



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Response Paper on Domestic Water Tariff Principles and Proposals

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CER – Information Page

Abstract:

On 17 April 2014 the CER published a consultation paper describing Irish Water's proposed principles and structure of domestic water charges. The purpose of this consultation paper was to provide an opportunity to comment on the design of domestic tariffs. The CER received 150 responses to the consultation paper. The CER has considered these comments, which have informed the CER's requirements for Irish Water's water charges plan published alongside this document.

The purpose of this consultation response paper is to (i) summarise the responses received to the abovementioned consultation paper, (ii) set out the CER response to the issues raised by respondents, and (iii) inform the public of the CER's view on appropriate tariff structures.

Target Audience:

This paper is for the attention of all members of the public, the water industry and other interested parties.

Related Documents:

- [CER/14/005](#) Information Paper on Water Consultation Plan: 2014 Timelines
- [CER/14/082](#) Domestic Water Tariff Principles and Proposals
- [CER/14/083](#) Irish Water Domestic Tariff Design Principles and Proposals
- CER/14/366 Water Charges Plan Consultation
- CER/14/374 Water Charges Submission Letter to Irish Water

For further information on this Consultation Response Paper, please contact **Sarah Foley (watertariff@cer.ie) at the CER.**

Executive Summary

After reviewing comments to Irish Water's proposed structure and principles of domestic water charges, the CER has requested Irish Water to develop its water charges plan¹ on the basis of the following decisions²:

- Irish Water shall develop its domestic water charges around the principles of equity and non-discrimination, efficiency in use of water services, cost reflectivity, cost recovery, stability and simplicity.
- Irish Water shall progress with a national tariff for domestic water customers. In line with the Minister for the Environment, Community and Local Government's (the Minister) statement³, the average annual household bill after allowances shall not exceed €240.
- Specific provisions shall apply where water is unfit for human consumption as defined by Health Service Executive (HSE)/Environmental Protection Agency's (EPA) process(es).
- Provision is to be made for customers whose quality of water services is impaired. The CER considers an impaired service a water supply which is declared unfit for human consumption under HSE/EPA process(es).
- Customers who receive a water supply which is unfit for human consumption shall have a 50% reduction applied to the water supply portion of the customer's bill. This 50% reduction in charges should apply after allowances, from the first full day of the water being deemed unsuitable for human consumption by the HSE or EPA, except in cases of force majeure. The reduction will apply for the full duration of the restriction.
- Irish Water is responsible for identifying those customers who should receive a tariff reduction (meaning that the customer should not need to identify themselves to Irish Water to be eligible for a rebate).
- Irish Water shall make provision for customers with specific medical conditions requiring increased water consumption. Such provision will include capping of water charges at the relevant assessed charge. Information on eligible conditions⁴, including how these customers will be identified and billed, shall be included in the water charges plan.

¹ A description of the water charges plan and its purpose can be found in section 2.3 of this document.

² The CER letter sent to Irish Water requesting the water charges plan can be viewed through www.cer.ie/water

³ The full announcement can be accessed [here](#)

⁴ Set out by the Minister for the Environment, Community and Local Government in consultation with the Minister for Health.

- Irish Water shall incorporate a 30,000 litre annual household allowance for domestic customers for usage in their primary residence. The free household allowance applies to domestic customers who pay their charges in a timely manner. Irish Water shall propose a process for withdrawal of allowances in its water charges plan.
- An estimated 38,000 litre annual allowance for the normal water consumption of a child shall be included in the water charges plan. Irish Water shall provide consumption data to verify the normal consumption of a child in the water charges plan and justify any required adjustment to the allowance alongside supporting data. The child allowance shall be granted for usage in the child's primary residence.
- Allowances should be split into four equal parts to allow even distribution of the allowance over a 12 month period. Any units not used within one quarter may be carried over within the 12 months from the date which it commenced. No units may be carried over into the next 12 month period. The first allowance period will begin on 01 October 2014.
- No standing charges will be permitted for domestic customers within the water charges plan. A minimum annual charge for each service may be applied to properties unoccupied as primary residences. Irish Water shall propose such a minimum charge in its water charges plan.
- Wastewater tariffs should be structured the same way as water tariffs. Tariffs should be split 50:50 between water and wastewater with separate tariffs for each service.
- Irish Water shall hold the domestic component of mixed use properties liable for charging from 01 October 2014, as provided for in legislation. Irish Water must detail how it intends to recover charges from mixed use customers in its water charges plan.
- Irish Water shall bill domestic customers on a quarterly basis and provide customers with flexible payment options.
- The assessed tariff shall be based upon occupancy only. Irish Water shall propose potential rules and bands for an assessed tariff in its water charges plan.
- A bill cap shall apply where a customer's charge increase upon installation of a meter. The customer's bill is to be capped at the equivalent assessed charge for 6 months from the first billing period following meter installation or 1 October 2014, whichever is latest. This means that customers who have a meter installed before 1 October 2014 will have their bills capped at their equivalent assessed charge for a period of 6 months.

- Where a first fix policy issue is identified, the cap will extend until the leak is repaired. Irish Water shall include its proposal for a first fix policy in the water charges plan.
- An automatic rebate shall be given to customers whose assessed charge is above a reasonable threshold compared to subsequent metered usage. The rebate should reflect the period that the same customer was liable for the assessed charge at the same address. Irish Water shall propose a definition of a reasonable threshold for applying a rebate in its water charges plan and make proposals for terms and conditions surrounding the rebate.
- Irish Water shall include a question on rain water harvesting system in their validation package. Customers with such systems installed shall be offered priority meter installation.

The water charges plan which includes the requirements listed above will apply from 01 October 2014 to 31 December 2016.

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1.0 Introduction

1.1 *The Commission for Energy Regulation*

The Commission for Energy Regulation (CER) is Ireland's independent energy and water regulator. The CER was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities in energy. The CER is also the regulator of Ireland's public water and wastewater system.

The CER's primary economic responsibilities in energy cover electricity generation, electricity and gas networks, and electricity and gas supply activities. The overall aim of the CER's economic role is to protect the interests of energy customers. The CER has an important related function in customer protection by resolving complaints that customers have with energy companies.

The CER's core focus in safety is to protect lives and property across a range of areas in the energy sector. This includes safety regulation of electrical contractors, gas installers and gas pipelines. In addition the CER is the safety regulator of upstream petroleum safety extraction and exploration activities, including on-shore and off-shore gas and oil.

In 2014 the CER was appointed as Ireland's economic regulator of the Irish public water and wastewater sector. It is the responsibility of the CER to approve charges for the provision of water services as well the codes of practice in place to protect water customers.

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

1.2 *CER Values*

The values that the CER has upheld in the electricity and gas sectors will apply in the water sector.⁵ The CER values focus on the protection of the customer, both in the short-term and in the long-term. These values interlink and support one another.

- Regulate in a fair, transparent and consistent manner.

⁵ CER/13/245 'CER and Water Regulation in Ireland'

- Act with integrity and respect.
- Proper consultation with stakeholders and customers.
- Accountability to customers and stakeholders.
- Making informed decisions.

1.3 Purpose of this paper

The purpose of this paper is to outline and describe the CER's view on the appropriate design of domestic water tariffs. The CER consulted on this topic between 17 April 2014 and 16 May 2014 and has considered the comments received. Issues raised throughout the consultation process will also be addressed in this paper.

1.4 Comments Received

The CER received 150 submissions to the Consultation Paper CER/14/082. Submissions were received from the following organisations and representatives:

- Age Action
- Alzheimer Society of Ireland
- Apartment Owner's Network
- Arden Vale Resident's Association
- Belgooly Resident's Association
- Clogher Group Water Scheme
- Councillor Alan Coleman
- Councillor Niamh McGowan
- Councillor Tim Lombard
- Councillor Sean Smith
- Denis Naughten TD
- Donegal County Council
- Ferrybank Community
- HSE National Renal Office
- ICMSA
- IFA
- Irish Council for Social Housing
- Irish Property Owner's Association
- Martin Lonergan – Independent Local Election Candidate
- Mattie McGrath TD
- National Federation of Group Water Schemes
- NCA

- Pairc Mhuire Resident's Association
 - Pierse Fitzgibbon Solicitors
 - Sustainable Water Network
 - SVP
 - TASC
 - Terence Flanagan TD
 - The Carer's Association
- Another 121 responses were received from members of the public.

As outlined in the consultation paper, the CER operates a policy of transparency and is committed to publishing responses to all consultations unless otherwise requested. In the context of this consultation, the CER has received a number of submissions providing detailed sensitive information. The CER is concerned that some members of the public may not want the sensitive information they provided to be attributed to them as individuals. In order to protect members of the public while still publishing their responses, CER has taken a consistent approach of redacting all identifying information from public responses. This includes names, addresses, phone numbers, email addresses, dates of birth and towns of residence. Only information which could directly identify an individual has been redacted.

All responses to the consultation have been published alongside this paper and can be accessed [here](#).

