An Coimisiún um Rialáil Fóntas
Commission for Regulation of Utilities

# Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework

## CRU Decision Paper

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# CRU Strategic Plan 2022-2024

## Our Mission

Protecting the public interest in Water, Energy and Energy Safety.

## Our Vision

Safe, secure and sustainable supplies of energy and water, for the benefit of customers now and in the future.

## Our Strategic Priorities

- Ensure security of supply
- Drive a low carbon future
- Empower and protect customers
- Enable our people and organisational capacity

# How To Navigate This Paper

This Decision Paper sets out the Commission for Regulation of Utilities' ('CRU') decision on Uisce Éireann's Non-Domestic Tariff Framework and New National Trade Effluent Charging Arrangements proposals to:

- update tariffs business customers pay Uisce Éireann for supplying water to their premises, and for removing wastewater from their premises; and
- introduce a new national harmonised trade effluent charging framework that sets how Uisce Éireann will charge business customers for removing trade effluent from their premises.

The CRU recognises that this is a large paper and covers a range of decisions on tariff design policy considerations, new tariff rates as well as how customers' bills are likely to be impacted.

To assist readers to navigate this Decision Paper, it is divided into three core parts:

- **Part A – Introduction, Context and High-level Overview of the CRU Decisions**
- **Part B – CRU Decision on Tariff Design Changes**
- **Part C – Tariff Rates & Customer Bill Impacts**

The following provides an overview of the key content, policy topics and CRU decisions contained within each Part. This guidance will allow readers to more easily locate the section(s) that are of key interest to them. Please note that the CRU has also published a Responses Paper (CRU202461) which summarises the principal comments received as part of the CRU Consultation and provides the CRU's response to each of the principal comments raised by stakeholders and affected customers.

### Part A – Introduction, Context and High-level Overview of the CRU Decisions

If readers are interested in gaining only a high-level overview of the CRU's decision on each proposed change to Uisce Éireann's charging framework and resulting impacts to tariff rates and customer bills, please read Part A.

1. **Section 1** sets out the background, context, which customers will be affected by Uisce Éireann's Non-domestic and Trade Effluent Tariff Framework on 01 October 2024, and the purpose of this Decision Paper.

2. **Section 2** presents the high-level summary of CRU decisions on Uisce Éireann's proposals to the charging framework, as well as the resulting impacts on tariff rates and customer bills for October 2024. It also sets out the CRU's decision on the 5 key topics of consultation on which the CRU sought feedback.

3. **Section 3** discusses the planned approach for future consultations, including the 2nd phase of consultation, i.e., to set tariffs for 01 October 2025, and the 3rd phase of consultation i.e., to set tariffs for 2026 onward.

### Part B – CRU Decision on Tariff Design Changes

If readers are interested in the details of the CRU's decisions on Uisce Éireann's proposed tariff design changes, please read Part B.

This part presents the CRU's decisions on Uisce Éireann's proposals in respect of each of the four elements of tariff design for water, wastewater, and trade effluent service provision. Namely, the geographic basis of charging, how connections are classified into tariff classes, how tariffs are structured, and how costs are allocated to each customer class.

4. **Section 4** sets out the CRU's decision on proposals to change the existing **water and wastewater** tariff classes.

5. **Section 5** sets out the CRU's decision on proposals to introduce new harmonised national **trade effluent** charging arrangements, tariff classes, and tariff structure.

6. **Section 6** sets out the CRU's decision on proposals for how costs are allocated to each **water, wastewater, and trade effluent** tariff class.

Key CRU Decisions in Part B include the CRU decisions on Uisce Éireann's proposals to introduce a new water tariff class, proposals to classify trade effluent into three tariff classes and introduce a new trade effluent charging structure, as well as proposals to allocate costs to each of the water, wastewater, and trade effluent customer classes.

### Part C – Tariff Rates & Customer Bill Impacts

If readers are interested in the new water, wastewater and trade effluent tariff rates, bill capping arrangements, customer bill impacts, and when Uisce Éireann's trade effluent charging arrangements will be implemented, please read Part C.

7. **Sections 7, 8 and 9** present the new **water and wastewater** tariff rates, the CRU's decision on the bill capping arrangement and how customers' bills are likely to be impacted on 01 October 2024.

8. **Sections 10, 11 and 12** set out indicative **trade effluent** tariff rates, the CRU's decision on specific trade effluent charges and when trade effluent tariffs will be implemented, and how trade effluent customers' bills would be impacted if Uisce Éireann's indicative trade effluent tariff rates were applied to trade effluent customers.

Part C also identifies other charging rules and processes that relate to these charging proposals.

9. **Section 13** covers topics including trade effluent legacy agreements/contracts, 'Water In Not Equal to Water Out' agreements, the CRU's decision on removing perverse incentives inherent in the tariff design and the CRU's decision on proposed amendments to the 'Tariff Application Rules' and Uisce Éireann's proposal to apply trade effluent charges to customers who do not have a trade effluent licence.

10. **Section 14** sets out the next steps to this paper.

Key CRU Decisions in Part C include the implementation date for the new trade effluent tariffs applied to customers' bills, bill capping arrangements for water and wastewater customers on 01 October 2024, and the decision to fully unwind bill capping arrangements and transition all water and wastewater connections to cost-reflective tariffs by 01 October 2026.

## APPENDIX

11. **Section 15 -** Appendix 1 provides a summary list of CRU's decisions on Uisce Éireann's proposals on Design Element 4 - Cost Allocation to Domestic, Non-Domestic and Trade Effluent Customer Classes.

# Executive Summary

Uisce Éireann charges non-domestic customers for supplying water to their premises and for removing wastewater from their premises. Uisce Éireann also charges non-domestic customers for removing trade effluent from their premises. Trade effluent is a type of wastewater that can have a composition that can be more polluting than regular wastewater, which can be more costly to treat and dispose of into the environment thereby justifying an additional or separate charge for this type of effluent.

This Decision Paper sets out the Commission for Regulation of Utilities' ('CRU') decision on Uisce Éireann's Non-Domestic Tariff Framework and New National Trade Effluent Charging Arrangements proposals for:

- new non-domestic water and wastewater tariffs to apply to its non-domestic customers on 01 October 2024[1]; and
- a new national harmonised trade effluent charging framework to apply to its trade effluent customers. Uisce Éireann proposed to implement the new trade effluent charging arrangements on 01 October 2026[2].

Uisce Éireann's *Customer Information Paper* published on Uisce Éireann's website Business charges | Business | Uisce Éireann (formerly Irish Water), and should be read in conjunction with this Decision Paper. Uisce Éireann's *Customer Information Paper* provides case studies for water, wastewater, and trade effluent services to help customers understand how they are likely to be impacted by the new non-domestic water and wastewater tariffs, bill capping arrangements for water and wastewater connections, and indicative trade effluent tariffs. The accuracy of the information and analysis presented in the *Customer Information Paper* is the responsibility of Uisce Éireann.

## BROADER POLICY AND ENVIRONMENTAL CONTEXT

Uisce Éireann's charging regime plays an important role in achieving broader policy objectives of incentivising conservation, protecting the environment, and taking action to mitigate harmful impacts to the world's climate.

For example, the Water Framework Directive 2000/60/EC sets the requirement for water utilities to implement economic principles of cost recovery of water services, including environmental and resource costs and the polluter pays principle. Moreover, the recent provisional agreement[3] to revise the Urban Wastewater Treatment Directive includes introducing "…extended producer responsibility…", which further strengthens the 'polluter pays principle' requirements. Tariff

[1] The tariff rates will apply on 01 October 2024 for a 12-month period which commences on 01 October 2024 and runs to 30 September 2025.
[2] Please note that the CRU's decision on this topic is further discussed and set out in Section 11 of this paper.
[3] *"Urban wastewater: Council and Parliament reach a deal on new rules for more efficient treatment and monitoring"* – available at the following link.

design is critical to not only cost recovery but also creating incentives for consumers to conserve use and reduce the level of pollutants discharged at source into the wastewater network. This aligns with key policies and directives to ensure the delivery of sustainable and secure water services in the best interest of customers now and into the future.

Updating Uisce Éireann's charging regime is also consistent with the Water Services Policy Statement 2024-2030[4] with the key priority to ensure that public water services are sustainable, that climate targets are met for the sector, and that water conservation forms a cornerstone of water policy.

Furthermore, the government's Climate Action Plan 2024[5] charts Ireland's course towards ambitious decarbonisation targets. The need to reduce consumer demand and transition to a low-carbon future is a core theme impacting all sectors. For example, the CRU published a new National Energy Demand Strategy Consultation Paper[6] to call on all stakeholders to reduce electricity demand and increase demand flexibility, particularly during times of high-carbon intensity generation. Similarly, in respect of the water sector, the system of charging can play an important role in creating strong incentives for consumers to use water and wastewater services efficiently, to help achieve climate resilience and protect the environment.

Additionally, Ireland is committed to implementing the Energy Efficiency First Principle across planning, policy and major investment decision processes, as required under Article 3 of the Recast Energy Efficiency Directive[7]. Water tariffs play a role in incentivising water efficiency and therefore also in reducing the energy required for treating and transporting water and wastewater.

## UISCE ÉIREANN'S NON-DOMESTIC TARIFF FRAMEWORK

Uisce Éireann's water and wastewater non-domestic tariff rates are set under the CRU approved Non-Domestic Tariff Framework and as set out in the CRU approved Water Charges Plan[8]. The Framework was established in 2019 and created a national set of harmonised charging arrangements for the supply of water to a non-domestic premises and for removing wastewater from their premises. It represented a significant milestone in water tariff policy reform in Ireland and created a more transparent, simple, and equitable system of charging for Uisce Éireann's non-domestic water and wastewater customers[9].

The new harmonised non-domestic water and wastewater tariffs were introduced and applied to customers' bills on 01 October 2021. The new tariffs were fixed for 3 years to provide price

[4] "*Water Services Policy Statement 2024 - 2030"* - available at the following link.
[5] "*Climate Action Plan 2024"* – available at the following link.
[6] "*National Energy Demand Strategy Consultation (CRU/2023148)"* –21 December 2023 - available at the following link.
[7] Article 3 of the Recast Energy Efficiency Directive - available at the following link.
[8] The approved 'Water Charges Plan' as of the publication date of this Decision Paper: "*Uisce Éireann Water Charges Plan – Scheme of approved charges applicable from 17 November 2023"* – available at the following link.
[9] For clarity, the term 'customer' in this paper should be interpreted as a connection at a customer's premises to the public water or wastewater network.

certainty and stability to customers and allow customers to gradually transition from their old tariff rates to the new enduring tariff rates. The 3-year transition period expires on 30 September 2024.

The Framework, however, does not contain a national set of harmonised charging arrangements to apply to connections licensed to discharge trade effluent into Uisce Éireann's wastewater network. As a result, there is a wide range of separate trade effluent charging arrangements currently in place across the country. These vary in level, structure, and application. Many of the existing trade effluent charging arrangements have weak incentives to reduce the level of pollutants and volume of trade effluent discharged into Uisce Éireann's wastewater network.

## NEED TO UPDATE THE FRAMEWORK

The CRU asked Uisce Éireann to update the existing Framework for the purposes of:

1. generating a suite of tariffs to apply to non-domestic connections at the end of the 3-year transition period (that is, on 01 October 2024) that reflect up-to-date revenue[10] and customer input data; and

2. generating proposals for new harmonised trade effluent charging arrangements and importantly integrating these proposals into the Non-Domestic Tariff Framework.

Updating the Non-Domestic Tariff Framework to reflect up-to-date revenue and customer input data is important to ensure tariff levels are not out of line with the costs of providing these services and minimise the risk of a large step change in tariff levels over future years. It will also ensure that costs are allocated across tariff classes and services in an equitable and transparent manner in line with the Frameworks' cost allocation rules.

The CRU has also asked Uisce Éireann to generate proposals for charging for trade effluent services and importantly integrate these proposals into the Non-Domestic Tariff Framework. This will ensure that Uisce Éireann's charges for providing water, wastewater, and trade effluent services for all of Uisce Éireann's customers are based on the same cost basis, the same customer input data and the same cost allocation rules, which are applied in a consistent and transparent manner across all of Uisce Éireann's tariff customer classes - domestic, non-domestic and trade effluent customer classes. This will have the benefit of generating tariffs that reflect the costs of providing these services to customers, and thereby minimise cross-subsidisation across customer classes and services in line with the EU Water Framework Directive.

The CRU recognises the concern over steep increases in some customer bills and initially included transitional arrangements when the new framework was implemented on 01 October 2021. Transitional arrangements were necessary due to the consolidation of over 500 different charges for the provision of water and wastewater across the country and to rationalise these into 4 national tariff classes, a significant reform to tariff charging policy and how customers

[10] That is, Uisce Éireann's allowed revenue determination "*Irish Water Revenue Control 3 – Interim Review Decision Paper (CRU/2022977)"* – 23 November 2022, which was the most up-to-date approved revenue available to Uisce Éireann when it developed its tariff proposals (from the end of 2022 to Q3 2023).

were charged for water and wastewater services. The Framework allowed customers three years to adjust, including a 10% cap on annual bill increases for those facing increases of €750 or more as a result of the new tariffs over the 3-year period to protect customers from very large bill increases. However, this capping resulted in about 8,300 customers not paying cost-reflective tariffs after the transition period. The CRU is committed to consulting on the need for any further transitional arrangements for these connections after the 3-year transitional period is completed, with a view to minimising the risk of a large step change in tariff levels for these connections when they move to their new enduring tariffs. The CRU now aims to eliminate this inequity promptly to ensure a fair and equitable system of charges where all connections pay the prevailing cost reflective tariffs, and thus pay the same price for the same service.

