



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

Irish Water Revenue Control 3 Financial Incentives (*Non-Domestic Billing and Leakage*)

15th February 2021

Contents

Introduction to An Fóram Uisce.....	3
Submission to CRU on Irish Water Revenue Control 3 Financial Incentives (Non-Domestic Billing and Leakage).....	3
Approach to setting Incentive payment	4
Non-Domestic Customers - Efficient billing incentive	4
Non-Domestic Customers - Billing correction incentive.....	5
Leakage reduction incentive	5
CONCLUSIONS.....	7

Introduction to An Fóram Uisce

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

An Fóram Uisce'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.

One of the functions of An Fóram Uisce outlined in the Water Services Act 2017 is to **advise and provide observations to the Commission for Regulations of Utilities (CRU):**

- i. **in relation to the performance by Irish Water of its functions, and**
- ii. **when requested in writing in that behalf by the Commission, on any consultation document prepared by the Commission in respect of water services provided by Irish Water.**

Submission to CRU on Irish Water Revenue Control 3 Financial Incentives (Non-Domestic Billing and Leakage)

An Fóram Uisce supports the CRU decision to provide performance-based financial incentives for Irish Water to accelerate the achievement of its outputs and outcomes in Revenue Control 3 period, 2020-2024. Incentives are a proven mechanism to achieve quality, efficient and timely service delivery. An Fóram Uisce welcomes this opportunity to respond to the CRU consultation on proposed financial incentives for efficient billing and billing correction; and the new leakage reduction incentives being introduced in RC3.

Incentives should be meaningful, measurable and implementable and can either be financial incentives which can include a corresponding reward or penalty or reputational incentives, where performance against key metrics is published.

An Fóram recognises that the Financial Incentives are a useful mechanism to encourage efficient service delivery but supports the implementation of a ceiling on the rewards available to Irish Water.

Approach to setting Incentive payment

The original intention of the CRU was for Irish Water (IW) to apply a baseline approach for incentives (based on numbers of non-domestic customers matched to meter data) whereby IW would be rewarded for identifying non-paying and/or under-paying customers. However, IW pointed out that its baseline customer data was not yet stable resulting in a weakness in this method as a new paying customer could be masked by changes in meter assignments (non-domestic to domestic for example) resulting in under payment of an incentive for IW.

To address this the CRU and IW propose a more granular approach whereby the incentive to be paid will be based on additional revenues earned from specific customers identified under an approved rule set.

An Fóram considers this new approach as appropriate as it will enable IW to recover more accurate incentive rewards that will in turn provide for a more equitable treatment of customers in that all customers are paying accurately for the services they are being provided with and there is less opportunity for under and/or over-payments occurring.

An Fóram also welcomes the IW proposal to track and report to the CRU their non-domestic customer baseline data covering connections and service agreements.

Non-Domestic Customers - Efficient billing incentive

At IRC2, the CRU introduced the following non-domestic billing incentives:

- Efficient Billing Incentive - encourages Irish Water to bill non-domestic customers that are connected to the network, using water / wastewater services but not receiving a bill.

Non-domestic customers not transferred at migration

In 2017, only accounts that were actively being billed by the Local Authorities were transferred to the Irish Water billing system. This means that some metres are not included in the IW billing database and IW proposes that where consumption data and customers can be identified they will be billed by IW and included in the incentive scheme. While An Fóram agrees with this approach they also agree with the CRU that arrears revenue 'back payments' should *not* be included in the forthcoming incentive calculations.

Surveying (New Non-Domestic Meter/Supply Identified)

Should Irish Water identify previously non-identified meters and the responsible consumer this additional revenue can be included in the efficient billing incentive payment calculation.

An Fóram also supports the CRU proposal that in order to encourage IW to implement a timely resolution of issues the incentive payment (of 42% of the additional revenue billed to the customer) for 12 months following the date the issue is identified for non-transferred meters and for newly identified meters.

Non-Domestic Customers - Billing correction incentive

- Billing Correction Incentive - encourages Irish Water to correctly bill all its non-domestic customer base.

Failed/ Failing meters that are subsequently repaired

A failed meter no longer records the correct consumption levels and a failing meters does not perform to its original specifications. This can result in a customer over-paying or under-paying for their water or wastewater services. The CRU noted that IW Capital Investment Plan includes €50 million for metering over RC3 and thus considers that incorrect bills issued owing to failed or failing meters is Irish Water's responsibility and therefore cannot be included in the incentive rewards scheme. This conclusion is recognised as fair by An Fóram.