1.5 Structure of this paper

This paper is structured in the following manner:

- **Section 2.0** contains background information on the legislation guiding the reform of the water services sector and details the matters covered by the policy direction given to the CER by the Minister.
- **Section 3.0 to 3.15** outlines the detail of the tariff issues which the CER consulted, the responses submitted to these issues and the CER responses to the comments made.
- **Section 4.0** contains an overall summary of the decision being made in this paper and the CER's conclusions on the requirements for Irish Water's water charges plan;
- **Section 4.2** outlines the CER's next steps with regard to domestic water tariffs and the timetable for implementation of domestic charges.

2.0 Background Information

2.1 The Reform of the Public Irish Water Services Sector

The Programme for Government has undertaken a reform of the public water and wastewater sector. This reform includes the creation of Irish Water (or Uisce Éireann); a publically owned national water utility. On 1 January 2014 Irish Water assumed responsibility for the provision of public water and waste water services from 34 local authorities. All customers connected to the public water network hereby became customers of Irish Water.

A further central part of the Government's reform programme is the introduction of domestic water charges. The business of delivering water is expensive and requires on-going heavy capital investment. Annually, this business costs approximately €1.2bn. The introduction of water charges enables much needed investment in the public water network and provides an incentive for customers to conserve water.

Domestic water charges will commence in October 2014 with the first bills scheduled to be issued in January 2015 for usage in arrears. In this context, Irish Water launched phase one of the national metering programme in August 2013. By 2016, it is expected that the majority of Irish households will have a water meter fitted and that these households will be charged for their metered consumption. In the meantime, a methodology for charging non-metered customers must also be put in place.

2.2 The Water Services (No. 2) Act 2013

On 25 December 2013 the *Water Services (No. 2) Act 2013*⁶ (the 'Act') was enacted by the President. This Act gave the CER a number of responsibilities for regulating the public water services sector in Ireland. The CER's core roles are as follows:

- Review Irish Water's water charges plan. The water charges plan specifies how charges are calculated and the costs incurred by Irish Water for operating its business. The CER may approve, reject or modify the water charges plan.
- Approve or refuse to approve a charging agreement between a customer and Irish Water for the provision of water services.

⁶ The complete Act can be accessed [here](#).

- Approve or refuse to approve codes of practice designed to protect the interests of Irish Water’s customers.
- Advise the Minister for the Environment, Community and Local Government in relation to the development and delivery of water services.
- Request information from Irish Water to enable CER’s regulatory functions. Irish Water must comply with such a request as soon as practicable.

When performing its role as water regulator, the CER shall act *“in a manner that best serves the interests of customers of Irish Water and have regard to the need to ensure -*

- a) that the customers of Irish Water are provided with the quality of service provided for in an approved code of practice,⁷*
- b) that water services are provided by Irish Water in an economical and efficient manner,*
- c) that Irish Water operates in a commercially viable manner,*
- d) the conservation of water resources,*
- e) the continuity, safety, security, and sustainability of water services,*
- f) that Irish Water can meet all reasonable demands for water both current and foreseeable,*
- g) the recovery of costs of water services in accordance with Article 9 of the EU Water Framework Directive,⁸*
- h) that Irish Water performs its functions in a manner that will enable the achievement by the State of the environmental objectives of that Directive,*
- i) that Irish Water performs its functions in an open and transparent manner.”⁹*

2.3 Water Charges Plan

Under the Act, Irish Water is required to prepare and submit a water charges plan to the CER. Irish Water’s proposed water charges plan is published alongside this document.

⁷ The codes of practice will be developed from Irish Water’s Customer Protection Handbook, which has been published for consultation and is available on the CER website under www.cer.ie/water.

⁸ Adopted on 23 October 2000, the EU Water Framework Directive (WFD) sets the necessary standards for the protection and improvement of the quality of water resources in EU member states. The WFD was transposed into Irish Law in 2003. For more information on the WFD please click [here](#).

⁹ Article 39 of the Act

Amongst others, the water charges plan shall specify:

- a) how water charges are calculated for both metered and non-metered properties for domestic and non-domestic customers;
- b) any customer classes and associated tariffs;
- c) the costs that Irish Water is likely to incur during the period of the plan;
- d) the charge for the provision of a service connection;
- e) different methods of payment.¹⁰

A water charges plan must be submitted to the CER along with the most recent investment plan.¹¹ The CER may approve the plan with or without modifications or refuse to approve the plan.

2.4 Policy Direction

Under Section 42 of the Act, the Minister may issue a general policy direction to the CER. Following publication of the CER consultation paper CER/14/082 the Minister has issued a Water Charges Policy Direction 2014¹² ('the Direction') to the CER. This Direction instructs the CER on a number of tariff design issues for the interim regulatory cycle.

As outlined in the Direction, the CER shall be consistent with the following directions when considering the water charges plan submitted by Irish Water:

- An annual free allowance of 30,000 litres per household shall be introduced for domestic customers who pay their charges in a timely manner for usage in their primary residence;
- An allowance to cover the normal water and wastewater consumption¹³ for each child¹⁴ in its primary residence in the State shall be introduced;
- Unmetered charges should primarily be based on occupancy;
- Provisions should be made for retrospective adjustment of charges (including a rebate) for customers moving from an assessed charge to a

¹⁰ See Section 22 of Act.

¹¹ Under Section 34 of the Act Irish Water must submit to the CER an investment plan setting out the investment in water services infrastructure that Irish Water considers necessary for the effective performance of its functions. When making the investment plan, Irish Water must have regard to regional planning guidelines, local area plans, river basin management plans under EU regulation, as well as Irish Water's 25 year strategic plan. The first investment plan will apply until the end of 2015.

¹² The Water Charges Policy Direction 2014 can be accessed [here](#)

¹³ The normal consumption to be verified through consumption data from metering surveys

¹⁴ A child defined in the same manner as applies for child benefit under the Social Protection Acts

- metered charge where assessed charges were above a reasonable threshold compared to the subsequent metered usage;
- Domestic charges should be fixed until the end of the interim regulatory cycle (31 December 2016), but with provision to review assessed charges in the light of emerging data on metered consumption;
 - Provisions should be made in the water charges plan for special arrangements for customers of Irish Water who have specific medical conditions which require increased water consumption, involving the capping of charges at the relevant assessed charge. The range of specific conditions will be set out by the Minister following consultation with the Minister for Health in advance of the commencement of domestic charges;
 - No standing charge should apply to domestic water customers. A minimum water charge may, however, be applied to properties which are not occupied as primary residences;
 - Provisions shall be made for circumstances where the quality of water services provided by Irish Water to customers is impaired or where services are reduced or restricted (e.g. boil water notices).

Separately, the Minister has announced that the average household charge will not exceed €240 during the interim regulatory cycle, that funding for a first fix policy will be made available for domestic households, and that the installation of domestic water meters will be accelerated to reach completion by mid-2016 rather than December 2016. In addition, the Minister has stated that customers who identify their own connection points will have the option of opting-in for meter installation.¹⁵

The CER has incorporated the above directions and announcements in the decisions outlined in this paper.

¹⁵ The Minister's full press release can be accessed [here](#).

3.0 Consultation Responses and CER View

3.1 Introduction

The CER sought comments to 15 specific questions on Irish Water's tariff proposals in its consultation paper. In addition to responding to these questions, a number of respondents submitted general comments on various tariff issues. In total, the CER received 150 submissions to the consultation paper.

The following sections will summarise both general comments received and responses to the specific questions. The CER response to the comments will also be provided under each heading. The CER view will also be presented under each heading. A complete list of the CER views can be found in section 4.1 of this paper.

3.2 Key Objectives and Principles

In the consultation paper, the CER asked "*do you consider the principles for domestic tariff design proposed by Irish Water, and any proposed trade-off of these principles, form a suitable basis for the design of domestic tariffs? If not, please explain why citing any additional or alternative approaches that should be considered*".

The CER received 17 responses to this question. Four respondents were content with the principles. Only two respondents overtly disagreed with the proposed tariff principles. Three respondents had questions about the principles or the application thereof. These respondents sought clarify on:

- How different treatment of second or holiday homes equate with equity
- The treatment of unmetered properties
- Whether cost-reflectivity will be applied fully to ensure domestic customers will not be subsidising businesses
- How minimising changing tariffs (tariff volatility) will be managed

Two respondents suggested the additional principles of polluter pays and user pays through the direct billing of users. Four respondents suggested slight amendments to the principles, including the addition of recourse and environmental costs, adding references to human rights, solidarity, equality and social protection and positive discrimination. Another respondent suggested the

principles of equity and non-discrimination would be compromised by not making special provision for patients with Crohn's Colitis or Irritable Bowel Disease. A final respondent suggested that the principles of equity and non-discrimination would be compromised by not encouraging rain water harvesting.

3.2.1 CER's Response to Comments

The CER notes that the majority of respondents were broadly in agreement with the proposed principles and key objectives of domestic tariffs.