## CRU CONSULTATION PAPER & RESPONSES RECEIVED

In December 2023[11], Uisce Éireann submitted its proposals to update the existing Framework, and the CRU consulted on Uisce Éireann's proposals for 9 weeks, from 21 December 2023 to 22 February 2024. The CRU sought the views of the water industry, non-domestic customers, and all other interested parties on Uisce Éireann's tariff design and bill capping arrangements proposals.

The CRU received 14 responses (CRU202463a - CRU202463l) from the public to the consultation from a wide range of stakeholders and interested parties, including individual businesses, business representatives/associations, farming representatives, and public group water schemes. The CRU has also sought clarifications from a number of respondents on the points they raised to fully understand their responses. Additionally, the CRU has held stakeholder engagement meetings with the relevant departments, agencies and organisations to ensure all the key points raised by respondents are addressed.

After careful consideration of the comments received and further stakeholder engagement, the CRU engaged with Uisce Éireann to undertake further tariff analysis and has come to a final decision on Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework. This Decision Paper is drafted to inform affected customers and interested parties of the CRU's final decision on Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework.

Additionally, the CRU requested that Uisce Éireann take account of points raised by respondents as it operationalises and implements the updated Framework, prepares its *Customer Information Paper* to explain how customers may be affected by the new tariffs and its communication plan with stakeholders and customers over the coming months.

The CRU has also published a Response Paper (CRU202461) to respond to each of the key points raised by stakeholders and affected customers.

[11] "*Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework CRU Consultation Paper (CRU/2023149)"* – 21 December 2023 - available at the following link.

## SUMMARY OF CRU'S DECISION ON UISCE ÉIREANN'S PROPOSED CHANGES TO THE TARIFF FRAMEWORK

The CRU's decisions on the principal changes proposed by Uisce Éireann to the existing Tariff Framework are outlined below:

### ***Approved Uisce Éireann Proposals***

### Approved Changes to Input Data of the Framework

1. **Updated revenue data**

   Uisce Éireann has updated the Framework to reflect Uisce Éireann's allowable revenue for 2024 as set out in the CRU Consultation Paper published in December 2023, which was determined in Revenue Control 3 ('RC3')[12]. The existing tariffs reflect Uisce Éireann's allowed revenue amount for 2019. It's worth highlighting that non-domestic customers are currently paying below cost-reflective tariffs as the tariffs that were decided upon in 2019 have remained unchanged over the last five years. The updated tariffs for October 2024 account for the necessary revenue increase spanning the years from 2019 to 2024 which were not accounted for in the existing non-domestic charges. This update is essential to align the tariff levels to reflect the underlying costs of delivering these services.

   Uisce Éireann's 2024 allowed revenue amount of €1,474m (in 2024 prices) represents an increase of €371m (or 34%) in nominal terms. This increase reflects the significant and necessary investment and operational expenditure being incurred by Uisce Éireann to improve public water and wastewater infrastructure and services over this 5-year period. This investment will enhance the quality, security and efficiency of water and wastewater service provision for all customers.

2. **Updated customer data (i.e., cost drivers[13])**

   Customer volume and connection data are used to allocate costs (and reflected in 'cost drivers') to different customer classes. Uisce Éireann has updated the Framework to reflect 2021 customer volume and connection data. The existing tariffs were generated using 2017 customer data.

   The CRU has approved Uisce Éireann's proposal to introduce a third type of customer data (per class), to inform cost allocation, called 'Population Equivalent[14] ('PE'). PE relates to the 'load' of wastewater (and captures both the volume and pollutant 'strength' of the wastewater). The CRU is of the view that using PE to allocate costs to customer classes

[12] That is, Uisce Éireann's allowed revenue determination "*Irish Water Revenue Control 3 – Interim Review Decision Paper (CRU/2022977)"* - 23 November 2022, which was the most up-to-date approved revenue available to Uisce Éireann when its tariff proposals were developed (from Q4 2022 to Q3 2023).

[13] Cost drivers are the parameters driving the costs of providing services to customers. It is an essential part of cost allocation, as they determine how the share of each cost category is allocated to each customer class.

[14] Uisce Éireann defines PE as: *"A term used to indicate the pollution load or strength of wastewater. It includes the pollution load generated by the resident population, the non-resident population (for example, tourists) and industries. A load of 1 PE, or 60 g BOD/day, is assigned for every person."*

and trade effluent tariff structure aligns with the polluter pays principle, that is, customers discharging high-strength trade effluent should pay higher charges than customers discharging low-strength wastewater (for the same volume of trade effluent discharged).

## Approved Changes to Tariff Design Elements of the Framework

The following tables summarise the CRU's decision on Uisce Éireann's proposal on the principal aspects of the Non-Domestic and Trade Effluent Tariff Framework tariff design elements. The CRU has approved Uisce Éireann's proposal (noted in green text) under the CRU's decision in the tables below) on the design elements 1, 2 and 3 for water, wastewater, and trade effluent services.

- **Design Elements 1, 2 & 3: Geographic Basis of Charging, Customer Classification and Tariff Structure – Water & Wastewater**

<table>
<tr><th>Existing Tariff Framework</th><th>The CRU's Decision</th></tr>
<tr><td colspan="2">Design Element 1: Geographic Basis of Charging</td></tr>
<tr><td>Water and Wastewater tariffs to apply on a national basis</td><td>No change</td></tr>
<tr><td colspan="2">Design Element 2: Customer Classification</td></tr>
<tr><td>4 separate metered classes for water and wastewater services:<br><table><tr><th colspan="2">Water and Wastewater Customer Classes</th></tr><tr><th>Tariff Class</th><th>Annual Consumption (m3)</th></tr><tr><td>Band 1</td><td>Less than 1,000m3</td></tr><tr><td>Band 2</td><td>Between 1,000m3 and 19,999m3</td></tr><tr><td>Band 3</td><td>Between 20,000m3 and 249,999m3</td></tr><tr><td>Band 4</td><td>Equal to or greater than 250,000m3</td></tr></table></td><td>Approve Proposal<br>5 metered classes for water services:<br><table><tr><th colspan="2">Water Customer Classes</th></tr><tr><th>Tariff Class</th><th>Annual Consumption ($m^3$)</th></tr><tr><td>Band 1</td><td>Less than 1,000 $m^3$</td></tr><tr><td>Band 2</td><td>Between 1,000 $m^3$ and 19,999 $m^3$</td></tr><tr><td>Band 3</td><td>Between 20,000 $m^3$ and 249,999 $m^3$</td></tr><tr><td>Band 4</td><td>Between 250,000 $m^3$ and 2,299,999 $m^3$</td></tr><tr><td>Band 5</td><td>Equal to or greater than 2,300,000 $m^3$</td></tr></table>Retain 4 metered classes for wastewater services:<br><table><tr><th colspan="2">Wastewater Customer Classes</th></tr><tr><th>Tariff Class</th><th>Annual Consumption (m3)</th></tr><tr><td>Band 1</td><td>Less than 1,000m3</td></tr><tr><td>Band 2</td><td>Between 1,000m3 and 19,999m3</td></tr><tr><td>Band 3</td><td>Between 20,000m3 and 249,999m3</td></tr><tr><td>Band 4</td><td>Equal to or greater than 250,000m3</td></tr></table></td></tr>
<tr><td>2 unmetered classes for water and wastewater services</td><td>No change</td></tr>
<tr><td colspan="2">Design Element 3: Tariff Structure</td></tr>
<tr><td>Tariffs to apply on a per connection basis</td><td>No change</td></tr>
<tr><td>Separate charge for water and wastewater services</td><td>No change</td></tr>
</table>

| Existing Tariff Framework | The CRU's Decision |
|---|---|
| Two-part metered tariffs (with a fixed and a variable component) | No change |
| A single, fixed charge per service to unmetered connections | No change |
| A national Domestic Allowance for mixed-use connections | No change |

- **Design Elements 1, 2 & 3: Geographic Basis of Charging, Customer Classification and Tariff Structure – Trade Effluent**

<table>
<tr><th>Reflected in Uisce Éireann's Proposals</th><th>The CRU's Decision</th></tr>
<tr><td colspan="2">Design Element 1: Geographic Basis of Charging</td></tr>
<tr><td>Trade effluent tariffs to apply on a national basis.</td><td>Approve Proposal</td></tr>
<tr><td colspan="2">Design Element 2: Customer Classification</td></tr>
<tr><td>3 metered classes for trade effluent services, differentiated by a combination of both business activity and annual consumption ($m^3$):
<table>
<tr><th colspan="2">Trade Effluent Customer Classes</th></tr>
<tr><th>Tariff Class</th><th>Business Activity & Annual Consumption (m3)</th></tr>
<tr><td>TE Category 1</td><td>• Commercial Activities<br>• Industrial Activities with annual consumption of less than 1,000m3</td></tr>
<tr><td>TE Category 2</td><td>• Industrial Activities with annual consumption of between 1,000m3 and 249,999m3</td></tr>
<tr><td>TE Category 3</td><td>• Industrial Activities with annual consumption equal to or greater than 250,000m3</td></tr>
</table>
</td><td>Approve Proposal</td></tr>
<tr><td>2 unmetered classes for trade effluent services.</td><td>Approve Proposal</td></tr>
<tr><td colspan="2">Design Element 3: Tariff Structure</td></tr>
<tr><td>Tariffs to apply on a per connection basis.</td><td>Approve Proposal</td></tr>
<tr><td>Multi-part metered tariffs for each trade effluent tariff class comprising the following fixed and variable components:<br>• Standing Charge<br>• Variable Charge (uniform volumetric rate or Mogden structure depending on trade effluent tariff class)<br>• Trade effluent specific 'Compliance and Licensing' Charge, which is fixed but varies by TE category</td><td>Approve Proposal</td></tr>
</table>

| Reflected in Uisce Éireann's Proposals | The CRU's Decision |
|---|---|
| Unmetered trade effluent tariffs comprising the following fixed components:<br>• A single, fixed charge per annum for trade effluent unmetered connections<br>• Trade effluent specific 'Compliance and Licensing' Charge | Approve Proposal |
| A national Domestic Allowance for trade effluent mixed-use metered connections. | Approve Proposal |

***Rejected Uisce Éireann Proposals***

## Rejected Changes to Tariff Design Elements of the Framework

After stakeholder engagement and in response to stakeholder feedback, the CRU has rejected three of Uisce Éireann's proposals that were published in December 2023. These are outlined below:

1. **Application of a 'Treatment Plant' Adjustment to the Allocation of Treatment Costs to Industrial Trade Effluent Connections (See Section 6.3.5 and Section 6.4.3):** The CRU has decided to reject Uisce Éireann's proposal to introduce a 'treatment plant adjustment' applied to industrial trade effluent connections. The CRU is of the view that this proposed adjustment contravenes the existing established Framework i.e., diverges from the national charging approach that underpins the Framework, where tariffs are set to reflect the national average costs of providing water or wastewater services to customers, not the costs of the specific assets which customers use locally. Therefore, this proposal is rejected due to its inconsistency with the existing Framework.

2. **Proposed Changes to Increase 'Network Location' Cost Driver Adjustment Levels for Band 4 Wastewater Connections (See Section 6.4.2):** The CRU has decided to reject Uisce Éireann proposal to increase the network location adjustment values that apply to the allocation of wastewater collection Opex and Capex costs as per the current Framework for Band 4 wastewater connections (i.e., from 10% 'Network Location' adjustment under the existing Framework to proposed 20% 'Network Location' adjustment) in the absence of strong evidence that the change would be more cost-reflective.

## Rejected Changes to Transitional Arrangements

3. **Transition all connections to cost-reflective tariffs by 01 October 2026 and billing capping arrangements for 01 October 2024 – Water and Wastewater Service**

| Existing Tariff Framework | Uisce Éireann's Proposals | CRU's Proposals in Consultation | The CRU's Decision |
|---|---|---|---|
| Uisce Éireann to apply a 10% cap automatically (if required) on the maximum annual bill increase, where customers will see an annual bill increase of €750 or greater. | Uisce Éireann to apply a 15% cap automatically if, on 01 October 2024, your annual bill increases by at least €250 and that increase represents at least a 15% increase in your annual bill (based on their previous year's consumption). | Uisce Éireann to apply a 100% cap automatically if, on 01 October 2024, your annual bill increases by at least €750 and that increase represents at least a 100% increase in your annual bill (based on their previous year's consumption), with similar arrangements for 01 October 2025. | Uisce Éireann to apply a **75%** cap automatically if, on 01 October 2024, your annual bill increases by at least €750 and that increase represents at least a 75% increase in your annual bill (based on their previous year's consumption), with similar arrangements for 01 October 2025[15]. |
| | No proposals to end transitional arrangements | Transition all connections to cost reflective tariffs by 01 October 2026. | Transition all connections to cost reflective tariffs by **01 October 2026**. |

### ***Context***

Under the current bill capping arrangements, there are a small number of connections at the end of the 3-year transition period (approximately 8,300 out of 188,625) that will not be paying cost-reflective tariffs for the services they receive (due to the application of the 10% bill capping arrangements), while the majority of connections pay the enduring rates as determined in 2019, creating inequity across the customer base. Please note, Uisce Éireann has previously sent out an individual 'customer tariff letter' to notify every non-domestic customer of its annual quantity, customer classification, cost-reflective bill and capped bill if a cap applies. A similar letter will be issued to every customer at least 30 days prior to the introduction of any changes to the charges applied to its bill.

### ***Need to unwind bill capping arrangements as soon as feasible***

The CRU is actively exploring the most effective solution to address this inequity between customers paying cost-reflective charges and those availing of the bill capping arrangements. The CRU wishes to reduce this current inequity between customers as soon as feasible.

