances when connections close to a tariff boundary may be disadvantaged by an increased bill even when they reduce water usage (or wastewater discharge). In order to encourage water conservation and reduce the risk of wasteful use of water in order to reduce a bill, An Fóram supports the CRU proposal to give such connections an opportunity to stay on their current lower tariff. The planned CRU review, at the end of the transition period, to prevent such tariff boundary issues going forward is welcomed by An Fóram.

The proposal to move connections on an enduring tariff who increase water use (or wastewater discharge) such that they move tariff class to that new tariff class is appropriate as this is the assigned class for its water use and allows for proper cost recovery and equity.

For a transitioning connection (a connection facing a significant bill increase due to moving away from Local Authority charges to the new Non-Domestic Tariff framework) that increases its water use even by a relatively small amount and consequently moves tariff class could incur significant increases in charges owing to the changes in standing and

volumetric charges across tariff boundaries. If such a change is an anomaly, the connection can request Irish Water to return them to their original tariff otherwise they should pay according to the AQ tariff class, as this maintains equity across the connection base and ensures proper cost recovery for Irish Water.

An Fóram recognises that these boundary effects are smaller than earlier proposals and that they are likely to impact on a relatively small number of connections and thus support the option for such connections can move straight to the enduring tariff rates for the new tariff class they are on as this will provide equity with other connections, bill stability, provide for proper cost recovery and move them off transition tariffs.

By Irish Water informing connections in advance of its AQ and tariff class for the coming year, connections have time to consider the impact of the change in tariff class. An Fóram welcomes the provision of clarity to customers, the transparency and equity in tariffs across the customer base whilst providing flexibility to connections that reduce water usage thus encouraging water conservation measures and minimising the risk of wasteful practices.

An Fóram welcomes plans by the CRU to review transitions and tariff class overlap at the end of the 3 year transition period when Irish Water will have established a good working knowledge of connections and their water and wastewater requirements. As part of this review, An Fóram would re-iterate our request made in our June 2019 submission for consideration to be given to further splitting band 2 (between 1,000m<sup>3</sup> and 19,999m<sup>3</sup>) on the basis that there is a huge variation within that band. An Fóram would also encourage Irish Water and the CRU to find a resolution to the current tariff transition spikes so as to provide for more stable bills for consumers and less issues for those connections close to tariff boundaries.

## **An Fóram's response to consultation on Irish Water Leak Allowance Policy for Non-Domestic Connections that identify and fix a leak**

An Fóram commends Irish Water on the new Leak Allowance Policy for Non-Domestic Connections that Identify and Fix a Leak as it is a significant improvement on the previous Interim Leak Allowance Policy in that there are greater incentives to fix and report leaks.

An Fóram notes the CRU objectives regarding Irish Water's Leak Allowance Policy including protecting non-domestic connections from 'bill-shock' due to leaks they were not aware of and the aim to promote conservation through timely fixes and to ensure that disproportionate costs are not levied on connections that experience no leaks.

The CRU is consulting on:

- Two options if the proposed Irish Water time limits of 6 months plus 6 weeks for reporting and fixing of leaks.
  - That leak allowance is granted at 50% of leaked water over a maximum of 6 months plus 6 weeks
  - No leak allowance is granted
- Leak allowance can only be granted for leaks on external supply pipe and not on leaks on internal pipework
- Limit self-certified leak allowance to one per customer per property (not per year)

An Fóram supports the concept of placing a time limit on connections to report and fix identified leaks to promote water conservation. It is very important that consumers are encouraged to fix leaks in a timely manner and a maximum 6 months reporting period with 6 weeks to identify, report and repair a leak would appear to be adequate in most circumstances.

Limiting the period of leaked-water volume calculation to 6 months and 6 weeks (rather than this period plus the bill period) would provide a greater incentive to act with urgency to make repairs therefore An Fóram would support this measure.

If leaks are not notified to Irish Water and fixed within the timeframe allocated, an Fóram would support the CRU proposal to grant no leak allowance to such connections to encourage outcomes where leaks are addressed as a matter of urgency and repairs are made promptly thus improving cost recovery for Irish Water, greater equity amongst consumers and better water conservation.

An Fóram agrees with the CRU proposal to limit the availability of self-certified leak allowances to one per customer per premises (rather than one per year) as long as normal rules apply to subsequent leaks once they are certified by a plumber. There is likely to be

less of a need for this measure after the transition period as unaccounted for spikes in water usage will point to a leak issue and An Fóram would encourage Irish Water to monitor usage in order to provide early warnings to customers and encourage customers to regularly check meters to monitor water usage.

In order to encourage good practice in monitoring water usage we would support the CRU recommendation for allowing a leak allowance on external pipework only and not on internal pipework. This measure will encourage consumers to monitor their water use and result in greater water stewardship.

This new Leak Allowance Policy for Non-Domestic Connections contains a range of incentives to encourage water conservation which is very much welcomed by An Fóram. We would also like to encourage and support measures taken by Irish Water to facilitate water conservation within its customer base through the promotion of its Water Stewardship Training Programme and supporting innovative practices for water conservation.

We also welcome the significant attempts in trying to address the potential issues around Annual Quantity and Tariff Class Assignments in an equitable and fair manner for consumers. We accept the need for Transition tariffs and encourage timely and transparent communications with customers on potential tariff class changes. A review of the transition to the Non-Domestic Tariff Framework and tariff class boundary transitions will be important at the end of the Transition period when data is more robust on the requirements of the customer base.

## **Conclusion**

An Fóram would like to thank the CRU for presenting at its meeting, for answering members questions and for this opportunity to submit in relation to the proposed Non-Domestic Tariff Application Policy and CRU amendments to same. It hopes that its views will be of assistance in finalising these policies and is available to assist in any way it can in relation to this process.

**End/**

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