With regards to the different treatment of non-primary households this approach is supported by the Direction published by the Minister which makes provision for a minimum charge for non-primary households. The reason for applying a minimum charge to non-primary households is due to the high fixed cost of providing water services. Regardless of how much water a non-primary home consumes this fixed cost is estimated to be around 90%.¹⁶ In order for Irish Water to apply its proposed principle of cost-reflectivity in the tariff design, the CER therefore considers it appropriate to introduce a minimum charge for non-primary households. Irish Water has proposed a level for this minimum charge in the water charges plan, which is currently subject to public consultation.¹⁷

Unmetered tariffs will be subject to the same principles and objectives as metered tariffs. Consequently, unmetered tariffs will also be designed around the principles of equity and non-discrimination, efficiency in the use of water services, cost reflectivity, cost recovery, stability and simplicity. Further information on unmetered tariffs can be found under section 3.9.

The CER will strive to ensure that charges are cost reflective, as per Irish Water's approved tariff principles. In order to achieve this, cross-subsidisation between customer classes should be kept to a minimum. Domestic water charges will therefore not be subsidising the provision of water services to businesses or vice versa.

In order to protect the interest of customers and to minimise bill shock the CER will apply a k-factor mechanism to its regulatory model. This means that Irish Water will be allowed to correct revenue that exceed or fall short of the allowed revenue. Where Irish Water recovers more than the allowed revenue in a year, the k factor will adjust the amount collected in the following period by reducing the allowed revenue by k. Where Irish Water does not meet its allowed revenue,

¹⁶ CER/14/083 p. 26

¹⁷ Please see section 3.8, page 17 in the Water Charges Plan

the revenue allowance in the following year will be increased by k. The CER already applies this mechanism to its regulatory models for the energy sector which serves the purpose of minimising tariff volatility within a regulatory period.

With regards to the proposal to bill users directly, the Act states that the owner of a premise will be considered the occupier of that premise unless proven otherwise.¹⁸ A validation package will, however, be sent out to all domestic households prior to the introduction of charges where occupiers can register themselves as account holders. In the event that an occupier chooses not to do so, by law Irish Water must bill the owner.

The CER agrees that environmental consideration should be given to the design of domestic tariffs. For this reason, the CER has instructed Irish Water to ask customers with a rain water harvesting system to register as part of its validation campaign. These customers will subsequently be allowed priority meter installation.

Numerous concerns about social protection measures have been raised as part of the CER's consultation. The CER acknowledges that the provision of safe, clean, accessible and affordable drinking water and sanitation is recognised by the United Nations as a human right.¹⁹ While accepting this right for all, the implementation of social policy does not fall under the responsibility of the CER as an economic regulator nor Irish Water as a water utility. Instead, this responsibility rests with Government. The Direction issued by the Minister bears reference to this right by introducing a basic 30,000 litre annual water allowance for all primary households within the state as well as an additional annual allowance to cover the normal consumption of children under the age of 18. Furthermore, the Direction states that customers with certain medical conditions requiring significant additional water consumption will have their bills capped at the equivalent assessed level. The CER understands that the Minister is consulting the Minister for Health in order to develop a list of eligible conditions and will engage directly with Irish Water to implement the policy. For the purpose of the water charges plan, the CER has requested Irish Water to set out how it intends to identify and bill medical needs customers.

3.2.2 CER's Decision

¹⁸ Section 21 (5)

¹⁹ [Resolution 62/292](#)

The CER has directed Irish Water to proceed on the basis of the tariff principles of equity and non-discrimination, efficiency in the use of water services, cost reflectivity, cost recovery, stability and simplicity.

3.3 General Tariff Framework

The second question in the consultation paper asked “*do you agree with Irish Water’s assessment that a national tariff regime should be introduced? If not, please explain why citing any alternative approaches to this issue which you consider to be more appropriate*”.

The CER received 23 responses to this question. Two respondents expressed full support for the proposal while another four respondents were broadly in agreement but listed some amendments. These amendments were: introducing a fixed charge, introducing an initial water allowance and applying increasing block tariffs for consumption beyond this allowance, transferring revenue collected from water charges to the health service, and ensuring significant cost efficiencies be developed in the system. Three respondents expressed concerns about the proposal without indicating their favoured position.

Respondents who disagreed with the tariff regime broadly fell into three camps: those who disagreed with charging for water prior to the installation of meters; those who objected to paying for water due to quality issues, and those who disagreed with water charging. These respondents’ concerns focused upon charging itself, as opposed to regional versus national. Only one respondent addressed the issue of a regional tariff, favouring a lower one for their county due to water quality issues.

3.3.1 CER’s Response to Comments

The CER notes that only one respondent out of 23 objected to national tariffs. For this reason, the CER will proceed with implementing a national tariff framework for domestic customers, which also corresponds with the Minister’s statement that the average household shall not exceed €240 annually.

In response to the proposal to impose a flat fixed charge on all customers, the CER notes the Government’s intention that charging should be based on actual consumption. For this same reason, the Government began a national metering programme in August 2013. By allowing the introduction of a flat fee instead, the

CER would violate the Government's policy and the cost of the metering programme would be purposeless. A flat fee would additionally facilitate for cross-subsidisation between customer classes, which is in contrast Irish Water's tariff principles. The CER will therefore not proceed with a flat fee.

In response to those respondents who objected to charging for water, the commitment to introduce domestic water charges was agreed as part of the Programme of Assistance between the European Commission, the European Central Bank, the International Monetary Fund and the Irish State. The provision of clean drinking water, wastewater services and upgrading of the network annually costs the state €1.2 billion. The public water network currently suffers from years of underinvestment. In places the pipes providing water are more than a century old and require significant upgrading. The revenue collected from domestic and non-domestic customers will be reinvested in the network rather than funding other public services. By doing this, capital will be raised to improve the infrastructure in areas currently on boil water notices, reduce leakage rates and meet EU requirements for wastewater treatment. In this way, the introduction of water charges also serves the purpose of addressing current quality issues, which are largely a result of years of underinvestment.

As for the proposal to introduce regional charges with varying charges reflecting quality issues in each area, Irish Water has informed the CER that its billing systems would not be able to operate on this basis. Instead, the CER has instructed Irish Water to apply automatic tariff discounts for customers whose water supply is unfit for human consumption.²⁰

As mentioned above, it is the intention that an ever increasing amount of customers will be charged for their metered water consumption. The metering programme carried out by Irish Water on behalf of the Government did nonetheless not commence until August last year. The CER has thus been tasked with the responsibility of approving a methodology to calculate charges for unmetered households until they become metered. The CER will proceed with an assessed charge for these households and has requested Irish Water to implement a retrospective rebate for customers who transition from a higher assessed to a lower metered charge. Irish Water will propose an appropriate threshold and level of this rebate in its water charges plan.²¹

²⁰ See section 3.4 below.

²¹ Please see section 3.7 page 16 in the Water Charges Plan.

3.3.2 CER's Decision

The CER has informed Irish Water to progress with a national tariff for domestic customers. In line with the Minister's statement, the average bill per household after application of allowances will not exceed €240 annually for the interim regulatory cycle.

3.4 Tariff Discounts

The CER asked two questions related to tariff discounts in the consultation paper, namely:

- a) *“Do you agree with Irish Water's proposal to reduce the volumetric rate for households whose water supply is not fit for human consumption? If not, please explain why citing any alternative approaches to this issue which you consider to be more appropriate.”*, and
- b) *“Can you think of other circumstances where a tariff reduction should be considered? Please explain your answer.”*

The CER received 14 responses to the first question. The vast majority of respondents (eight) to this question favoured not just a reduction where water was unfit for human consumption, but a complete waiver of water charges where water is unfit or (as one respondent suggested) water supply has been interrupted. Other respondents viewed Irish Water's proposal as being too restrictive, both in terms of scope (one) and level (three). Two respondents supported tariff discounts only reflecting the amount of water directly consumed.

The CER received 69 responses to the second question suggesting other circumstances eligible for a tariff reduction. By far, the greatest number of the consultation responses was directed towards this question. 48 respondents favoured a waiver of or major reduction in water charges in areas with hard water, quoting additional costs imposed by hard water such as replacing appliances.²² One of these respondents suggested that customer's rights under the Sale of Goods Act may be infringed upon. Other respondents believed that discounts should be given to all customers whose water supply does not conform

²² The issues of hard water and the associated financial costs have already been raised for the intention of the CER by a number of political representatives and campaign groups prior to the publication of the consultation paper. The CER have met with these campaigners where requested.

to EU standards as well as customers whose water pressure impact on the operation of domestic appliances.

Eight respondents favoured a major reduction in water charging where water quality was low, for example where the supplied product was brown. Two respondents suggested interruption of supply should be eligible for discounts, one of whom suggested that Irish Water should be obliged to provide an alternative supply where interruptions exist for more than 24 hours quoting article 51 in the Water Services Act 2007.