[15] The 'similar' monetary and capping percentage thresholds for the capping arrangements to apply on 01 October 2025 will be consulted on in the 2nd phase of consultation. This phase will focus on setting tariffs for 01 October 2025. Please see Section 3.1.2 for more details.

Prolonged bill-capping arrangements create an inherent inequity across the customer base. Applying such arrangements every time tariff levels are updated stores up a problem over future years of growing the difference between what customers should be paying (i.e. cost-reflective tariffs) and what they are paying (capped tariffs). Those customers who receive yearly capping arrangements will move further and further away from paying the prevailing cost-reflective tariffs. Continued discrepancies could have detrimental impacts to competition across the country, especially new businesses that are not eligible for the bill cap compared to the existing businesses that can avail if they meet the eligibility criteria. The CRU is strongly of the view that bill capping arrangements should only be a temporary measure, and a key objective of tariff reform is to have an equitable system of charges where cost-reflective tariffs are set for all customers, and thus the same price is paid for the same service.

### ***Stakeholder Feedback and CRU Decision***

The CRU received a significant level of engagement from the public on the appropriate level to set the bill cap thresholds. Respondents expressed their disagreement with the CRU's alternative proposals, and no respondents explicitly preferred CRU's proposal over Uisce Éireann's proposal. Acknowledging the feedback received, the CRU re-examined the level of capping and is of the view that the customers receiving a bill cap would move further and further away from their prevailing cost-reflective tariffs under Uisce Éireann's bill capping proposal.

The CRU has decided to approve the application of a 75% cap on the maximum annual bill increase for all connections facing annual bill increases by at least €750 and that increase represents at least a 75% increase in their annual bill (based on previous year' consumption) on 01 October 2024 (with similar arrangements for 01 October 2025). Implementing a 75% cap rather than a 100% cap on bill increases for customers facing a bill increase of €750 or greater strikes a balance between phasing out the inequities across the customer base and avoiding sudden steep bill increases for a small cohort of customers. Reducing the cap provides greater relief to customers[16] who will experience very large bill increases as it allows for a more gradual adjustment to the new tariff rates, minimising the financial impact during the transition period. This approach will thereby alleviate some of the immediate financial pressures.

Ending all transitional arrangements on 01 October 2026 will support competitiveness. The CRU is of the view that this decision ensures a level playing field where cost-reflective tariffs are set for all customers. Currently, there is a small number of customers (0.3%, approx. 540 connections) eligible for the bill capping arrangements to apply on 01 October 2024, while the majority of the non-domestic customer base (99.7%, approx. 188,085 connections) pays the cost-reflective tariffs (See Section 8.2.2 in the CRU Decision Paper). This discrepancy creates an uneven competitive landscape. Ultimately, ending the transitional arrangements promotes fairness, and uniformity in tariff application, enhancing overall market competitiveness.

Unwinding the capping arrangements over the next two years will ensure all customers pay tariffs that accurately reflect the cost of the services they receive. This approach aligns with EU Water Directive objectives and Irish government policy, promoting fairer competition by ensuring that all businesses face similar costs for water and wastewater services. The existing caps,

[16] Customers refers to those who would meet the eligibility criteria for bill capping arrangements.

while initially helpful, now result in inequitable cost distributions among customers, with some paying significantly less than the actual cost of services. By phasing out these caps, the CRU aims to ensure all customers pay prevailing cost-reflective rates.

Please note, that the tariffs set out in this Decision Paper are set to be cost-reflective, which is a core tariff principle that the CRU has required Uisce Éireann to follow.

## COST ALLOCATION OUTPUT OF UISCE ÉIREANN PROPOSALS

As part of the update to the Framework, Uisce Éireann updated its cost allocation exercise to examine the costs of separately providing water, wastewater, and trade effluent services to both the domestic and non-domestic customer bases (as relevant), and to each individual non-domestic water, wastewater, and proposed trade effluent customer classes.

The output of Uisce Éireann's cost allocation to the non-domestic sector by service is broken down as follows:

| Percentage of Allowed Revenue Costs Allocated to the Non-Domestic Sector | | | | | |
|---|---|---|---|---|---|
| | Service | | | | Total |
| | Water Supply | Wastewater | Trade Effluent | Other[17] | |
| Existing Framework – Cost Allocations | 11.25% | 8.76% | 1.54% | 1.43% | 22.98% |
| Cost Allocations for October 2024 | 12.00% | 5.92% | 5.22%[18] | 0.84% | 23.99% |

The non-domestic share has increased from 22.98% to 23.99% as a result of updating customer information data and Uisce Éireann's cost allocation rules. The primary change to the percentage 'share' of total allowed revenue costs allocated across each non-domestic service is a reduction in the 'share' of costs to provide wastewater services (from 8.76% to 5.92%) and increase in the 'share' of costs to provide trade effluent services (from 1.54% to 5.22%). This is a consequence of the inclusion of trade effluent connections into the Framework as well as the application of Uisce Éireann's new cost allocation rules to reflect the costs of providing wastewater services and trade effluent services.

## UISCE ÉIREANN'S TARIFF IMPLEMENTATION DATES

The above updates to the Framework have allowed Uisce Éireann to generate new water and wastewater tariff rates and new trade effluent charging arrangements.

[17] 'Other' captures revenue received from legacy agreements and Additional Services. Additional Services include revenue Uisce Éireann receives from other services, such as tankered waste and leachate.

[18] The 5.22% reflects the costs of providing services to all 6,868 trade effluent connections, while the 1.54% primarily reflects the revenues received from 245 trade effluent connections on a 'specific' trade effluent charge. The increase in the 'share' of costs to provide trade effluent services from 1.54% to 5.22% is further discussed in Section 6.7.2 of this paper.

For clarity, Uisce Éireann is to apply:

- new non-domestic water and wastewater tariffs to its non-domestic customers on **01 October 2024**[19]; and
- a new national harmonised trade effluent charging framework to its trade effluent customers on **01 October 2026**.

The CRU acknowledges stakeholders' feedback that providing a period of time for customers to prepare for the new trade effluent tariffs would be beneficial for customers and allow additional time to prepare for the new charging arrangements. The CRU has decided to approve Uisce Éireann's proposal to implement the new Trade Effluent charging Framework on 01 October 2026 to provide additional time to facilitate better customer understanding of the Framework, implementation of necessary infrastructural changes and adjustment of business practices, potentially leading to reduced financial impact on businesses. Connections subject to specific trade effluent charges remain unchanged until the new trade effluent charging framework is implemented.

## NEW NON-DOMESTIC WATER AND WASTEWATER TARIFF RATES - TO APPLY FROM 01 OCTOBER 2024

The CRU asked Uisce Éireann to generate new non-domestic tariff rates for the provision of water and wastewater services to be applied to customers' bills on 01 October 2024 to reflect the CRU's decision on the Framework. The CRU's decision is to approve these tariff rates, which are set out below:

### Metered Water and Wastewater Tariffs

The new metered water and wastewater tariff rates for each customer class are set out below. Metered connections pay a fixed charge per year (the 'standing charge') and a variable charge (the 'volumetric charge') based on the volume of water consumed or wastewater discharged.

| Metered tariffs | Water Service Charges | | Wastewater Service Charges | |
|---|---|---|---|---|
| | Standing Charge (€/year) | Volumetric Charge (€/$m^3$) | Standing Charge (€/year) | Volumetric Charge (€/$m^3$) |
| **Band 1 class** (<1,000 $m^3$) | **83.02** | **2.19** | **75.43** | **2.34** |
| **Band 2 class** (1,000 $m^3$ - 19,999 $m^3$) | **218.11** | **1.68** | **238.34** | **2.28** |
| **Band 3 class** (20,000 $m^3$ - 249,999 $m^3$) | **3,708.61** | **1.56** | **3,849.75** | **2.23** |
| **Band 4 class** (250,000 $m^3$-2,299,999 $m^3$) | **41,332.17** | **1.38** | **38,652.54** | **2.19** |
| **Band 5 class** (≥ 2,300,000 $m^3$) | **295,967.72** | **1.27** | | |

[19] The tariff rates will apply on 01 October 2024 for a 12-month period which commences on 01 October 2024 and runs to 30 September 2025.

### Unmetered Water and Wastewater Tariffs

The new unmetered water and wastewater tariff rates for each customer class are set out below. Unmetered connections pay a fixed charge per year.

| Unmetered tariffs | Water Service Charge | Wastewater Service Charge |
|---|---|---|
| | €/year | €/year |
| Band 1 | **285.42** | **307.61** |
| Band 2 | **1,805.85** | **2,347.47** |

## NON-DOMESTIC CUSTOMER BILL IMPACT ANALYSIS - WATER AND WASTEWATER SERVICES - 01 OCTOBER 2024

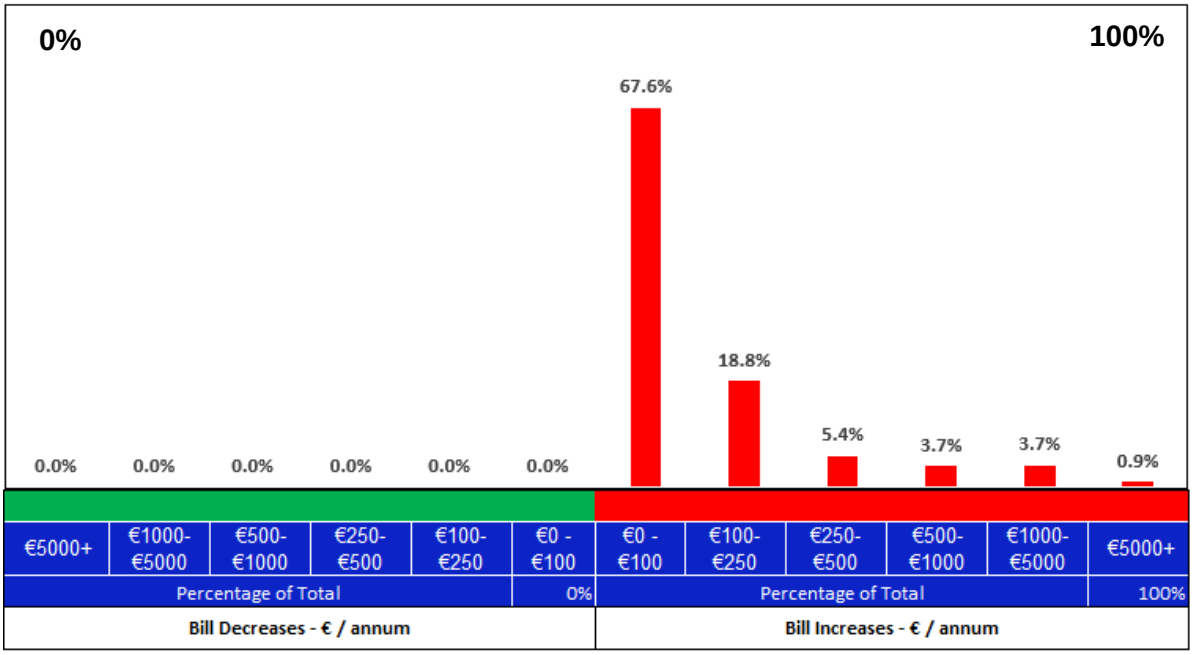
There are approximately 188,625[20] non-domestic water and wastewater connections served by Uisce Éireann, which range from small retail outlets to large industrial connections:

Uisce Éireann has calculated the estimated bill changes for each non-domestic connection if the enduring water and wastewater tariff rates were applied to all non-domestic water and wastewater connections. The figure below shows the bill impacts in terms of the percentage of non-domestic connections estimated to face bill increases (of differing monetary amounts) as a result of applying the new enduring tariff rates and the application of the CRU's decision on the bill capping arrangements to water and wastewater connections.

Furthermore, Uisce Éireann has undertaken a price comparison analysis to assist stakeholders and non-domestic customers to better understand how Uisce Éireann's tariffs compare with what is in place internationally. The analysis is conducted for eight different levels of annual consumption ranging from 100 $m^3$ to 2,500,000 $m^3$ across customer classes in a selection of 20 international regions. Uisce Éireann's international comparison shows the new tariffs are close to but slightly higher than the average tariffs internationally. Further details are included in Section 8 of Uisce Éireann's *Customer Information Paper*.

[20] This number reflects 2021 consumption and billing data, as provided by Uisce Éireann. Of the 188,625 non-domestic connections approximately 8,350 of are unmetered.

**Figure 1 - Uisce Éireann's Customer Bill Impact Distributional Analysis Based on Applying the New Enduring Water and Wastewater Tariffs – WITH Bill Capping Arrangements in Place**




The above bill impact summary results show that when the new tariff rates are applied to **188,625** water and wastewater metered and unmetered connections with bill capping arrangements in place:

- **100% (188,625) connections would see bill increases**
  - **86.4%** (162,905 connections) would see annual bill increases of less than €250
  - **5.4%** (10,167 connections) would see annual bill increases of between €250 and €500
  - **7.4**% (13,943 connections) would see annual bill increases of between €500 and €5,000
  - **0.9**% (1,610 connections) would see annual bill increases of €5,000 or greater

## UISCE ÉIREANN'S INDICATIVE TRADE EFFLUENT TARIFF RATES & CUSTOMER BILL IMPACTS

Uisce Éireann has also generated 'indicative' trade effluent tariff rates that reflect the CRU decision on Uisce Éireann's trade effluent charging arrangement proposals. These 'indicative' trade effluent tariff rates will not be applied to trade effluent connections' bills on 01 October 2024 (the CRU intends to consult in the future on the new trade effluent tariffs which will be applied to trade effluent customer's bills on 01 October 2026). The indicative tariffs will provide a price signal to customers as to the likely structure and level of trade effluent tariffs in the future. The indicative trade effluent tariff rates and customer bill impacts are detailed in Sections 10 and 12 of this paper.