Backdated move-in via 'Feet on the street'

Irish Water agents who visit non-domestic customers can identify new customers not engaged with Irish Water. This provides an opportunity to meter and bill new customers and such revenue should be included in the Billing Correction Incentive as it encourages IW to actively seek out customers not paying for the services being provided.

An Fóram supports the CRU proposal that revenue gained from such customers can be included in the incentive scheme for 12 months following identification of the issue as this will encourage IW to seek out and identify such potential customers. Such actions result in more just billing across the customer base.

Leakage reduction incentive

In 2019, Irish Water reported leakage levels as *unaccounted-for-water* at 712 million litres per day. The IW RC3 (2020-2024) plan includes a spend of €400m to reduce water loss on its network by 176MI/day by the end of 2024, the programme includes managing water pressure, find and fix leaks and replace aging water mains.

Unaccounted-for-water is calculated as the difference between the volume of water supplied into the water supply network (net production) and the volume of water that is delivered to customers premises (consumption). Irish Water will transition from reporting 'unaccounted-for-water' to reporting national leakage data to the CRU in 2021 once a full year of data is available under IW's new Leakage Management System.

An Fóram Uisce welcomes the introduction of this new Leakage Reduction Incentive as it should encourage efficient and timely action to reduce leakage on the network. We agree also that 'real-water-losses (the amount of drinking water lost on the public network measured in millions of litres per day)' and customer-side savings should be used in calculating the leakage reduction incentive payments.

An Fóram Uisce supports the CRU proposed target of 176 million litres of water per day by the end of 2024 relating to 'real water losses', and customer side leakage only. This means Irish Water will not be rewarded for any reduction reported as a result of a reclassification of 'Unaccounted for Water' to a national leakage figure.

The CRU proposes a symmetrical approach for the leakage reduction incentive in that IW will receive a reward for achieving its target but can also be penalised if it fails to reach at least 80% of the target. This is to ensure that IW take leakage reduction seriously. CRU proposal:

- Where Irish Water meets its target, it will receive a €20 million incentive payment.
- A 'dead band' whereby if Irish Water reaches between 80-99% of its target, it will not receive an incentive payment, and will not be penalised.
- Where Irish Water reaches less than 80% of its target it will be subject to a penalty of €20 million.

An Fóram supports this stance as noted earlier in this document Ireland's leakage levels are approximately twice that of other EU countries and this is not acceptable from an environmental or economic point of view. While An Fóram welcomes Irish Water's work to reduce leakage and the implementation of the new Leakage Management System, a programme of mains replacement should be prioritised for considerable investment and more ambitious targets should be set going forward for leakage reduction and mains replacements. Irish Water's growing knowledge of the network particularly water demand and supply needs should also lead to reducing pressure on the network infrastructure through better service provision management systems.

Communications and awareness are also very important to ensure customers fix leaks, and while it is encouraging to see that considerable numbers of customers fix leaks on their premises once informed of them, there is still a considerable gap in uptake of the First Fix Scheme. A communications campaign on the economic and environment costs of leaked and unaccounted-for water would be helpful in getting greater buy-in for the scheme and would potentially be very timely with the introduction of the Household Water Conservation Charge (Excessive Use Charge). This is important for the equitable distribution of costs across the customer base as well as conserving natural water resources.

CONCLUSIONS

An Fóram Uisce would like to compliment the CRU and Irish Water on the work they have undertaken to develop these Performance Incentives Schemes. We would encourage annual reporting against these measures and ongoing reviews of the effectiveness of the schemes. Accurate and effective billing will ensure more equitable costs for consumers and that Irish Water is getting reimbursed properly for the service it provides.

Persistently high leakage levels provide a disincentive for conservation actions by consumers. The introduction of leakage reduction incentives for RC3 underscores the importance of the action needed to reduce leakage and An Fóram supports the symmetrical application of this incentive as it creates a stronger impetus for Irish Water to achieve results.

An Fóram Uisce would like to thank the CRU for the opportunity to participate in this consultation and hopes that its views will be taken on board and are happy to engage further should any clarifications be required.

END

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