Other submissions (four) focused on medical conditions with one respondent suggesting that customers with Inflammatory Bowel Disease and colostomies be exempted from full charges. This view was echoed by another respondent, who believed certain medical conditions such as Crohn's Colitis and Irritable Bowel Disease should be eligible for tariff reductions. A third respondent listed special needs, medical conditions, large families and elderly people as customer categories eligible for tariff discounts.

Three other respondents focused on general bill stress, with one suggesting that charges should be halved for the first year, and the second recommending that people in financial distress should receive a waiver from charges. The third and final respondent argued that an allowance for homes with poor energy ratings should be granted.

3.4.1 CER's Response to Comments

The CER notes that all respondents express support for the need for tariff discounts and has informed Irish Water to proceed with a discount for customers whose water is unfit for human consumption.

Unlike suggestions made by some respondents, the CER does not consider it financially viable to waive charges altogether. As set out in Irish Water's submission, domestic customers, on average, use 15% of their water supply for direct consumption or food preparation. Only 15% of an average person's supply is thus affected by a boil water notice. Were charges to be completely removed from boil water customers, all households currently not on boil water notices would be cross-subsiding the entire water consumption of those who are, including the water used for purposes not affected by a notice. As emphasised by a number of respondents, the CER nonetheless acknowledges the impracticality of sourcing alternative water supplies. The CER therefore believes that the tariff discount should be higher than 15%. For this reason, the CER has instructed

Irish Water to apply a 50% tariff discount to the water supply component of the bill for customers whose water is unfit for human consumption. The 50% discount will apply after allowances from the first day of a boil water notice or any other notice by HSE/EPA deeming the water unsuitable for consumption being issued, except in cases of force majeure.

The CER accepts that certain areas in Ireland have hard water areas which adversely affect the lifespan of electrical appliances and have financial implications for residents in these areas. Bearing reference to the Direction issued by the Minister the CER intends to allow tariff discounts to households whose water is unfit for human consumption only. Since water hardness does not render water unfit to consume, the CER does not consider it appropriate to accept hardness as eligible for tariff discounts. In contrast, water hardness is associated with a number of positive health impacts including protection against heart diseases.²³ Currently there are also no official standards for water hardness or geographical data on hard water areas in Ireland. For these reasons, the CER will not proceed with a hard water discount at this time. Similar to hard water, the CER does not intend to pursue tariff discounts for discolouring of water unless it renders the water unfit for human consumption. In these circumstances, an automatic rebate of the supply charge will apply. The CER will, however, incentivise Irish Water to prioritise and address quality issues through its capital investment programme.²⁴

With regards to the suggestion to introduce rebates for interruptions of supply, Irish Water will be required to follow rules around procedures for interruptions. Should Irish Water fail to meet its minimum requirements, the customer will be entitled to a charter payment. These rules are set out in CER's customer handbook.²⁵ Referring to the query about Irish Water's legal obligations, section 7 of the Act sets out the transfer of functions from water service authorities to Irish Water. According to section 7 (1) "*all functions conferred on water services authorities by the Act of 2007 (...) shall, on the transfer day, stand transferred to Irish Water*".

A basic 30,000 litre annual water allowance will be granted to all primary households in the state who pay their charges in a timely manner. The CER has instructed Irish Water that allowances should be split into four equal parts to allow even distribution of the allowance over a 12 month period. Any units not

²³ Please see WHO guidelines for drinking water quality, which can be accessed [here](#).

²⁴ Please click [here](#) to access Irish Water's proposed Capital Investment Plan.

²⁵ Please see section 4.2.

used within one quarter may be carried over within the 12 months from the date which it commenced. No units may be carried over into the next 12 month period. The first allowance period will begin on 01 October 2014. The CER has asked Irish Water to propose a process for withdrawal of allowances which should be in line with the CER's codes of practice. Combined with the Minister's announcement of the average domestic charge not exceeding €240 annually, provisions will thus be made to ease financial management in the interim regulatory cycle. Decisions on the introduction of social policy measures and further allowances, including one for properties with poor energy ratings, is a matter for Government. The CER will, however, adhere to and implement any such Government decisions.

In response to the call for allowances for specific customer classes, the water needs of customers with specific medical conditions requiring additional water consumption have been considered in the Minister's Direction. These customers will benefit from a 30,000 annual water allowance for usage in their primary residence and will have their bills capped at the equivalent assessed charging level. The CER understands that the Minister is consulting the Minister for Health in order to develop a list of eligible conditions. Irish Water will engage directly with the Minister regarding the implementation of this policy. In the interim, the CER has requested Irish Water to set out how medical customers will be identified and billed in the water charges plan.

Large households with many children will be granted a separate water allowance to cover the normal consumption of each child under the age of 18 for usage in their primary residence. This allowance is currently estimated at 38,000 litres annually per child but will be verified through consumption data from Irish Water's metering surveys. Should Irish Water propose any required adjustments to this allowance, the CER has directed that supporting data and the impact on customer's bills must be presented in the water charges plan.

The CER has requested Irish Water to include principles for the treatment of allowances where a customer moves from an assessed to a metered charge in the water charges plan.

3.4.2 CER's Decision

CER is proposing that there is a 50% tariff reduction of the water supply charge where water is declared unfit for human consumption by HSE/EPA processes. The reduction in the bill will apply from the first day that the restriction is in place

and after application of the appropriate allowances. The CER will further instruct Irish Water to apply tariff reductions automatically with no requirement for self-declaration.

The CER will work to implement the Direction. In line with the Direction, the CER has instructed Irish Water to make provision to customers with specific medical conditions requiring increased water consumption. Such provision will include capping water charges at the relevant assessed charge. The Department of the Environment, Community and Local Government (DECLG) and the Minister for Health will advise on the relevant conditions.

The CER has instructed Irish Water to incorporate the 30,000 litre annual household allowance for domestic customers for usage in their primary residence in the water charges plan submission. The water charges plan should furthermore contain an annual child allowance, which is currently estimated at 38,000 litres per child in their primary residence but should be verified through consumption data from Irish Water's metering surveys.

Moreover, Irish Water has been asked to propose a procedure for the removal of allowances from customers failing to pay in a timely manner, including a definition of timely manner, in its water charges plan.

3.5 Standing Charge

On the matter of the appropriate level of a standing charge, the CER asked “do you agree with Irish Water’s assessment that a standing charge averaging 33% should be introduced for unmetered and metered customers? If not, please explain why citing any alternative approaches to this issue which you consider to be more appropriate.”

The CER received 20 responses to this question. Of these responses, 13 disagreed with the introduction of a standing charge. Two respondents agreed that a standing charge should be introduced to cover fixed costs, one of whom suggested that the standing charge should reflect the level of investment in infrastructure. One respondent suggested a standing charge should be applied to investment properties. Another submission proposed that a standing charge should be replaced with a one-off contribution charge for the cost of installing water meters. Lastly, three respondents stated that the Government announcement of no standing charge invalidated the question.

3.5.1 CER’s Response to Comments

Given the high fixed costs of providing water services (estimated at 90%) there is a rationale to introduce a standing charge to cover part of these costs. This approach is also the norm in other utility sectors such as gas and electricity.

As per the Minister's Direction no standing charge will meanwhile apply to primary domestic households. The CER will adhere to this decision and has instructed Irish Water that no standing charge will be permitted for domestic customers in the water charges plan. At the same time, the Direction makes provision for introducing a minimum charge for households not occupied as primary residences. The CER has requested Irish Water to include a proposal for such a minimum charge in its water charges plan, which should be pro-rated on a daily basis. A proposal for the definition of primary households should also be included in the plan.

The CER notes that the cost of phase one of the metering programme has been funded through a Government subsidy rather than through customer tariffs.

3.5.2 CER's Decision

In line with the Direction, the CER has instructed Irish Water that there will be no standing charge permitted for domestic customers within the water charges plan.

In keeping with the Direction, the CER is proposing that an annual minimum water charge (pro-rated on a daily basis) is introduced for properties unoccupied as primary residences. Irish Water has been requested to include a proposal for such a charge in its water charges plan.

3.6 Wastewater Tariff Structure

With regards to wastewater tariffs, the CER asked: *“do you agree with Irish Water's proposal that wastewater should adopt the same tariff structure as water and that charges should be split between water and wastewater in a cost-reflective manner? If not, please explain why citing any alternative approaches that you consider to be more appropriate.”*

The CER received eight responses to this question. Three respondents agreed with the proposal. Three respondents disagreed with one arguing that charges should be split 50:50 and another arguing that there was insufficient data to agree with the proposal. The third respondent considered water treatment less expensive than water supply and suggested that wastewater should be charged

at a different rate. Another respondent argued for a potential inequity between customers on 2 services (water and wastewater) and those on a single service (water or wastewater). This view was echoed by another respondent, who noted that for customers with a private treatment plant installed, water in does not equal water out. One respondent favoured a review of Irish Water's wastewater costs to avoid cross subsidisation between water and wastewater customers.