## FINANCIAL SUPPORT FOR CUSTOMERS – UISCE ÉIREANN'S NON-DOMESTIC CUSTOMER HANDBOOK

One of the CRU's roles as the economic regulator of Uisce Éireann is to ensure that customers of Uisce Éireann receive high-quality service. For non-domestic customers, the expected level of service is documented in the 'Uisce Éireann Non-Domestic Customer Handbook[21]'. The Handbook covers a number of service areas, such as customer communications, metering, billing, customer complaints and network operations.

For customers in financial difficulty, the CRU encourages any customer who is having difficulty with its bills to engage with Uisce Éireann and seek help with putting in place a payment plan. For customers who want to discuss their options with Uisce Éireann about payment plans, please see Section 7.8 (Arrears & arrangements for identifying and dealing with customers in financial difficulty) and 7.9 (Payment plans) in the Uisce Éireann's Non-Domestic Customer Handbook. Uisce Éireann is required to assist customers in making a payment plan to assist customers who are experiencing financial difficulties in paying their bills. Uisce Éireann must take account of an individual customer's ability to pay when agreeing on any repayment arrangement, by credit or other method and confirm with account holders that arrangements are manageable.

## NEXT STEPS

**Implementation of Non-Domestic Water and Wastewater Tariffs on 01 October 2024**
Uisce Éireann will now implement the new tariffs and bill capping arrangements to apply to its non-domestic water and wastewater customers on 01 October 2024, as outlined in this Decision Paper.

**2nd Phase of Consultation - to set tariffs for 01 October 2025**
The second phase of consultation concerns updating the non-domestic water, wastewater, and trade effluent tariffs to reflect Uisce Éireann's up-to-date allowable revenue for 01 October 2025.

This phase will plan to consult on Uisce Éireann's non-domestic bill capping arrangements for 2025, and if there will be a need to introduce new trade effluent transitional arrangements as well as tariff application rules for trade effluent customers.

**Stakeholder Engagement**
The CRU will host workshops with key stakeholders in Q3 2024 to support their understanding of the CRU's Decision on Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework. The details of these workshops will be shared through the CRU's Non-Domestic Water User Group. Additionally, please see Section 6 of Uisce Éireann's *Customer Information Paper* for a more detailed discussion by Uisce Éireann of its communication approaches to help customers understand how and when they will be impacted by the Framework.

[21] *"Irish Water Non-Domestic Customer Handbook (CRU/20/117b)"* – 13 October 2020 - available at the following link.

# Public Impact Statement

Uisce Éireann charges non-domestic customers for supplying water to their premises and for removing wastewater from their premises. The charges customers pay are determined under Uisce Éireann's Non-Domestic Tariff Framework.

Uisce Éireann's Non-Domestic Tariff Framework was established in 2019 and the new national water and wastewater tariffs were introduced and applied to water and wastewater customers' bills on 01 October 2021. The tariff levels were fixed for 3 years, to provide price certainty and stability to customers. The 3-year transition period expires on 30 September 2024. However, the Framework does not include harmonised trade effluent charging arrangements and Uisce Éireann continues to apply the trade effluent tariffs which were previously levied by the Local Authorities and Town Councils. These vary in level, structure, and application.

***Need to Update the Existing System of Charges***

The CRU asked Uisce Éireann to update the Framework for the purposes of generating a new set of tariffs to apply to non-domestic connections on 01 October 2024 that reflect the significant investment in water and wastewater infrastructure and services and customer input data. The CRU has also asked Uisce Éireann to generate proposals for new national harmonised trade effluent charging arrangements and importantly integrate these proposals into the Non-Domestic Tariff Framework. Having considered stakeholder feedback, the CRU has come to a final decision on Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework: non-domestic water and wastewater tariff rates, bill capping arrangements for non-domestic water and wastewater connections applicable on 01 October 2024, the new national harmonised trade effluent charging arrangements and its implementation date, and indicative trade effluent tariff rates.

***Benefits for Customers of updating the Framework***

These updates to the Non-Domestic Tariff Framework represents an important step towards achieving a full set of national harmonised system of charges for all non-domestic services provided by Uisce Éireann - water services, wastewater services and trade effluent services.

These updates will provide the following benefits for customers:

- **Achieve greater cost reflectivity** - Tariffs will better reflect the costs that different customer groups impose on the system, and thereby minimise cross-subsidisation across customer groups and services and create a more cost-reflective system of charges.

- **Achieve greater equity** - Tariffs that better reflect costs of providing different services also achieves greater equity across customers. It should result in 'similar' customers (in terms of consumption volume or wastewater discharge characteristics) being charged the same amount for using the same service.

- **Provide more efficient price signals** - Tariffs that reflect up-to-date costs also provide efficient price signals to customers and allows for more efficient decisions by customers in their use of water, wastewater, and trade effluent services. Also, ensuring tariff levels

are not out of line with the costs of providing services to customers minimises the risk of a large step change in tariff levels over future years.

- **Promote water conservation** - The tariff design continues to promote water conservation and the reduction of wastewater discharge volumes within the tariff structures (by maintaining a relatively low fixed element (standing charge) across the customer classes) – placing a strong incentive on customers to conserve water and reduce wastewater volumes. This also provides more scope for customers to reduce their water and wastewater bills.

- **Create incentives to reduce the volume and pollutant strength of trade effluent discharged into the wastewater network** - The new trade effluent tariff structure proposals will result in 'high polluting' connections paying more than connections whose trade effluent contains low levels of pollutants (for the same volume of trade effluent discharged). This will better align with the polluter pays principle within the EU Water Framework Directive and also better aligns with government environmental policy objectives.

- **Introduce a national harmonised charging arrangements for trade effluent customers** - This provides benefits by creating a system of trade effluent charging that is simpler than what exists today, more transparent and achieves greater equity across trade effluent customers by introducing a consistent and cost-reflective set of charging arrangements to all trade effluent customers.

***Impact to Customers' Bills***

*New Water and Wastewater Tariffs*

The new non-domestic water and wastewater tariffs will impact the amount paid by non-domestic customers for water and wastewater services on 01 October 2024 and will result in bill increases for customers. The CRU recognises that bill changes are a concern for businesses, and a core part of the Framework is the bill capping arrangements to limit the level of increase customers face from their existing tariffs to their new non-domestic tariffs for this 1-year tariffing period. To strike a balance between minimising negative impacts to businesses and tariff reform objectives, the CRU has decided that Uisce Éireann is to apply a 75% cap automatically if, on 01 October 2024, customers' annual bill increases by at least €750 and that increase represents at least a 75% increase in their annual bills, to protect customers from large increases in their bills as a result of its new water and wastewater tariffs.

*New Harmonised Trade Effluent Charging Arrangements and Indicative Tariffs*

The CRU has made a decision on Uisce Éireann's proposals to introduce a new national harmonised trade effluent charging framework and the implementation date for the new national harmonised trade effluent charging arrangements. Uisce Éireann has generated indicative trade effluent tariff rates that reflect the CRU's decision on these new charging design proposals. The trade effluent tariff rates are indicative only and are included to allow customers to better understand the likely impacts of the CRU's decision on Uisce Éireann's new trade effluent charges on their individual bill.

# Table of Contents

# Glossary of Terms and Abbreviations[22]

| Term or Abbreviation | Definition or Meaning |
|---|---|
| **AQ** | Annual Quantity (AQ), means the volume of water used (or wastewater discharged for wastewater only connections) by the connection over a 12-month period. |
| **BOD** | Biological Oxygen Demand: Uisce Éireann defines the term as "*Means Biochemical Oxygen Demand. Concentration of dissolved oxygen consumed under specific conditions (t days at 20 °C with or without nitrification inhibition) by the biological oxidation of organic and/or inorganic matter in water. [One of the standard tests used to characterise water quality] The BOD value is most commonly expressed in milligrams of oxygen consumed per litre of sample during 5 days of incubation at 20 degrees Celsius also known as 5 day BOD or BOD5."* |
| **CRU** | Commission for the Regulation of Utilities |
| **COD** | Chemical Oxygen Demand: Uisce Éireann defines the term as *"Concentration of oxygen equivalent to the amount of dichromate consumed when a water sample is treated under defined conditions. [One of the standard tests used to characterise water quality] It is commonly expressed in terms of milligrams of oxygen per litre of sample".* |
| **DA** | Domestic Allowance |
| **ELV** | Emission limit value |
| **EPA** | Environmental Protection Agency |
| **FC** | Fixed charge |
| **FOG** | Fat, Oil, and Grease |
| **MFA** | Model Form Agreement: Uisce Éireann defines the term as *"The 'Model form of Agreement for wastewater services for non-domestic customers who reserve capacity', Clonmel Borough Council and the Department of the Environment and Local Government 2001, was introduced to assist in the development of a more comprehensive and transparent charging system by applying the polluter pays principle."* |

[22] Appendix 4 of Uisce Éireann's *Trade Effluent Tariff Design Review proposal* submission document (CRU/2023151) sets out Uisce Éireann's proposals sets out its own glossary of terms and abbreviations – available at the following link.

| | |
|---|---|
| **Mogden** | A Mogden charging structure is a method of charging based on the volume, strength and composition of trade effluent that is discharged from the customer's premises to the public sewer. |
| **NACE CODE** | Means the industry standard for classifying economic activities in the European Union, as set out in the Annex to Council Regulation (EEC) No. 3037/90 of 9 October 1990. |
| **ND** | Non-domestic |
| **O&M** | Operational & Maintenance |
| **PE** | Population Equivalent: Uisce Éireann defines the term as *"PE means the unit expressing the average potential water pollution load caused by one person per day, where 1 PE is the organic biodegradable load having a five-day biochemical oxygen demand (BOD5) of 60 g of oxygen per day."* |
| **pGWS** | Public Group Water Schemes |
| **RC** | Revenue Control |
| **R&T** | Resource & Treatment |
| **SC** | Standing charge |
| **SS** | Suspended Solids: Uisce Éireann defines the term as *"Means small solid particles which remain in suspension in water. SS is an indicator of water quality."* |
| **TE** | Trade effluent is a type of wastewater that can have a composition that can be more polluting than regular wastewater, which can be more costly to treat and dispose of into the environment thereby justifying an additional or separate charge for this type of effluent. |
| **TEC** | Trade Effluent Categorisation codes: Uisce Éireann defines the term as *"TEC codes provide a method of reviewing, informing and setting the relative risks of issues from experience of trade effluent discharges from various trade sectors."* |
| **TERA** | Trade Effluent Risk Assessment |
| **UÉ** | Uisce Éireann |
| **VC** | Volumetric charge |
| **WWTP** | Wastewater Treatment Plants |

# PART A – INTRODUCTION, CONTEXT & HIGH-LEVEL OVERVIEW OF THE CRU DECISIONS

# 1 Introduction

## 1.1 CRU's Role in Regulating Uisce Éireann's Revenues and Non-Domestic Tariffs

The CRU is Ireland's independent energy and water regulator. The CRU has a wide range of economic, customer protection and safety responsibilities in energy and water. The work of the CRU impacts every Irish home and business by ensuring safe, secure, and sustainable energy and water supplies at a reasonable cost.

The CRU's role as the economic regulator of Uisce Éireann is to protect the interests of customers, ensure water services are delivered in a safe, secure, and sustainable manner and that Uisce Éireann operates in an economic and efficient manner. As set out in the CRU's Strategic Plan for the 2022-2024 period, a key CRU objective is to provide effective regulation of Uisce Éireann to deliver secure, high-quality water and wastewater services to customers.

Through the Revenue Control ('RC') process, the CRU approves Uisce Éireann's allowed revenue at a level which allows Uisce Éireann to recover its efficiently incurred costs over the RC period. The CRU also sets 'efficiency challenges' for Uisce Éireann to drive cost efficiencies and improve services provided to customers[23]. The CRU also sets targets and monitors the performance of Uisce Éireann in delivering services and investment in infrastructure in a cost-efficient manner.

Another important role for the CRU in regulating Uisce Éireann is to ensure that there is a fair and transparent system of charging for non-domestic customers. Under the Water Services Act (No.2) 2013 the CRU has the responsibility of approving the charges applied by Uisce Éireann to non-domestic customers for the provision of water and wastewater services (including trade effluent services). The non-domestic tariffs recover the portion of Uisce Éireann's allowed revenue that reflects the costs of providing water, wastewater, and trade effluent services to non-domestic customers.

As part of the process to review the non-domestic tariffs applied to customers, Uisce Éireann submits its tariffing proposals to the CRU. The CRU publishes Uisce Éireann's submissions for public consultation to seek views from customers and interested parties on Uisce Éireann's proposals. The CRU reviews the submissions and carefully considers responses received during the consultation process, before making a decision on the Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework[24] and the tariffs to apply to non-domestic customers.

[23] "*Irish Water Revenue Control 3 (CRU/19/148)"* - 05 December 2019 - available at the following link.

[24] For clarity, Uisce Éireann refers to its new trade effluent charging arrangements as a new Trade Effluent Tariff Framework. In practice, trade effluent charging arrangements will be integrated into the Non-Domestic Tariff Framework. There will be one Non-Domestic Tariff Framework in respect of the charges for water, wastewater and trade effluent services.

## 1.2 Establishing Uisce Éireann's Non-Domestic Tariff Framework

As part of the Government's reform of Ireland's water and wastewater services, Uisce Éireann has been responsible for charging non-domestic customers since 01 January 2014.

As per the CRU's direction (CER/14/746)[25] in 2014, Uisce Éireann continued to apply the existing non-domestic tariffs, which were in place on 31 December 2013 and levied by the Local Authorities and Town Councils, until Uisce Éireann had the necessary information to examine the structure and level of existing tariffs and develop proposals for a new tariffing regime. At that time, over 500 separate charges for the provision of water and wastewater services to non-domestic customers were in place across the country. These charges varied in level, structure, and application.