3.6.1 CER's Response to Comments

In line with two of the respondents to this question, the CER acknowledges that there is insufficient data to decide on a cost-reflective split between water and wastewater services at this time. From October 2014 to December 2016 the CER has therefore requested Irish Water to split water and wastewater costs 50:50 with separate charges for each service.

In response to the concerns raised about the view that water in equals water out, this is a principle set out in the Act. Customers will, however, only be charged for the service they receive and for those customers who have a septic tank or other wastewater treatment system installed no wastewater charge will apply.

3.6.2 CER's Decision

The CER has requested Irish Water to submit a set of wastewater tariffs that are structured in the same way as water tariffs. During the interim regulatory cycle governed by the water charges plan, water and wastewater tariffs should be split 50:50 with separate tariffs for each service.

3.7 Mixed Use Customers

A subset group of domestic customers reside in mixed use properties. On the treatment of these customers, the CER asked *"do you agree with Irish Water's proposal that mixed use customers will not be charged for domestic water usage until the completion of the non-domestic data migration project? Please explain your answer citing any alternative approaches to this issue which you consider more appropriate."*

The CER received four responses on this question with two agreeing that this solution was pragmatic, and one disagreeing. One respondent objected to paying for a utility when the basis on which payment would be made was unclear. This question prompted the fewest responses from respondents.

3.7.1 CER's Response to Comments

The CER notes that two respondents express support for delaying charging of the domestic component of mixed use customers. Referring to the Government commitment to introduce domestic water charges by October 2014, the CER has nevertheless instructed Irish Water that it must start to collect revenue from domestic mix-use customers from October 2014. Alternatively, approximately 40,000 customers would have to be subsidised by other domestic customers, which the CER would consider inherently unfair.

For billing system purposes the CER accepts that Irish Water may not be in a position to issue a bill to these domestic customers in January 2015 as rebates are currently given to the non-domestic part of the customer for the usage of the domestic resident. Since non-domestic customers are not yet billed by Irish Water, the CER has asked that Irish Water include a proposal of how it intends to bill domestic mixed use customers in its water charges plan.

3.7.2 CER's Decision

The CER has instructed Irish Water that the domestic component of mixed-use customer bills will accrue from 01 October 2014. Mixed use customers will be billed for their assessed consumption over a defined period. Irish Water is required to propose how to apply this decision in its water charges plan.

3.8 Billing Frequency

On the frequency of billing, the CER asked “*do you agree with Irish Water's proposal to bill its customers quarterly. If not, please explain why citing your preferred billing frequency.*”

The CER received 11 responses to this question. Of these, five respondents favoured more regular billing or payment options to ease financial management. Two respondents agreed with the proposal, but one of these suggested that a broader selection and regular payment options should be available. Two respondents recommended greater access to metering data in order for customers to monitor their consumption. Another respondent feared that quarterly billing would be too expensive to operate and asked that a cost benefit analysis be carried out on the proposal of billing frequency. A final respondent requested information on how the allowances would be treated on quarterly bills.

3.8.1 CER's Response to Comments

The CER notes that the majority of respondents favour either broader or more frequent payment options. For this reason, the CER has instructed Irish Water to allow customers avail of regular payments to assist budget management.²⁶ As each bill issued by Irish Water costs €3, Irish Water will proceed with billing primary households on a quarterly rather than monthly basis to avoid increasing its operating costs. Customers in both primary and non-primary households will, however, have the option of paying regular instalments. A list of proposed payment options can be found under section 8 of Irish Water's water charges plan.

With regards to the concerns about accessing metering data, customers are able to read their water meter and must be able to do so under EU Directive 2004/22/EC. The meter is installed at the stopvalve on the public footpath and can be accessed by the account holder. While it is possible to read the meter it is not required by customers to do so in order to receive a bill. A drive-by quarterly meter reading will instead be carried out by Irish Water staff.

In response to the request for information on the treatment of allowances, the CER has instructed Irish Water that free allowances should be split into four equal parts to allow even distribution of the allowance over a 12 month period. Any units not used within one quarter may be carried over within the 12 months from the date which it commenced. No units may be carried over into the next 12 month period. The first allowance period will begin on 01 October 2014. Allowances will automatically be deducted from the bill and the payable balance.

3.8.2 CER's Decision

The CER has requested Irish Water to bill its customers on a quarterly basis with flexibility being present for customers in both the timing and method of payment, including the option of regular payments.

3.9 Unmetered Tariff Methodology

²⁶ All codes of practice on customer billing are listed under section 7 of the CER customer handbook paper.

In order to charge unmetered households, the CER asked for comments on the tariff structure: *“what are your views on the proposed charge for unmetered households?”*.

The CER received 23 responses to this question. Of these, eight respondents largely disagreed with an assessed methodology overall, arguing that an assessment of charges never will be fully accurate or promote water conservation. Three respondents proposed that unmetered households should pay less than metered homes. Six respondents focused on metering and questioned the appropriateness of charging in advance of metering, while one asked for clarification of why apartments are identified by Irish Water as difficult to meter. Three respondents directly addressed the assessed tariff proposals put forward by Irish Water:

- One respondent favoured Option 2;
- One respondent was unconvinced by the use of a single band for single occupancy households;
- One respondent proposed an alternative tariff structure with eight bands including a separate band for unoccupied households.

Another two respondents emphasised the importance of the assessed charge reflecting as far as possible the metered usage of households with similar characteristics. One of these respondents also supported a review of the assessed tariff methodology when more consumption data becomes available.

3.9.1 CER’s Response to Comments

The installation of water meters is key to the introduction of water charges. Through meter installation customers will be charged on the basis of actual water consumed and be incentivised to use water efficiently. However, as not all households will have a meter installed at the time of the introduction of charges, the CER has been tasked with putting in place a methodology for calculating charges for unmetered households. International surveys and metering data from comparable countries have found that there are a number of household characteristics²⁷ linked to water consumption, with occupancy levels having the strongest correlation.

The CER has instructed Irish Water to proceed with an assessed charge for unmetered households based on occupancy levels only which should be as close

²⁷ Examples of such characteristics can be found in section 5.3 of [CER/14/083](#).

a proxy as possible to metered usage. This instruction reflects the Direction given by the Minister. In effect, the assessed charge will be based on the expected water consumption of a household with a meter installed, taking into account that consumers typically use 10% less water after meter installation. Furthermore, Irish Water has been requested to include unoccupied households in its proposed basis for the assessed charge. A review of the assessed tariff methodology will also be taken during 2015.

It is worth noting that unmetered charges are a transitional issue and that the majority of Irish households will have transferred to a metered charge by the end of phase one of the meter installation programme in September 2016. Customers who transfer from a high assessed charge to a lower metered charge will also be able to avail of a retrospective rebate covering the full length of time that the customer was charged on an assessed basis at the same address. Details of this rebate can be found in section 3.11 of this document.

3.9.2 CER's Decision

As per the Direction, the CER has directed Irish Water to base the assessed tariff on projected water consumption after meter installation taking into account occupancy levels only.

The CER has requested Irish Water to provide a proposal on potential rules and bands for an occupancy based assessed tariff in its water charges plan.

3.10 Unmetered Correlation Factors

Irish Water identified a number of factors linked to water consumption in its submission. On these factors the CER asked *“do you agree with Irish Water’s proposed multifactor approach to inform an assessed charge? If not, please explain why citing any alternative approach you consider to be more appropriate. If yes, which of the proposed four models (if any) do you consider most appropriate for unmetered households? Please explain your answer.*

This question triggered 19 responses. Nine respondents felt that the assessed tariff should be occupancy based only. Six respondents agreed with a two or multifactor approach to inform the assessed charge. One of the supporters of the two factor approach referenced the need for affordability measures should the assessed charge include architectural property type as a factor. Other

respondents in favour of a multifactor assessment suggested alternative consumption indicators than architectural property type. These proposals included: energy consumption, number of appliances, daytime occupancy, and the number of outside taps.

Two respondents broadly agreed with Option 3, one of whom also suggested an alternative structure with eight consumption points. Two respondents recommended that households which perceive the assessed charge as unfair should be allowed to request a meter. Lastly, three respondents raised questions about the assessed charge. Two asked how Irish Water would define 'unoccupied households' for the purpose of introducing a separate consumption band for these properties. Another respondent questioned the restriction of water flow to apartments in a situation of non-payment.

3.10.1 CER's Response to Comments

Taking into account the Direction issued by the Minister and indicative data analysis from Irish Water suggesting little correlation between architecture type and water consumption, the CER has instructed Irish Water to proceed with an assessed charge based on occupancy levels only. This assessed charge should be as close a proxy as possible to metered usage which Irish Water should demonstrate through analysis in its water charges plan. In effect, the assessed charge will be based on the expected water consumption of a household with a meter installed, bearing in mind that consumers typically use 10% less water after meter installation. A review of the unmetered tariff methodology will be taken during Q4 2015.