In 2017 the CRU requested Uisce Éireann to develop proposals for a new Non-Domestic Tariff Framework, which set out how and how much non-domestic connections of Uisce Éireann will be charged for water and wastewater services. The purpose of the Framework is to introduce a suite of harmonised non-domestic tariffs, that will provide benefits to customers in terms of transparency, simplicity, and equity.

Following extensive public consultation over the period 2018 and 2019, the CRU published its decision on Uisce Éireann's Non-Domestic Tariff Framework and resulting non-domestic tariff rates for the provision of water and wastewater services (CRU/19/074) on 03 July 2019. The development of the Framework provided the first opportunity to evaluate, on a national basis, the costs of providing water and wastewater services to each of the domestic and non-domestic customer bases. It introduced a national set of harmonised charging arrangements for the supply of water to non-domestic premises and for removing wastewater from their premises. The Framework created a more transparent, simple, and equitable system of charging for Uisce Éireann's non-domestic customers.

However, charging arrangements for public Group Water Schemes ('pGWS') connections and the provision of trade effluent services, which were originally within the scope of the Non-Domestic Tariff Framework, were excluded at that time in 2019. This was due to insufficient information and data held by Uisce Éireann at the time to generate appropriate charging proposals. Therefore, in 2019 the CRU decided that Uisce Éireann was to retain the existing pGWS and specific trade effluent Local Authority charging arrangements until enduring charging policies could be implemented.

The Non-Domestic Tariff Framework was due to be implemented by Uisce Éireann on 01 May 2020 and the new non-domestic tariffs were to be applied to customers' bills from that date, however due to the uncertainty for businesses under the essential Government public health guidelines due to COVID-19, the implementation date was deferred to 01 October 2021.

The enduring non-domestic tariff levels were fixed for 3 years, to provide price certainty and stability to customers, especially those customers who transitioned from their old tariff rates to the new enduring tariff rates over time. The non-domestic enduring tariff levels remained

[25] "*Water Charges Plan Decision Paper (CER/14/746)"* - 8th October 2014 - available at the following link.

unchanged throughout the 3-year transition period. The 3-year transition period expires on 30 September 2024.

In February 2022 the CRU published enduring charging proposals[26] for the provision of water services by Uisce Éireann to pGWS connections and in June 2022 the CRU issued a decision[27] on the enduring pGWS charging arrangements, which were implemented by Uisce Éireann on 01 October 2022. As part of this decision, the CRU directed Uisce Éireann to apply the harmonised national tariff rates under the Non-Domestic Tariff Framework to pGWS connections and provide 2-year transition arrangements as necessary.

The CRU asked Uisce Éireann to update the existing Framework for the purposes of generating a suite of tariffs to apply to non-domestic connections at the end of the 3-year transition period, that is, on 01 October 2024. The CRU also asked Uisce Éireann to generate proposals for charging for trade effluent services and importantly integrate these proposals into the Non-Domestic Tariff Framework[28]. This will ensure that Uisce Éireann's charges for providing water, wastewater, and trade effluent services for all of Uisce Éireann's customers are based on the same cost basis, the same customer input data and the same cost allocation rules. This review of the Non-Domestic Tariff Framework represents an important step towards achieving a national and harmonised set of charges for all non-domestic services provided by Uisce Éireann to its customers - water services, wastewater services and trade effluent services.

These proposals were published on 21 December 2023 for a nine-week[29] consultation period. The CRU sought the views of the water industry, business customers, and all other interested parties on Uisce Éireann's tariff design and transitional arrangements proposals. The CRU received 14 responses (CRU202463a - CRU202463l) to this consultation from a wide range of stakeholders and interested parties. Following the close of the consultation, the CRU considered the responses received and also engaged with Uisce Éireann to conduct additional tariff and customer bill impact analysis to assess points raised by respondents. The CRU also engaged with a number of respondents on the points they raised to fully understand their responses. Additionally, the CRU has held stakeholder engagement meetings with the relevant departments, agencies and organisations to ensure all the key points raised by respondents are addressed.

After careful consideration of the comments received and further stakeholder engagement, the CRU has come to a final decision on the Non-Domestic and Trade Effluent Tariff Framework and non-domestic tariff rates. This Decision Paper informs affected customers and interested parties of the CRU's final decision on Uisce Éireann's Non-Domestic and Trade Effluent Tariff

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[26] *"Irish Water's Non-Domestic Tariff Framework Enduring Charging Arrangements for Public Group Water Schemes CRU Proposed Decision Paper (CRU/202208)"* - 10 February 2022 - available at the following link.

[27] *"Irish Water's Non-Domestic Tariff Framework Enduring Charging Arrangements for Public Group Water Schemes CRU Decision Paper (CRU/202245)"* - 02 June 2023 - available at the following link.

[28] For clarity, Uisce Éireann refers to its new proposed trade effluent charging arrangements as a new Trade Effluent Tariff Framework. In practice, trade effluent charging arrangements will be integrated into the Non-Domestic Tariff Framework. There will be one Non-Domestic Tariff Framework in respect to the charges for water, wastewater and trade effluent services.

[29] Initially an eight-week consultation period with a one-week extension upon a request by stakeholders for more time to consider Uisce Éireann's proposals.

Framework and the resulting non-domestic tariff rates to be implemented on 01 October 2024[30]. The CRU has also made a decision on the implementation date for the new Trade Effluent Charging Framework to be applied to customers' bills and has set out indicative trade effluent tariff rates. The CRU has also set out a response to each of the points raised by respondents in the CRU's Response Paper (CRU202461), which is published alongside this paper.

## 1.3 Tariff Principles

It is important that the tariffs developed by Uisce Éireann are based on a clear set of principles. In 2016 the CRU issued Uisce Éireann with six tariff principles (set out below) and required that Uisce Éireann take these principles into account when establishing the Non-Domestic Tariff Framework.

In 2022, the CRU wrote to Uisce Éireann and required that Uisce Éireann take account of the same tariff principles when submitting its proposals for new non-domestic tariffs to apply to its non-domestic customers (on 01 October 2024) and new trade effluent charging arrangements proposals to the CRU for public consultation. The CRU is of the view that these principles remain relevant and will ensure continuity of how Uisce Éireann's tariff Framework and tariffing proposals are developed over time.

The principles issued to Uisce Éireann were as follows:

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

For clarity, the term 'water services' in the above principles should be interpreted as applying to both water and wastewater services (which includes trade effluent services).

In developing its proposals, it may be necessary for Uisce Éireann to accommodate conflicts or trade-offs between differing principles and strike an appropriate balance between the different principles. The CRU requested that Uisce Éireann demonstrates how each of its policy proposals takes account of the above set of principles in its submissions to the CRU and any assumptions it is making in relation to trade-offs.

[30] The tariff rates will apply on 01 October 2024 for a 12-month period which commences on 01 October 2024 and runs to 30 September 2025.

## 1.4 Updating Uisce Éireann's Non-Domestic Tariff Framework

Two key drivers prompted the CRU to request Uisce Éireann to update the Non-Domestic Tariff Framework. At present, Uisce Éireann's existing non-domestic tariff rates are set on cost data that was available at the time Uisce Éireann was developing the Non-Domestic Tariff Framework. In addition, the Framework does not contain harmonised arrangements for trade effluent services. Each of these two drivers is discussed below:

### CURRENT TARIFFS OUT OF LINE WITH UNDERLYING COSTS

The existing tariffs reflect Uisce Éireann's allowed revenue amount for 2019. When Uisce Éireann's Non-Domestic Tariff Framework was implemented on 01 October 2021, the enduring non-domestic tariffs levels were fixed for 3 years, to provide price certainty and stability to customers, especially those customers who transitioned from their old tariff rates to the new enduring tariff rates over time. The 3-year transition period expires on 30 September 2024. It's worth highlighting that customers are currently paying considerably below cost-reflective tariffs as the tariffs that were decided upon in 2019 have remained unchanged over the last five years.

In the CRU's Decision on Uisce Éireann's Non-Domestic Tariff Framework, which was published in 2019, the CRU stated that consideration would need to be given to adjusting the tariff levels at the end of the transition period to ensure they do not diverge significantly from the costs of providing water and wastewater services to customers.

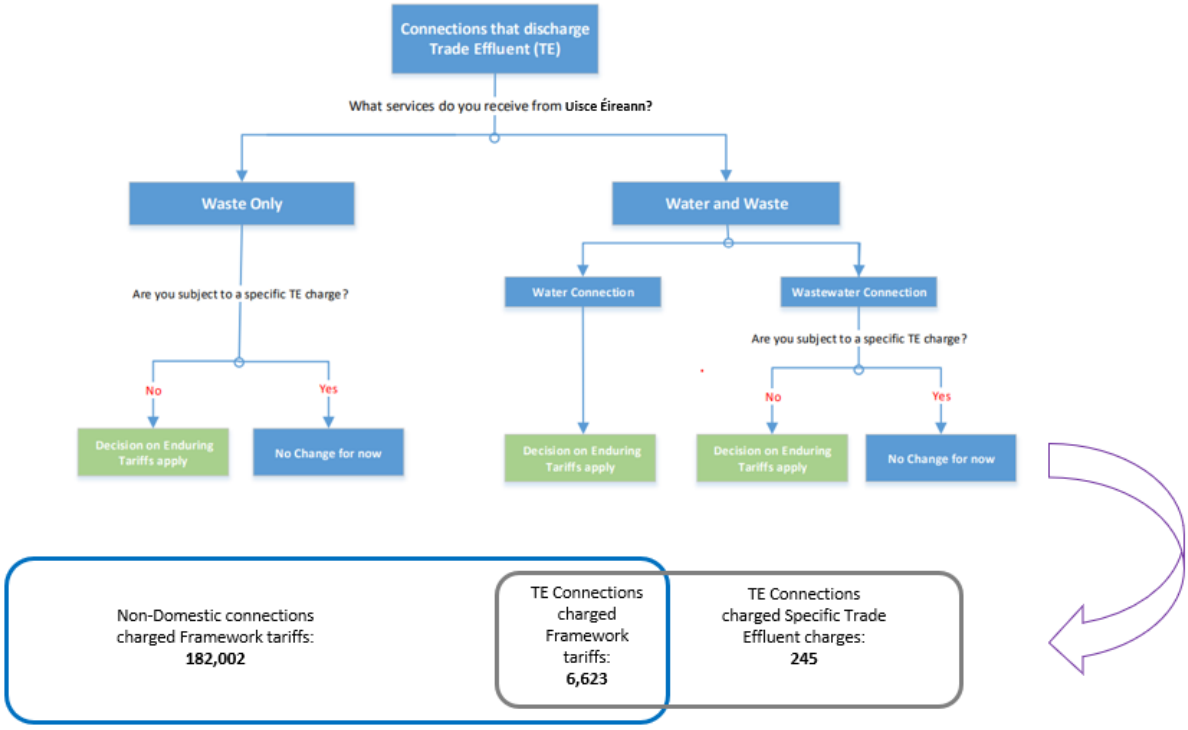
### NEED TO REFORM CURRENT TRADE EFFLUENT CHARGING ARRANGEMENTS

The Framework does not presently contain a national set of harmonised charging arrangements to apply to connections licensed to discharge trade effluent into Uisce Éireann's wastewater network. At the time of developing the Framework Uisce Éireann did not have sufficient data on trade effluent discharges and costs to propose enduring trade effluent charging arrangements. As a result, non-domestic connections that discharge trade effluent (and pay a specific trade effluent charge) into the public network of Uisce Éireann continue to pay tariffs for this service which were previously determined and charged by the 34 Local Authorities and 10 Town Councils. At present there is a wide range of separate trade effluent charging arrangements in place across the country. These vary in level, structure, and application.

There are currently approximately 188,625[31] non-domestic connections in total, of which 6,868 are trade effluent connections. Of the 6,868 trade effluent connections, 6,623 are currently charged the Non-Domestic Tariff Framework wastewater tariff rates and 245 continue to pay specific trade effluent tariffs as previously determined and charged by the 34 Local Authorities and 10 Town Councils.

[31] This figure does not include the 245 trade effluent connections who pay a 'specific' trade effluent charge that continue to pay tariffs for this service which were previously determined and charged by the 34 Local Authorities and 10 Town Councils.

The diagram below sets out how trade effluent connections were impacted when the Framework was introduced in October 2021, and the charging arrangements that exist today:




## REQUIREMENT TO UPDATE THE FRAMEWORK

The CRU asked Uisce Éireann to update the existing Framework for the purposes of generating a suite of tariffs to apply to non-domestic connections at the end of the 3-year transition period, that is, on 01 October 2024.

Updating the Non-Domestic Tariff Framework to reflect up-to-date revenue and customer input data is important to ensure tariff levels are not out of line with the costs of providing these services and minimise the risk of a large step change in tariff levels over future years. It will also ensure that costs are allocated across tariff classes and services in an equitable and transparent manner in line with the Frameworks' cost allocation rules.

The CRU asked Uisce Éireann to generate proposals for charging for trade effluent services and importantly integrate these proposals into the Non-Domestic Tariff Framework. This will ensure that Uisce Éireann's charges for providing water, wastewater, and trade effluent services for all Uisce Éireann's customers are based on the same cost basis, the same customer input data, and the same cost allocation rules, which are applied in a consistent and transparent manner across all of Uisce Éireann's tariff customer classes - domestic, non-domestic and trade effluent customer classes.

More specifically, in updating the existing Framework, the CRU asked Uisce Éireann to take account of the following:

- **Reflect up-to-date Uisce Éireann allowed revenue data** (the existing non-domestic tariffs were generated using the Uisce Éireann's revenue allowance for 2019[32]).
- **Reflect up-to-date customer connection and consumption data** (the existing non-domestic tariffs were generated using 2017 customer data).
- **The inclusion of trade effluent connections and Uisce Éireann's proposals for integrating new trade effluent charging arrangements into the Framework** (this involves incorporating into the existing Framework, proposals for charging trade effluent connections in respect of the geographic basis of trade effluent charging, how trade effluent connections are classified into trade effluent tariff classes, how trade effluent tariffs are structured and how costs are allocated to each trade effluent customer class).
- **Amend, where necessary, the existing water and wastewater non-domestic tariff design features** to best achieve the CRU's six tariff principles.
- **Consider any transitional arrangements** that may be necessary.
- **Seek to eliminate any tariff boundary impacts and perverse incentives[33]** that may exist across tariff class boundaries.

## INTENDED OUTCOMES AND BENEFITS FROM UPDATING THE FRAMEWORK

Updating the Non-Domestic Tariff Framework will bring the following benefits to non-domestic and trade effluent customers:

- The integration of Uisce Éireann's trade effluent charging arrangement proposals into the Framework will achieve greater equity, cost reflectivity and transparency for all non-domestic and trade effluent customers.
- It will continue to promote efficient use of water, wastewater and trade effluent services as tariffs are designed to recover costs for these services in line with the polluter pays principle (as set out in the EU Water Framework Directive).
- It creates stronger incentives to reduce the volume and pollutant strength of trade effluent discharged into the wastewater network, where 'high polluting' connections pay more than connections whose trade effluent contains low levels of pollutants.

[32] *"Irish Water Revenue Control 2019 Revenue Control 2 (2017/2018) One-Year Extension Decision Paper (CRU/18/211)"* - 24 September 2018 - available at the following link.
[33] Please see Section 13.3 of this paper where perverse incentives are explained and further discussed.

- Introducing harmonised charging arrangements for trade effluent services creates a system of trade effluent charging that is simpler than what exists today, more transparent and achieves greater equity across trade effluent customers.

It should be the case that a more transparent, simple, efficient, and equitable approach to non-domestic water, wastewater and trade effluent charges will support businesses, the Irish economy and inward investment. Further details of the outcomes and benefits for customers are discussed in Section 2.4 of this paper.

## 1.5 Which Customers Will be Affected by Uisce Éireann's Non-domestic and Trade Effluent Tariff Framework on 01 October 2024?

### 1.5.1 Connections That Will Be Affected

The new non-domestic tariffs for the provision of water and wastewater services will be applied to the following non-domestic connections of Uisce Éireann on 01 October 2024:

1. Metered non-domestic connections receiving a water and/or wastewater service;
2. Unmetered non-domestic connections receiving a water and/or wastewater service; and
3. The non-domestic portion of mixed-use connections[34] receiving a water and/or wastewater service;
4. Public Group Water Schemes and public Group Sewerage Schemes[35] receiving a water and/or wastewater service;
5. Connections that are licensed to discharge trade effluent in Uisce Éireann's wastewater network and are currently being charged a Framework wastewater tariff.

### 1.5.2 Connections That Will Not Be Affected

Domestic customers and the following non-domestic connections will not be affected by Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework on 01 October 2024:

1. Connections that are licensed to discharge trade effluent into Uisce Éireann's wastewater network and are currently charged a specific trade effluent charge (as previously determined by their Local Authority). These specific trade effluent charges will remain unchanged on 01 October 2024.

[34] Customers that use water services for both domestic and non-domestic purposes are termed 'mixed-use' customers.
[35] Group Sewerage schemes are community-owned enterprise that is connected to, and discharges wastewater to, Uisce Éireann's public wastewater Network.

2. Customers on legacy legally binding contracts:

   There may be a small number of trade effluent legacy arrangements that currently exist. These legacy arrangements may include historical agreements or contracts entered into by a customer with a Local Authority, which may include legally binding bespoke provisions relating to the provision of trade effluent services.

   The CRU does not have legal powers to assess or approve legacy legal agreements or contracts made between Local Authorities and non-domestic customers. See Section 13.1 of this paper for further information regarding the CRU's requirement on Uisce Éireann's process to deal with customers.

## 1.6 Design Elements of the Tariff Framework

Updating the Framework involved reviewing the four key design elements of the Framework to arrive at a suite of non-domestic tariffs for water and wastewater services and trade effluent charging arrangements.

Tariffs recover the costs incurred by a utility for providing a service to its customers. These include the operational expenditure and capital expenditure required to provide water and wastewater services (including trade effluent services) to its customers, as well as investment in water and wastewater infrastructure to ensure the utility can meet its customers' demands for these services in the future.

Having carefully considered stakeholder feedback to the consultation, Part B sets out the CRU's decision on Uisce Éireann's tariff design proposals for the four key design elements to arrive at a final suite of non-domestic tariffs and 'indicative' trade effluent tariffs.

In general, each tariff design feature is presented according to the following structure:

- **Uisce Éireann's Considerations** – identifies Uisce Éireann's key considerations for each tariff design feature.
- **Uisce Éireann's Proposal** – states Uisce Éireann's tariff design proposal (provided in a grey shaded text box). For clarity, the shaded box sets out whether Uisce Éireann has proposed to either change or retain an existing tariff design feature.
- **Stakeholder Feedback and CRU Observations** – having considered stakeholder feedback, this subsection sets out the CRU's observations on Uisce Éireann's proposals and provides the basis for the CRU's decision and
- **CRU's Decision** – states the CRU's decision (provided in a green shaded box).

The four design elements are considered for each service (water, wastewater, and trade effluent), and presented in this paper, in the following sequence:

| | |
|---|---|
| Design Element 1:<br><br>**Geographic Basis of Charging** | The first design element considers the geographic basis of charging (national versus regional charging). |

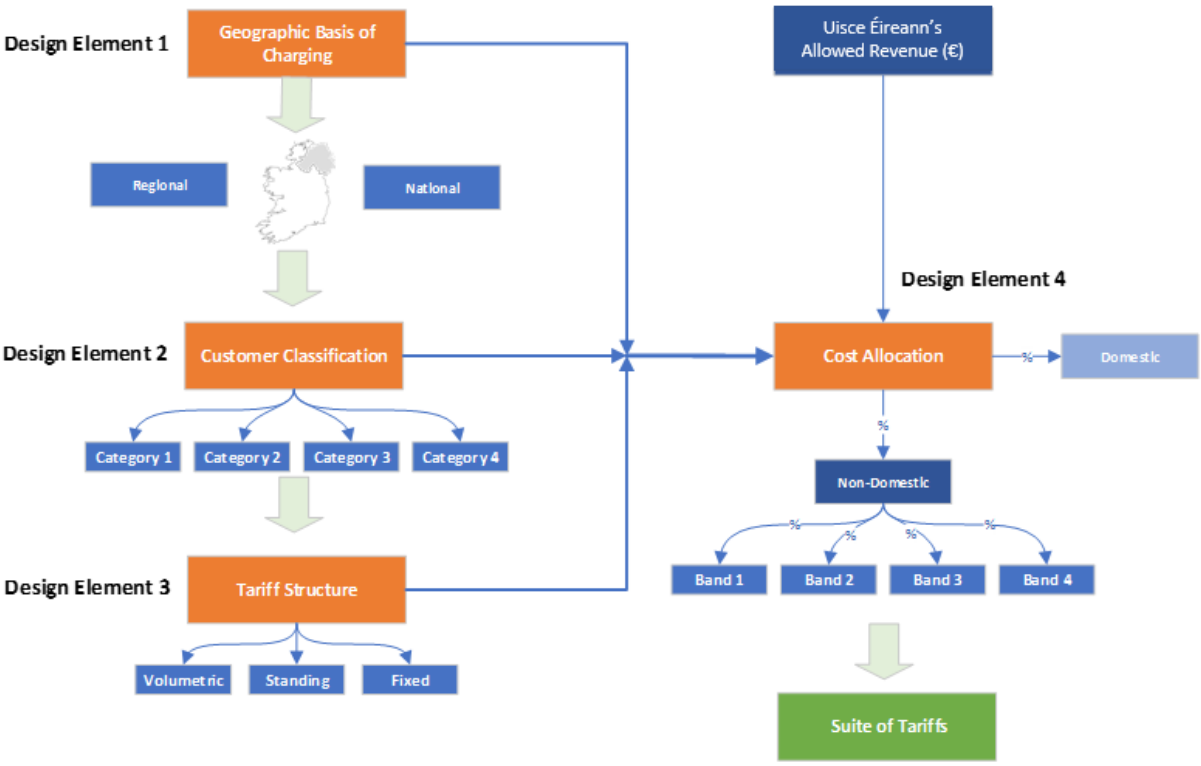
| | |
|---|---|
| Design Element 2:<br><br>**Customer Classification** | Once a geographic basis of charging is chosen, consideration is then given to how to classify customers into different tariff classes for each service provision (water service, wastewater, and trade effluent service) |

| | |
|---|---|
| Design Element 3:<br><br>**Tariff Structure** | In addition to classifying customers into different tariff classes, consideration is also given to how tariffs should be structured (e.g., fixed, and variable charge components). |

| | |
|---|---|
| Design Element 4:<br><br>**Cost Allocation** | Then, once the geographic basis of charging, classifying customers to tariff classes and the tariff structures are chosen, the costs of providing water, wastewater, and trade effluent services are allocated to each customer class and tariff component. |

| | |
|---|---|
| **Final Suite of Non-Domestic and <u>Indicative</u> Trade Effluent Tariffs** | The above steps culminate in a final suite tariffs for each service (with specified classes, structures, component charge levels etc.). |

The above steps can be visually illustrated as follows:




## 1.7 Purpose of This Paper

The purpose of this paper is to inform customers and interested parties of the CRU's decision on Uisce Éireann's new non-domestic tariffs to apply to its non-domestic customers (on 01 October 2024) and its new trade effluent charging framework to apply to Uisce Éireann's customers who are licensed to discharge trade effluent into Uisce Éireann's wastewater network on 01 October 2026. This paper summarises Uisce Éireann's proposals (published on 21 December 2023) and provides the CRU's decision on each aspect of the Framework.

## 1.8 Related Documents

To provide context to this Decision Paper, the following list of documents contains previous CRU consultations or decisions made in relation to non-domestic water and wastewater tariffs applied to customers of Uisce Éireann:

- Irish Water document – CRU's proposed decision on Irish Water's Non-Domestic Tariff Framework – Irish Water Customer Information Paper (CRU/19/045)
- CRU Decision Paper - Irish Water's Non-Domestic Tariff Framework (CRU/19/074)
- CRU Responses Paper – Irish Water's Non-Domestic Tariff Framework (CRU/19/075)

- Irish Water document – CRU's decision on Irish Water's Non-Domestic Tariff Framework – Irish Water Customer Information Paper (CRU/19/076)
- CRU Consultation Paper – Tariff Application Rules (CRU/20/022)
- Irish Water Tariff Application Rules Submission Document (CRU/20/023)
- CRU Decision Paper – Tariff Application Rules (CRU/20/072)
- CRU Proposed Decision Paper - Enduring Charging Arrangements for Public Group Water Schemes (CRU/202208)
- CRU Decision Paper - Enduring Charging Arrangements for Public Group Water Schemes (CRU/202245)
- Uisce Éireann Water Charges Plan[36] - 17 November 2023 (CRU/2023135)

### Published Documents - CRU Consultation - December 2023

- CRU Consultation Paper - Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework (CRU/2023149)
- Non-Domestic Tariff Design Review and Alignment Proposals – Uisce Éireann submission to the CRU (CRU/2023150)
- Trade Effluent Tariff Design Review Proposals – Uisce Éireann submission to the CRU (CRU/2023151).

### Published Document – CRU Decision – June 2024

- CRU Responses Paper – Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework (CRU202461)
- Non-Confidential Responses to the CRU Consultation on Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework (CRU202463a-CRU202463i)

Information on the CRU's role and relevant legislation can be found on the CRU's website: www.cru.ie.

[36] The CRU will publish an updated version of Uisce Éireann's Water Charges Plan before 01 October 2024 to reflect the CRU's Decision in this paper.

# 2 High-Level Overview of the CRU's Observations & Decisions on Proposed Changes

This section outlines the CRU's decision on Uisce Éireann's key proposed changes to the Framework at a high-level in respect of data inputs, tariff design and bill capping arrangements, and key topics flagged at consultation. It also provides a high-level overview of the impact of the CRU's decision on Uisce Éireann's Non-Domestic Tariff Framework to tariff rates and customer bills. This section also includes the benefits of updating the Framework.

## 2.1 High-Level Summary of CRU Decisions

The CRU received valuable feedback to the consultation, and as a result, has considered and incorporated respondents' suggestions in arriving at the CRU's decision on the Non-Domestic Tariff Framework[37]. The CRU's decision on the principal changes proposed by Uisce Éireann to the existing Tariff Framework are outlined below:

### 2.1.1 Approved Uisce Éireann's Proposals

#### Approved Changes to Input Data of the Framework

1. **Updated revenue data**

   The CRU's decision is to approve Uisce Éireann's proposal to update the Framework to reflect Uisce Éireann's allowable revenue for 2024 as set out in the CRU consultation paper published in December 2023, which was determined in RC3[38]. The existing non-domestic tariff rates reflect Uisce Éireann's RC2 allowed revenue amount for 2019.

2. **Updated customer data (i.e., cost drivers)**

   Customer volume and connection data is used to allocate costs (and reflected in 'cost drivers') to different customer classes. Uisce Éireann has updated the Framework to reflect 2021 customer volume and connection data. The existing non-domestic tariff rates reflect 2017 customer volume and connection data.

[37] These are discussed in Section 4 to Section 8 of this paper and in Section 3 of the CRU's Response Paper (CRU202461).