As highlighted by two respondents, a definition of unoccupied households was missing in Irish Water's latest submission. The CER has therefore requested Irish Water to define primary and unoccupied households as well as proposals on potential rules and bands for the occupancy based tariff in its water charge plan.

In response to the question about how to address non-payment of customers in an apartment block, the CER notes how only domestic customers paying their charges in a timely manner are entitled to the free 30,000 allowance. The CER has requested Irish Water to set out a process for the removal of allowances, for example from non-paying residents in an apartment block, in its water charges plan. In addition, the Act makes provision for Irish Water to reduce the flow of water to non-paying customers. The Customer Handbook sets out that water reduction should only be used as a measure of last resort when all other methods

of arrears payment have been exhausted. In addition, the Handbook establishes that reduction should only happen to a level that allows a customer to meet basic domestic needs.²⁸ The CER has requested Irish Water to investigate different methods to reduce the flow to different property types and define ‘basic domestic needs’. The CER awaits such a proposal to be approved by in September.

3.10.2 CER’s Decision

As per the Direction, the CER has directed Irish Water to base the assessed tariff on occupancy only.

The CER has requested Irish Water to provide a proposal on potential rules and bands for an occupancy based assessed tariff in its water charges plan.

The CER has instructed Irish Water to include a proposal for the definition of unoccupied households in its submission.

3.11 *Bill Caps for Transition to Metered Charge*

In order to ease the transition from an assessed to a metered charge, the CER asked: *“do you agree with Irish Water’s proposal to introduce optional bill caps for households moving from an unmetered to a metered charge? If yes, do you agree with the proposed timeframe of 6-12 months? If not, please explain why citing any alternative approaches to this issues which you consider to be more appropriate”*.

The CER received 11 responses to this question. Seven respondents agreed with the proposal, though only two did so unambiguously. The remaining five made suggestions to amend it. These suggestions included: transition must be at least 12 months; transition must be at least 12 months from receipt of first bill; a reverse rebate for customers experiencing lower metered charges should also be introduced; and that the proposal should include a clearly outlined rebate procedure, including whether the rebate will be discounted off future bills or be a cash payment.

Four respondents disagreed with the proposal, with two of them citing opposition to charging on anything but a volumetric basis. The last two respondents

²⁸ See section 7.10 of the Customer Handbook for more information on codes of practice on reduction of supply.

objected to the proposal noted that a first fix policy rather than rebates should apply to households experiencing higher bills after transitioning to a metered charge.

3.11.1 CER's Response to Comments

The CER notes that the majority of respondents generally agree with measures to ease the transition from an assessed to a metered charge. Following a review of the responses and the publication of the Direction, the CER has informed Irish Water to proceed with a bill cap following meter installation. The CER has decided that the bill cap will last for 6 months from the next billing period following meter installation. In cases where a leak is identified as causing excessive water consumption the cap will extend until such time as the leak is fixed.

As proposed by one respondent transition measures should also be put in place for customers experiencing lower metered charges than assessed. The CER has therefore requested Irish Water to implement a retrospective rebate which should reflect the period that the same customer was liable for the assessed charge at the same address. Irish Water shall propose a definition of a reasonable threshold for applying this rebate in its water charges plan as well as a procedure for obtaining the rebate.

In practice, this means that all customers who have a meter installed prior to 01 October will have their bills capped at the equivalent assessed charge for six months. Customers will thus benefit from bill certainty and the opportunity to adjust their consumption patterns in light of domestic water charging.

As suggested by one respondent, the CER has requested Irish Water to set out a clear process and terms and conditions to avail of the retrospective rebate in their water charges plan.

3.11.2 CER's Decision

The CER has directed Irish Water that bills must be capped at the assessed charging level for a period of six months from the next billing period following meter installation or 01 October 2014, whichever is latest.

In line with the Direction, the CER has directed Irish Water to provide a rebate mechanism for customers whose assessed charge is above a reasonable threshold by comparison to the subsequent metered usage. The CER has instructed Irish Water to propose a reasonable threshold and define any qualifying criteria surrounding a rebate.

3.12 Metered Tariff Framework

In order to make a decision on the metered tariff framework, the CER asked “*what are your views on the proposed charge for metered households?*”

The CER received nine responses to this question. Three respondents disagreed with the proposal with two suggesting that increasing block tariffs be introduced rather than single volumetric charging to penalise excessive water consumption. Another respondent suggested that charging should apply to water fit for human consumption only.

Three respondents supported Irish Water’s proposed charging methodology. While one expressed total support, two respondents expressed that support was dependent on affordability allowances being introduced for medically vulnerable customers and low income households, and that the proposed standing charge level be lowered.

A further three respondents noted that the metered tariff framework would need to be revised in light of the Government decision of a €240 average charge and that a clear definition of water quality is needed.

3.12.1 CER’s Response to Comments

In preparation consulting on tariff structures, the CER has undertaken research on the design of domestic tariffs elsewhere in Europe and the Organisation for Economic Co-operation and Development (OECD). This analysis has found that increasing block tariffs (where the cost of water services increases as the volume consumption increases) have been introduced in a number of OECD and EU countries with the objective of penalising high water users whilst also ensuring basic water services at an affordable cost. This research found that increasing block tariffs often raise the overall costs of water services for domestic customers rather than achieving the intended objective of promoting efficient use. Similarly, as there are limited seasonal differences in the demand for water in Ireland the CER considers it inappropriate to introduce increasing block tariffs in the Irish context.

The issues of poor water quality and affordability have been addressed through the Minister’s Direction. As outlined in this Direction, no standing charges will be allowed in primary households and two allowances will be put in place to assist

affordability of water services for usage in customer's primary residence: A basic 30,000 litre annual water allowance for all primary households within the state as well as an additional annual allowance to cover the normal consumption of each child under the age of 18. Furthermore, the Direction states that customers with certain medical conditions requiring significant additional water consumption will have their bills capped at the equivalent assessed level. More information on allowances can be found under section 3.4 in this document.

As noted by a number of respondents, the Minister has also announced an average annual household charge. The CER has informed Irish Water to proceed with charging metered customers on a volumetric basis with no standing charge whilst ensuring that the average charge does not exceed €240 annually for the interim regulatory cycle.

3.12.2 CER's Decision

The CER has informed Irish Water to proceed with charging metered customers on a volumetric basis with no standing charge whilst ensuring that the average charge does not exceed €240 annually.

3.13 Metered Tariff Components

On the matter of metered tariff components the CER asked “*do you agree with Irish Water's proposal to introduce a two-part tariff structure consisting of a fixed (standing) element and a volumetric component? Please detail.*”

The CER received 13 responses to this question. Six respondents disagreed with the proposal to introduce a standing charge and favoured a pure volumetric charge instead. Three respondents agreed with the proposal to introduce a standing charge, however, two of these stated that the standing charge should be restricted to only cover the fixed expenses necessary for Irish Water to deliver its services.

Four respondents meanwhile noted the Government announcement that no standing charges will apply and asked that Irish Water revise its proposal.

3.13.1 CER's Response to Comments

As noted by a number of respondents, the Direction states that no standing charges shall apply to domestic customers for usage in their primary residence. At the same time, the Direction makes provision for introducing a minimum annual charge for non-primary households. The reason for setting a minimum charge for non-primary households is due to the high fixed cost of providing water services. Regardless of how much water a non-primary home consumes this fixed cost is estimated to be around 90%.²⁹ In order for Irish Water to apply its proposed principle of cost-reflectivity in the tariff design, the CER therefore considers it appropriate to introduce a minimum charge for non-primary households. The CER has requested Irish Water to propose a level for this minimum charge and a definition of non-primary households in its water charges plan.

3.13.2 CER's Decision

In line with the Direction, the CER has instructed Irish Water that there will be no standing charge permitted for domestic customers within the water charges plan.

In keeping with the Direction, the CER is proposing that a minimum annual service charge for properties not occupied as primary residences may be introduced. Irish Water has been requested to make a proposal for such a charge in its water charges plan.

3.14 Further Suggestions

Following on from Irish Water's proposals, the CER asked "*do you have any other suggestions for improving upon Irish Water's proposals? Please explain how your proposals improve those put forward by Irish Water.*"

The CER received 45 responses to this question. A summary of these proposals is outlined below:

- Seven responses referenced a need for additional medical allowances for disabled people, medically vulnerable customers, the elderly and customers with special needs.
- Nine responses referenced a need for further or more generous social affordability measures, including a special allowance for low income households and households on social welfare without children.