[38] That is, Uisce Éireann's allowed revenue determination "*Irish Water Revenue Control 3 – Interim Review Decision Paper (CRU/2022977)"* - 23 November 2022, which was the most up-to-date approved revenue available to Uisce Éireann when its tariff proposals were developed (from Q4 2022 to Q3 2023).

The CRU has approved Uisce Éireann's proposal to introduce a third type of customer data (per class), to inform cost allocation, called 'Population Equivalent[39]' ('PE'). PE relates to the 'load' of wastewater and captures both the volume and pollutant 'strength' of the wastewater. The CRU is of the view that using PE to allocate costs to customer classes enables Uisce Éireann to apply a trade effluent tariff structure that aligns with the polluter pays principle. That is, customers discharging high-strength trade effluent should pay higher charges than customers discharging low-strength wastewater (for the same volume of trade effluent discharged).

## Approved Changes to Tariff Design Elements of the Framework

The CRU approves Uisce Éireann's proposal to make the following changes to the Framework tariff design elements:

**3. Introduction of a 5th water customer class.**

Uisce Éireann evaluated the case for an additional water customer class and found that there was a cost differential to support a fifth class for connections that consume a volume of water equal to or greater than 2,300,000 $m^3$ per annum. The CRU's decision is to approve Uisce Éireann's proposal to introduce a fifth water tariff class for the provision of water services (Band 5 ≥ 2,300,000 $m^3$ per annum).

**4. Introduction of new national harmonised charging arrangements for trade effluent customers to be implemented on 01 October 2026.**

For connections that have a licence to discharge trade effluent into the public wastewater network, Uisce Éireann proposed to introduce 3 separate metered trade effluent classes and 2 unmetered trade effluent tariffs. The following sets out the key elements of the CRU's decision on Uisce Éireann's new harmonised trade effluent design proposals:

- **Trade effluent tariffs to apply on a national basis;**
- **Trade effluent tariffs to apply on a per connection basis;**
- **3 metered classes for trade effluent services differentiated by a combination of both business activity and annual consumption ($m^3$):**

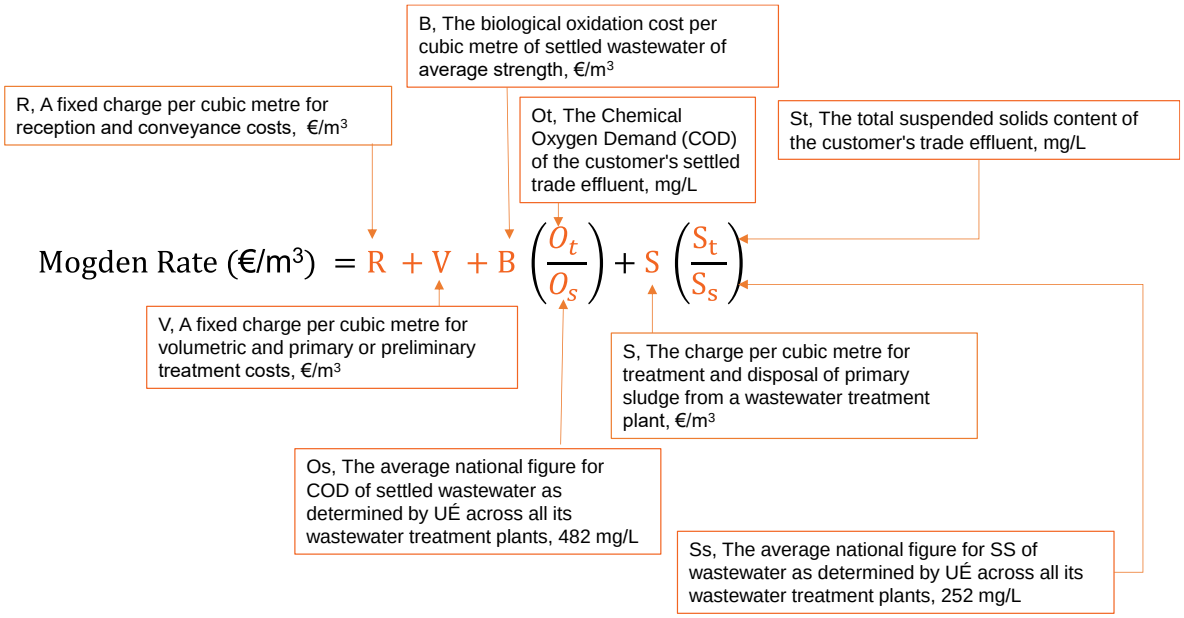
| Trade Effluent Customer Classes | |
|---|---|
| **Tariff Class** | **Business Activity & Annual Consumption ($m^3$)** |
| **TE Category 1** | • Commercial Activities<br>• Industrial Activities with annual consumption of less than 1,000 $m^3$ |
| **TE Category 2** | • Industrial Activities with annual consumption of between 1,000 $m^3$ and 249,999 $m^3$ |

[39] Uisce Éireann defines PE as: *"A term used to indicate the pollution load or strength of wastewater. It includes the pollution load generated by the resident population, the non-resident population (for example, tourists) and industries. A load of 1 PE, or 60 g BOD/day, is assigned for every person."*

| | |
|---|---|
| **TE Category 3** | • Industrial Activities with annual consumption equal to or greater than 250,000 $m^3$ |

- **Each metered tariff class comprise the following fixed and variable components:**
  - Standing Charge
  - Variable Charge (uniform volumetric rate or a Mogden structure)
  - Trade Effluent specific 'Compliance and Licensing' fixed Charge
- **2 unmetered trade effluent tariffs comprising the following fixed components:**
  - A single fixed Unmetered Charge
  - Trade Effluent specific 'Compliance and Licensing' fixed Charge
- **Mogden charging structure to apply to Trade Effluent Category 2 and Trade Effluent Category 3:**

A Mogden charging structure is a method of charging based on volume, as well as the strength and composition of pollutants within trade effluent that is discharged from the customer's premises to the public sewer. The CRU has approved Uisce Éireann's proposal to apply the following Mogden formula structure as a variable charge for Trade Effluent Category 2 and Trade Effluent Category 3 connections:




This structure provides incentives for customers to reduce the volume and pollutant strength of trade effluent discharged into the wastewater network. It also aligns with the polluter pays principle. That is, customers discharging high-strength trade effluent are

required to pay higher charges than customers discharging low-strength wastewater (for the same volume of trade effluent discharged).

- **Implementation date for New Trade Effluent Charging Framework (See Section 11.2):** The CRU has decided that Uisce Éireann is to implement trade effluent charging arrangements on 01 October 2026[40]. Therefore, connections subject to specific trade effluent charges remain unchanged until the new enduring trade effluent charging Framework is implemented[41]. The CRU is of the view that this implementation date provides sufficient time for Uisce Éireann to obtain high-quality data for charging and its system ready for implementation. Additionally, it facilitates better customer understanding of the new charging Framework, implementation of necessary infrastructural changes and adjustment of business practices, potentially leading to a reduced financial impact on businesses.

### 2.1.2 Rejected Uisce Éireann's Proposals

The CRU has decided to reject three of Uisce Éireann's proposals that were published in December 2023. These are outlined below, with support rationale:

#### Changes to Tariff Design Elements of the Framework

1. **Application of a 'Treatment Plant' Adjustment to the Allocation of Treatment Costs to Industrial Trade Effluent Connections (See Section 6.3.5 and Section 6.4.3):** The CRU has decided to reject the 'treatment plant adjustment' which Uisce Éireann proposed to apply to industrial trade effluent connections. The CRU is of the view that this proposed adjustment contravenes the existing established Framework i.e., diverges from the national charging approach that underpins the Framework, where tariffs are set to reflect the national average costs of providing water or wastewater services to customers, not the costs of the specific assets which customers use locally. Therefore, this proposal is rejected due to its inconsistency with the current Framework.

2. **Proposed Changes to Increase 'Network Location' Cost Driver Adjustment Levels For Band 4 Wastewater Connections (See Section 6.4.2):** The CRU has decided to reject Uisce Éireann proposal to increase the network location adjustment values that apply to the allocation of wastewater collection Opex and Capex costs as per the current Framework for Band 4 wastewater connections (i.e., from 10% 'Network Location' adjustment under the existing Framework to proposed 20% 'Network Location' adjustment ) in the absence of strong evidence that the change would be more cost-reflective.

[40] Please note that the implementation date for the new trade effluent charging arrangements and tariff rates is further discussed in Section 11 of this paper.
[41] Please note that the CRU decision on 'Existing 'Specific' Trade Effluent Charge Levels & the Case for an Inflationary Adjustment' is further discussed in Section 11.3 of this paper.

## Changes to Transitional Arrangements

3. **Transition all connections to cost-reflective tariffs by 01 October 2026 and billing capping arrangement on 01 October 2024 (See Section 8.2):** The CRU has decided to reject Uisce Éireann's proposal to apply a 15% cap automatically, where customers will see an annual bill increase of €250 or greater based on their previous year's consumption. The proposal would result in significantly more connections availing of a capped billing arrangement. This worsens the inequity across the customer base as there will be a greater number of customers not paying cost-reflective charges than previously[42]. It also has the potential to store up a problem over future years of growing the difference between what customers should be paying (i.e., cost-reflective tariffs) and what they are paying (capped tariffs), as those connections who receive yearly capping arrangements will move further and further away from paying the prevailing cost-reflective tariffs. The CRU is of the view that bill capping arrangements should not be prolonged and should be unwound as early as feasible to avoid building up and worsening the inequities across customers in the future.

| Existing Tariff Framework | Uisce Éireann's Proposals | CRU's Proposals in Consultation | The CRU's Decision |
|---|---|---|---|
| Uisce Éireann to apply a 10% cap automatically (if required) on the maximum annual bill increase, where customers will see an annual bill increase of €750 or greater. | Uisce Éireann to apply a 15% cap automatically if, on 01 October 2024, your annual bill increases by at least €250 and that increase represents at least a 15% increase in your annual bill. | Uisce Éireann to apply a 100% cap automatically if, on 01 October 2024, your annual bill increases by at least €750 and that increase represents at least a 100% increase in your annual bill (based on their previous year's consumption), with similar arrangements for 01 October 2025. | Uisce Éireann to apply a **75%** cap automatically if, on 01 October 2024, your annual bill increases by at least €750 and that increase represents at least a 75% increase in your annual bill (based on their previous year's consumption), with similar arrangements for 01 October 2025[43]. |
| | No proposals to end transitional arrangements | Transition all connections to cost reflective tariffs by 01 October 2026. | Transition all connections to cost reflective tariffs by **01 October 2026**. |

[42] As per Uisce Éireann's Non-Domestic Tariff Design Review and Alignment proposals submission document (CRU/2023150), Uisce Éireann estimates 25,900 (or 14%) connections would qualify under this criteria.

[43] The 'similar' monetary and capping percentage thresholds for the capping arrangements to apply on 01 October 2025 will be consulted on in the 2nd phase of consultation. This phase will focus on setting tariffs for 01 October 2025. Please see Section 3.1.2 for more details.

Acknowledging respondents' disagreement with the CRU's alternative proposals, the CRU re-examined the level of capping and has decided to approve the application of a 75% cap on the maximum annual bill increase for any connection facing an annual bill increase by at least €750 and that increase represents at least a 75% increase in its annual bill on 01 October 2024 (with the similar arrangements for 01 October 2025). Implementing a 75% cap rather than a 100% cap on bill increases for customers facing a bill increase of €750 or greater strikes a balance between phasing out the inequities across the customer base and avoiding sudden steep bill increases for a small cohort of customers. Reducing the cap provides greater relief to customers who will experience very large bill increases as it allows for a more gradual adjustment to the new tariff rates, minimising the financial impact during the transition period. This approach will thereby alleviate some of the immediate financial pressures.

### 2.1.3 CRU Clarifications

In addition to the changes as a result of the consultation responses, the CRU has made additional changes to the Framework. These changes are a result of further engagement with Uisce Éireann on certain aspects of the cost allocation exercise to ensure that it fully aligns with the objectives of the Framework. The following updates have been made:

- **Reducing Cost Allocation to Trade Effluent Compliance and Licensing Costs (See Section 5.3.3)**: The 'indicative' trade effluent compliance and licensing charges for each Trade Effluent Tariff Category have been reduced.
- **Applying Peak Demand Adjustments to Water Distribution Capex Cost Allocated by Consumption (See Section 6.2):** In Uisce Éireann's cost allocation exercise for Consultation, Uisce Éireann applied the peak demand adjustments to water distribution capex allocated by volume/consumption to reflect Uisce Éireann's proposal. However, this proposal was not reflected in Uisce Éireann's Non-Domestic Tariff Design Review and Alignment proposals (CRU/2023150) and CRU's Consultation Paper (CRU/2023149). This update has now been added to the CRU Decision Paper to reflect the CRU's decision to approve this tariff design proposal.

## 2.2 Discussion on Key Topics Flagged at Consultation

In the consultation, there were particular aspects on which the CRU requested views from customers and interested parties. These aspects are summarised below (in no order of priority) and are discussed in further detail within this Decision Paper.

After carefully considering the responses and stakeholder engagement, the CRU has made decisions on these topics and other aspects of Uisce Éireann's proposals throughout this paper.

1. **Implementation Date for New Trade Effluent Charging Framework:**

***Uisce Éireann proposed to implement its new framework on 01 October 2026.***

Uisce Éireann has stated in its proposals that it will not be in a position to implement its new Trade Effluent Charging Framework until 01 October 2026, given that *"…an earlier implementation date is not feasible due to various dependencies and risks (including data requirements, the design of UÉ's IT systems, process design and customer engagement)"*. This will result in the trade effluent tariffs being implemented approximately 27 months (nearly 2.25 years) after the CRU has issued a decision on the trade effluent charging Framework[44] on 03 July 2024.