²⁹ [CER/14/083](#) p. 26

- Three respondents suggested allowances should be granted per person and not per household.
- One respondent recommended an additional children's allowance for carers or non-custody parents.
- Four responses referenced allowances for stay at home children over the age of 18.
- Three responses suggested an allowance for holiday homes.
- Six responses referenced a need to encourage the use of rainwater harvesting systems or other conservation devices.
- One respondent referenced need for immediate refunds where the metered charge is lower than the assessed.
- Two respondents suggested non-disconnection of the sick, the elderly and low income households.
- Two respondents referenced a need for a minimum pressure standard
- One respondent suggested that an annual flat fee be introduced instead of usage based charges.
- Eight respondents referenced the need for incentives on Irish Water to: repair leaks, meet deadlines of the metering programme, improve the quality of supplied water, treat hard water issues, and meter apartments.
- Two respondents suggested that customers are given proper access to read their metered water consumption.
- One respondent proposed that non-domestic charges will not be cheaper than domestic charges.
- One respondent referenced imposing penalties on customers for late payment.
- One respondent asked that water charges be abolished altogether.
- One respondent suggested that a flat fee be imposed on customers refusing meter installation.
- One respondent asked that an independent cost benefit analysis is carried out on the cost of Irish Water delivering water services against the cost previously incurred by Local Authorities.

3.14.1 CER's Response to Comments

As emphasised in the consultation paper and in previous responses to comments in this paper, it is the responsibility of the Government to make social policy decisions. The CER is by law not authorised to grant free water allowances to certain types of customers. The CER and Irish Water will, however, work together to implement decisions made by the Government in relation to water affordability measures. In light of the Minister's Direction, the CER has requested Irish Water

to include a 30,000 litre annual household allowance, an estimated 38,000 children's allowance (to be verified by metering data), and bill caps for medical customers in the water charges plan.³⁰

The CER has considered the six proposals to encourage instalment of rain water harvesting systems for water conservation purposes. The CER agrees that environmental consideration should be given to the design of domestic tariffs. For this reason, the CER has instructed Irish Water to ask customers with a rain water harvesting system to register as part of its validation campaign. These customers will subsequently be allowed priority meter installation.

As suggested by one respondent, the CER also agrees with the need for a rebate for customers moving from a higher assessed charge to a lower metered charge. The CER's view on this matter is outlined in section 3.11 of this paper.

In response to the proposal banning disconnection of water to the sick, elderly and low-income household, the CER notes that disconnection from water supply is prohibited under section 21 (8) of the Act. Under the Act, Irish Water may, however, reduce the supply of water in situations of non-payments. The CER has directed Irish Water to only apply this measure as a last resort and has instructed that Irish Water keep a register of priority customers, who are critically dependent on water/wastewater services and who will be exempt from this provision.³¹

With regards to the proposal to introduce a minimum pressure standard, the CER accepts that a standard is needed. Contrary to continental Europe the public network water in Ireland is an indirect low pressure system. In practice this means that a fall in pressure in the public network will not immediately affect households' water supply since all properties have a storage tank installed. Given the specific circumstances of the Irish water network it is not possible to introduce a minimum bar pressure standard for water supply. In many places the current state of the network would also result in further leaks and pipe bursts was a bar standard to be introduced. In the consultation paper "Draft Irish Water Customer Handbook" (CER14087) the CER had included a provision relating to the pressure of the supply of water to a property. During the consultation ongoing review the CER noted that there may be significant differences in the quality of infrastructure at this point in time and that data availability is poor and thus the uniform pressure standard, as written in the draft Handbook, may not be appropriate until a more complete data set is available, together with cost implications. The CER has therefore removed this water pressure provision from the Handbook until further research is carried out on a more appropriate water

³⁰ For further information on this request please refer to sections 1.4.3 and 2.4.2

³¹ Please refer to section 8 of the customer handbook for a full set of codes of practice relating to the protection of vulnerable customers

pressure standard. Once this exercise is completed, the CER will update the Handbook accordingly.

While some countries impose an annual flat fee on domestic customers connected to recover the cost of public water services, the policy of the Irish Government is that customers should pay in accordance with usage. This view similarly guides the EU Water Framework Directive, which encourages water pricing policies around the ‘user pays’ principle. For this same reason, the Government last August commenced phase one of a national metering installation programme. By September 2016 the majority of Irish households will have a meter installed and pay in accordance with metered consumption. The CER therefore does not consider it appropriate to introduce a flat fee as it would be in contrast to the Government’s policy as well as render the installation programme (and the associated costs) meaningless.

Encouraging efficiencies is a central part of economic regulation which the CER applies to all its regulated utilities. CER’s proposals for seeking efficiencies within Irish Water’s operation are set out in the revenue review appendix to the water charges plan, which has been published alongside this document. In addition to operating costs and capital expenditure these efficiencies will also relate to Irish Water’s work programme; including the meter installation programme, investment in infrastructural upgrading, repair of leaks, and addressing boil water notices. Except from expanding networks to supply water from other areas, there are no ways of addressing hard water issues at the source.

The issues raised about accessing metering data have been addressed under section 3.8.1 in this paper. Please refer to this section for further information.

Irish Water’s non-domestic tariffs have not yet been developed. As part of Irish Water’s guiding tariff principles of equity and non-discrimination it is, however, not intended that domestic customers will be cross-subsiding businesses. The process for developing non-domestic tariffs can be found in CER/14/368.

The CER notes the proposal made about the need for penalties for late payment. In line with the policy Direction, free allowances are granted only to domestic customers paying charges in a timely manner. The CER has requested Irish Water to propose a procedure for the removal of allowances in its water charges

plan. Under the Act, Irish Water may also reduce the water pressure supplied to non-paying households to meet only basic domestic needs as a last resort.³²

In response to the proposal made to abolish water charges altogether, the CER reiterates that the commitment to introduce domestic water charges was agreed as part of the Programme of Assistance between the European Commission, the European Central Bank, the International Monetary Fund and the Irish State. Rather than deciding whether or not charges should be introduced, the role of the CER is to ensure that charges are reasonable and efficiently incurred.

Customers refusing meter installation will be based on an assessed charge instead. As suggested by one respondent, Irish Water will address the issue of meter refusal in its water charges plan, outlining any proposals for penalties on these customers it considers suitable.

At the Minister's request, the CER's will evaluate the establishment and operating costs of Irish Water as part of the revenue review. The CER will seek efficiencies in Irish Water's expenditure to ensure that only efficiently incurred costs are passed through to charges. Please refer to CER/14/366 for the full review.

3.14.2 CER's Decision

As per the Direction, the CER has directed Irish Water to include a question on rain water harvesting in its validation campaign and allow these customers priority meter installation.

The CER and Irish Water will carry out further research on an appropriate water pressure standard. Once this exercise is completed, the CER will update the Customer Handbook to define a minimum pressure standard.

The codes of practice published by the CER alongside this document include a definition of a minimum pressure standard for water supply.

In line with the Direction, the CER has directed Irish Water to provide a rebate mechanism for customers whose assessed charge is above a reasonable threshold by comparison to the subsequent metered usage. The CER has instructed Irish Water to propose a reasonable threshold and define any qualifying criteria surrounding a rebate.

³² For more information on reduction of supply please refer to section 7.10 of the Customer Handbook.

Through the revenue review and the accelerated metering programme, the CER will encourage Irish Water to continually install new meters in order to ensure customers pay charges in line with their metered consumption.

The CER has requested Irish Water to include procedure for the removal of allowances for customers failing to pay their charges in a timely manner in the water charges plan.

As part of the economic regulation of Irish Water, the CER will ensure that domestic customers are not cross-subsidising business customers.

3.15 Other Transitional Arrangements

The last question listed in the consultation paper asked “*Are there any other transitional arrangements that you believe should be considered to ease the introduction of charges/the transition from one tariff regime to another for both unmetered and metered households? Please explain your answer.*”

Comments to this question were received from 13 respondents. One respondent considered Irish Water’s proposals adequate. Another respondent proposed to delay charging from October 2014 until January 2015 to allow customers understand their consumption patterns. Four respondents highlighted the importance of metering, including the metering of apartments, to be escalated in advance of charging. A further respondent commented that there is little commitment from Irish Water to assist customers in apartments to ease the introduction of charges. A final comment on metering made by one respondent suggested that people should have a choice between paying a metered or assessed rate as long as they stay in the same property.

On the issue of fixing leakage rates, one respondent suggested that rules around responsibilities for possible leaks in the existing network should not be developed until the water infrastructure has been improved. Another respondent suggested that district meters are installed to monitor losses between the source and user providing an indication of water loss before it reaches the end consumer.

A proposal was received from one respondent, who suggested that people be given a grant to install dual flush toilets prior to the commencement of charges.

Another respondent suggested that fluoridation of water is reconsidered as the respondent had fears of potential long term health risks from this practice.

One respondent asked for clarity on whether charges would be calculated per litre or per cubic meter water consumed.

Lastly, two respondents sought clarity on the relationship between Irish Water, Local Authorities and group water schemes. Specifically, one respondent requested information on taking in charge, how group water schemes will be billed, the responsible party for bulk meters, and the safe delivery of water from the bulk meter to the member of the group water scheme. Another respondent proposed that Irish Water should be obliged to take over group water schemes immediately and that members of such schemes be placed on an assessed charge until meters have been installed. This respondent furthermore noted that it would be unjust to charge group water schemes for repair of leaks when schemes that have not been taken over will not be charged.

3.15.1 CER's Response to Comments

The CER supports the view that customers should be given an opportunity to adjust their consumption patterns in light of the introduction of meters. The CER has therefore directed Irish Water that customers with a meter installed prior to 01 October 2014 will have their bills capped at the equivalent assessed level for a period of six months. If a leak is identified as causing excessive usage on a metered property, the cap will extend until the leak has been fixed.

Following the publication of the consultation paper the Government has announced that Irish Water must accelerate the meter installation programme. With this decision it is expected that phase one of the metering programme will complete in mid-2016 rather than December 2016. Since the metering programme did not commence until August 2013, it will not be possible to meter all properties at the time of the introduction of charging. The CER will nonetheless encourage Irish Water to meet its metering deadlines through the revenue control process, as well as encourage metering of new properties (including apartments). This is furthermore supported by the Minister's announcement, which has stated that at minimum 46,000 apartments will be metered in the next installation phase. The CER will work to ensure that as many customers as possible are charged in line with their metered consumption.

As explained elsewhere in this document the CER does not support the proposal that customers should be allowed to choose between metered and assessed charges. The Government's policy is that customers should pay in accordance with usage – a view which is in line with the EU Water Framework Directive.

Furthermore, giving customers such a choice would render the meter installation programme (and the associated costs) meaningless.

In response to the suggestions made on leakage, the CER can confirm that a first fix policy has been funded by the Government to improve leakage rates. Similarly, Irish Water has implemented an IT system which identifies excessive water consumption points for the purpose of fixing leaks. The CER has requested Irish Water to include its proposed fixing policy in the water charges plan. The CER notes the suggestion to install district meters and has forwarded this proposal to Irish Water.

The CER notes the suggestion to issue grants for the installation of dual flush toilets. The CER supports efforts to conserve water and has directed Irish Water to prioritise customers with water harvesting systems for meter installation. Issuing grants are nonetheless a matter for Government outside the remit of the CER.

Similarly, fluoridation of water is a policy decision carried out by the HSE on behalf of the Government. The CER has no functions with regards to water quality regulation or health inspection.

Irish Water has been directed by the CER to set out its charging proposals in the water charges plan. For the calculation of water charges, the CER understands that water will be charged on the basis of each cubic meter consumed. As stated in the Direction, allowances will meanwhile be calculated in litres and off-set against the final bill. Irish Water's proposed charging plan has been published alongside this document.

The establishment of Irish Water does not imply that community-owned and community-run group water schemes will become Irish Water assets. Group water schemes (GWS) which are not connected to the public network will not receive a bill from Irish Water. Group water schemes which receive a public water supply will be treated as an Irish Water non-domestic customer. Irish Water will thus bill the GWS up till the point of the bulk meter. Charging beyond the bulk meter point as well as the safe delivery from there to the end user will remain the responsibility of the GWS. The Planning and Development Act provides for local authorities to take in charge group water schemes under certain circumstances. The CER understands that local authorities are currently in negotiation with the Government about the future role of local authorities with regards to taking in charge.

3.15.2 CER's Decision

As per the Direction, the CER has directed Irish Water to introduce a bill cap for customers moving from an assessed to a metered charge to ease the transition.

As announced by the Minister, the CER will encourage Irish Water to accelerate its metering installation programme and provide incentives for Irish Water to begin new metering phases, including the installation of meters in apartments, through the revenue review.

4.0 Conclusions and Next Steps

4.1 Summary

The following summarises the CER's views on the questions put to consultation. These views have formed the CER's requirements for Irish Water developing its water charges plan.

- Irish Water shall develop its domestic water charges around the principles of equity and non-discrimination, efficiency in use of water services, cost reflectivity, cost recovery, stability and simplicity.
- Irish Water shall progress with a national tariff for domestic water customers. In line with the Minister for the Environment, Community and Local Government's (the Minister) statement³³, the average annual household bill after allowances shall not exceed €240.
- Specific provisions shall apply where water is unfit for human consumption as defined by Health Service Executive (HSE)/Environmental Protection Agency's (EPA) process(es).
- Provision is to be made for customers whose quality of water services is impaired. The CER considers an impaired service a water supply which is declared unfit for human consumption under HSE/EPA process(es).
- Customers who receive a water supply which is unfit for human consumption shall have a 50% reduction applied to the water supply portion of the customer's bill. This 50% reduction in charges should apply after allowances, from the first full day of the water being deemed unsuitable for human consumption by the HSE or EPA, except in cases of force majeure. The reduction will apply for the full duration of the restriction.
- Irish Water is responsible for identifying those customers who should receive a tariff reduction (meaning that the customer should not need to identify themselves to Irish Water to be eligible for a rebate).
- Irish Water shall make provision for customers with specific medical conditions requiring increased water consumption. Such provision will include capping of water charges at the relevant assessed charge. Information on eligible conditions³⁴, including how these customers will be identified and billed, shall be included in the water charges plan.

³³ The full announcement can be accessed [here](#)

³⁴ Set out by the Minister for the Environment, Community and Local Government in consultation with the Minister for Health.

- Irish Water shall incorporate a 30,000 litre annual household allowance for domestic customers for usage in their primary residence. The free household allowance applies to domestic customers who pay their charges in a timely manner. Irish Water shall propose a process for withdrawal of allowances in its water charges plan.
- An estimated 38,000 litre annual allowance for the normal water consumption of a child shall be included in the water charges plan. Irish Water shall provide consumption data to verify the normal consumption of a child in the water charges plan and justify any required adjustment to the allowance alongside supporting data. The child allowance shall be granted for usage in the child's primary residence.
- Allowances should be split into four equal parts to allow even distribution of the allowance over a 12 month period. Any units not used within one quarter may be carried over within the 12 months from the date which it commenced. No units may be carried over into the next 12 month period. The first allowance period will begin on 01 October 2014.
- No standing charges will be permitted for domestic customers within the water charges plan. A minimum annual charge for each service may be applied to properties unoccupied as primary residences. Irish Water shall propose such a minimum charge in its water charges plan.
- Wastewater tariffs should be structured the same way as water tariffs. Tariffs should be split 50:50 between water and wastewater with separate tariffs for each service.
- Irish Water shall hold the domestic component of mixed use properties liable for charging from 01 October 2014, as provided for in legislation. Irish Water must detail how it intends to recover charges from mixed use customers in its water charges plan
- Irish Water shall bill domestic customers on a quarterly basis and provide customers with flexible payment options.
- The assessed tariff shall be based upon occupancy only. Irish Water shall propose potential rules and bands for an assessed tariff in its water charges plan.
- A bill cap shall apply where a customer's charges increase upon installation of a meter. The customer's bill is to be capped at the equivalent assessed charge for 6 months from the first billing period following meter installation or 1 October 2014, whichever is latest. This means that customers who have a meter installed before 1 October 2014 will have their bills capped at their equivalent assessed charge for a period of 6 months.

- Where a first fix policy issue is identified, the cap will extend until the leak is repaired. Irish Water shall include its proposal for a first fix policy in the water charges plan.
- An automatic rebate shall be given to customers whose assessed charge is above a reasonable threshold compared to subsequent metered usage. The rebate should reflect the period that the same customer was liable for the assessed charge at the same address. Irish Water shall propose a definition of a reasonable threshold for applying a rebate in its water charges plan and make proposals for terms and conditions surrounding the rebate.
- Irish Water shall include a question on rain water harvesting system in their validation package. Customers with such systems installed shall be offered priority meter installation.

4.2 Next Steps

The CER has published Irish Water's water charges plan for consultation, which will conclude on Thursday 28 August 2014.

A separate decision paper on Irish Water's codes of practice has been published alongside this document.

Following a review of the comments submitted to the water charges plan consultation, the CER may approve, reject or modify Irish Water's proposed water charges plan.

The CER intends to publish a final decision on the water charges plan in September 2014, which will include a decision on the structure and level of domestic tariffs.

Prior to the introduction of domestic water charges in October 2014, Irish Water will contact all customers to validate their details and provide information about the applicable charge and payment options. Domestic customers should expect to receive their first bill in January 2015 for usage in arrears.

Definitions and Abbreviations

Average charge: In line with the Water Charges Policy Direction 2014, the CER defines the average charge per household as (total revenue recoverable from households) divided by (number of adjusted households) – where adjusted households is a weighted sum of households receiving combined service and single service where the weights are 1 and 0.5 respectively.

EPA: The Environmental Protection Agency, which is the water quality regulator in Ireland.

HSE: The Health Service Executive

Interim regulatory cycle: The interim regulatory cycle will run from 01 October 2014 to 31 December 2016.

The Minister: The Minister for the Environment, Community and Local Government

The Act: The Water Services (No. 2) Act 2013

The Direction: The Water Charges Policy Direction 2014