***CRU decision on New Trade Effluent Framework to be implemented 01 October 2026***

Within the Consultation paper, the CRU was of the view that the new Trade Effluent Charging Framework and new trade effluent tariff rates should be implemented as soon as feasible and should not be delayed beyond 01 October 2025.

The CRU acknowledges the level of engagement from the respondents to the CRU Consultation on this topic. Having carefully considered stakeholder feedback to the consultation, the CRU has decided to approve Uisce Éireann's proposal to implement the new trade effluent charging arrangements and tariff rates on 01 October 2026. The CRU is of the view that this implementation date provides sufficient time for Uisce Éireann to obtain high-quality data for charging and its system ready for implementation. Additionally, it facilitates better customer understanding of the new charging Framework, implementation of necessary infrastructural changes and adjustment of business practices, potentially leading to a reduced financial impact on businesses.

See Section 11.2 of this paper for further information on the CRU's decision on this key topic for consideration.

## 2. Customer Bill Capping Arrangements into the Future:

***Existing transitional and bill capping arrangements***

When the Framework was introduced on 01 October 2021, it included transitional arrangements to gradually transition connections from their existing tariff structures and levels to the new non-domestic tariffs over a 3-year period. This was important as at the time there were over 500 different charges for the provision of water and wastewater across the country and the Framework (which rationalised these into 4 national tariff classes) represented a significant reform to tariff charging policy and how customers were charged for the water and wastewater services. The Framework provided time for customers to get used to their new tariff structures and levels. The transitional arrangements also included the application of a 10% cap to a connection's annual bill increase (where the connection faced a bill increase of €750 or greater

[44] The decision on the trade effluent charging Framework is regarding to how trade effluent connections are classified into trade effluent tariff classes, how trade effluent tariffs are structured, the geographic basis of trade effluent charging and how costs are allocated to each trade effluent customer class. Please note the Wastewater Collection Capex cost allocated to each trade effluent customer may change in October 2026. As these figures are based on the CRU decision on Uisce Éireann's proposed approach to recover a portion of Wastewater Collection Capex through the Standing Charge to reduce the incidence and magnitude of perverse incentives.

as a result of the new tariffs) over the 3-year period to protect customers from very large bill increases.

***Negative consequences of bill capping arrangements***

While these capping arrangements were considered necessary at the time and helped customers to adjust to the new charging arrangements under the Framework, it has also created an undesirable situation where there are a small number of connections at the end of the 3-year transition period (approximately 8,300 out of 188,625) that will not be paying prevailing cost-reflective tariffs for the services they receive (due to the application of the 10% bill capping arrangements). In the current bill capping arrangements, the majority of connections pay the enduring rates as determined in 2019, while a subset benefited from a 10% cap each year of the three-year transition, resulting in these connections facing less on the increase over the three-year period. The CRU is actively exploring the most effective solution to address this inequity. The CRU wishes to reduce this inequity between customers as soon as feasible.

Within the decision on the Framework in 2019, the CRU stated that it would consult on the need for further transitional arrangements for connections after the 3-year transitional period is completed, with a view to minimising the risk of a large step change in tariff levels for these connections. Uisce Éireann examined the case for further bill capping arrangements to accompany its proposals for new non-domestic tariff to apply on 01 October 2024, and proposed to apply a cap of 15% on the maximum annual bill increase for all connections facing an annual bill increase of €250 or greater (based on their previous year's consumption).

This would result in significantly more connections availing of a capped billing arrangement. As mentioned above approximately 8,300 connections would not have reached the enduring non-domestic tariff rates as determined in 2019 by the end of the 3-year transition period. Under Uisce Éireann's proposal for 01 October 2024, approximately 25,900 connections would be eligible to receive a 15% cap to their bill increases and thus would not be charged cost-reflective tariffs.

***Potential to store up greater inequities across the customers in the future***

The 15% cap proposed by Uisce Éireann worsens the inequity across the customer base as there will be a greater number of customers not paying cost-reflective charges than previously. It also has the risk of storing up a significant problem over future years of growing the difference between what customers should be paying (i.e., prevailing cost-reflective tariffs) and what they are paying (capped tariffs), as those connections who receive yearly capping arrangements will move further and further away from paying the prevailing cost-reflective tariffs. Continued discrepancies could have detrimental impacts to competition across the country, especially new businesses that are not eligible for the bill cap compared to the existing businesses that can avail if they meet the eligibility criteria.

***CRU's decision to transition all connections to cost-reflective tariffs by 01 October 2026 and bill capping arrangements for 01 October 2024***

The CRU is strongly of the view that bill capping arrangements should only be a temporary measure, and a key objective of tariff reform is to have an equitable system of charges where all connections pay cost-reflective tariffs, and thus pay the same price for the same service. Therefore, the CRU is of the view that all connections should pay the prevailing cost-reflective

tariffs for water and wastewater services by **01 October 2026**. This provides an additional two years for connections who are currently not paying cost-reflective tariffs to transition to paying cost-reflective tariffs, in tandem with proactive customer communications from Uisce Éireann.

The CRU acknowledges the level of engagement from the respondents to the CRU Consultation on this topic. Having carefully considered stakeholder feedback to the consultation, the CRU has decided that Uisce Éireann is to apply a 75% cap on the maximum annual bill increase automatically, where customers will see an annual bill increase by at least €750 and that increase represents at least a 75% increase in their annual bill. The CRU has also decided that a similar bill capping arrangement shall be provided for water and wastewater connections on 01 October 2025[45], and that all connections will pay the prevailing cost-reflective water and wastewater tariffs by 01 October 2026. This provides an additional two years for connections who are currently not paying cost-reflective tariffs to transition to paying cost-reflective tariffs, in tandem with proactive customer communications from Uisce Éireann. This will eliminate the inequities across customers by this date.

See Section 8.2 of this paper for further information on the CRU's decision on this key topic for consideration.

### 3. Removing Perverse Incentives Inherent in the Tariff Design:

Across the existing non-domestic tariff classes there are 'perverse incentives' for a small number of customers who are close to certain tariff boundaries to consume inefficiently. That is, at certain tariff boundaries customers are incentivised to either use more water or avoid reducing water use in order to avoid moving to a new tariff class the following tariff year which would be less beneficial financially.

For example, a customer could reduce its water use either because of a change in business conditions or because it changed its business processes to be more water efficient. In this case, it would normally expect to see its annual bill decrease the following tariff year. However, it is possible that it could actually face an increase in its annual bill in the next tariff year if the reduction in its consumption means that it moves tariff class in the following tariff year, and the standing and volumetric charge rates of its 'new' tariff class are less financially beneficial at its new lower consumption volume[46]. In some instances, it may also be possible for customers to increase their water use (or wastewater discharge for wastewater only connections), move up a tariff class the following tariff year and see decreases in their annual bills. Similarly, this leads to a perverse incentive for a connection close to a tariff class boundary to avoid reducing its water use (or wastewater discharge for wastewater only connections).

***Uisce Éireann has not fully removed perverse incentives in its new tariff proposals***

[45] The 'similar' monetary and capping percentage thresholds for the capping arrangements to apply on 01 October 2025 will be consulted on in the 2nd phase of consultation. This phase will focus on setting tariffs for 01 October 2025. Please see Section 3.1.2 for more details.

[46] This can happen when the net impact of a higher volumetric charge rate and lower standing charge (associated with the Band 'below') results in a higher annual bill (at the connection's new lower consumption volume) compared to the annual bill calculated using the lower volumetric charge rate and higher standing charge associated with the connection's 'current' Band.

Uisce Éireann has not fully removed the perverse incentives within its proposals. It is of the view that completely removing the perverse incentives would result in large standing charge increases (which would increase by an additional 25% to 125% for most water bands compared to Uisce Éireann's proposed tariff rates) for all customer tariff bands, which has the negative consequence of dampening the incentive to conserve water for all customers within each band.

The CRU acknowledges this important point and wishes to strike the appropriate balance between maintaining strong incentives to use water efficiently for all customers and reducing inefficient consumption signals at some tariff boundaries for a small number of customers. Although perverse incentives exist at certain tariff boundaries within Uisce Éireann's new proposed non-domestic water and wastewater tariffs, the CRU is cognisant of the need to balance this against the requirement for the new non-domestic tariffs to also meet multiple objectives of promoting efficiency in water use, cost reflectivity, cost recovery, equity, stability, and simplicity. Moreover, the respondents who provided feedback to this supported Uisce Éireann's proposal. For these reasons, the CRU has decided to approve Uisce Éireann's proposal of partial removal of perverse incentives. Moreover, the CRU requests that Uisce Éireann seek to fully remove these perverse incentives from all tariff class boundaries in future reviews of the tariffs.

See Sections 13.3 & 13.4 for further information on the CRU's decision on this key topic for consideration.

### 4. Existing 'specific' Trade Effluent charge levels & the case for an inflationary adjustment:

There are currently approximately 188,625[47] non-domestic connections in total, of which 6,868 are trade effluent connections (that is, these connections are licensed to discharge trade effluent into the public wastewater network). Of the 6,868 trade effluent connections, 6,623 are currently charged the Non-Domestic Tariff Framework wastewater tariff rates and 245 continue to pay specific trade effluent tariffs as previously determined and charged by the 34 Local Authorities and 10 Town Councils.

***'Specific' trade effluent charges remain unchanged***

This is because when the Non-Domestic Tariff Framework was established, Uisce Éireann informed the CRU at that time that it did not have sufficient data on trade effluent discharges and costs to propose enduring trade effluent charging arrangements. As a result, there are 245 trade effluent connections that pay a 'specific' trade effluent charge and continue to pay tariffs for this service which were previously determined and charged by the 34 Local Authorities and 10 Town Councils.

Although in its decision on the Non-Domestic Tariff Framework[48] in 2019, the CRU required Uisce Éireann to maintain specific trade effluent tariffs in accordance with the structures and

[47] This figure does not include the 245 trade effluent connections who pay a 'specific' trade effluent charge that continue to pay tariffs for this service which were previously determined and charged by the 34 Local Authorities and 10 Town Councils.

[48] *"Irish Water's Non-Domestic Tariff Framework CRU Decision Paper (CRU/19/074)"* - 03 July 2019 - available at the following link.

arrangements in place in each Local Authority area prior to 01 January 2014 until a new Uisce Éireann Trade Effluent tariff framework has been implemented, the CRU is cognisant of the period of time that these specific trade effluent tariffs have not changed, while tariffs for all other non-domestic connections have changed to reflect underlying cost changes.

***The case for applying an inflationary adjustment to these tariffs***

As these specific trade effluent charges have not changed for at least 10 years and would not change for another approximately 27 months (nearly 2.25 years) under Uisce Éireann's proposals, the CRU asked Uisce Éireann to consider the case for applying an inflationary adjustment to these tariffs in October 2024 to achieve greater equity across all customers in respect of tariff levels. The CRU is cognisant that the specific trade effluent tariff levels do not reflect up-to-date costs and also have reduced in real terms.

If the enduring harmonised system of trade effluent charges cannot be implemented in the short term, the CRU is of the view that it is appropriate to consider an interim adjustment, to achieve greater equity across customers. This would also help to limit the degree of a step change in future tariff levels for these specific trade effluent connections.

***Not feasible to implement an inflationary adjustment on 01 October 2024***

Uisce Éireann responded to explain that while it doesn't disagree with the principle of applying an inflationary adjustment to the 'specific' trade effluent tariff levels it is not feasible to implement the adjustment by 01 October 2024. The reasons put forward by Uisce Éireann for this include a potentially complex implementation process in a short period, and that inflation has already been applied to some connections.

***Retain specific trade effluent charges on 01 October 2025***

In the consultation, the CRU was of the view that if it is not feasible to implement on 01 October 2024, Uisce Éireann should prepare to implement such an adjustment on 01 October 2025 (assuming the new trade effluent tariff framework is not implemented on this date). However, Uisce Éireann's cost-benefit analysis of applying an inflationary adjustment did not demonstrate a substantial benefit of applying an inflation adjustment. Additionally, Uisce Éireann noted that applying inflationary adjustment one year before the Trade Effluent Charging Framework implementation may increase the risks associated with the implementation of the Trade Effluent Charging Framework.

Having carefully considered stakeholder feedback to the consultation and Uisce Éireann's supporting analysis, the CRU has decided to retain the 245 existing 'specific' trade effluent charge levels unchanged until the Trade Effluent Framework is introduced on 01 October 2026.

See Section 11.3 for further information on the CRU's decision on this key topic for consideration.

5. **Departure from a national charging approach – application of a 'Treatment Plant' adjustment to the allocation of treatment costs to trade effluent industrial connections:**

***How does this new 'treatment plant' adjustment work and how does it impact the costs allocated to customer classes?***

As part of Uisce Éireann's cost allocation exercise, Uisce Éireann proposed to allocate wastewater 'treatment' costs using a blended 'Volume and PE' cost driver split basis to each of the wastewater and trade effluent tariff classes. Uisce Éireann also proposed to adjust these wastewater treatment costs allocated on a Volume and PE basis to trade effluent connections carrying out 'industrial' activities by a 'treatment plant' adjustment. This adjustment would reflect the estimated lower operating and capital costs of the specific wastewater treatment plants ('WWTP') receiving trade effluent discharges from industrial trade effluent connections when compared to the national average operating and capital costs of all of Uisce Éireann's wastewater plants.

To expand, Uisce Éireann has estimated that the specific WWTPs receiving trade effluent discharges from 'industrial' trade effluent connections (approximately 16% of Uisce Éireann's WWTPs nationally) have approximately 15% lower operating costs compared to the national average operating costs of all its WWTPs. Uisce Éireann explains that this is because "*These WWTPs are generally in urban areas and are of a larger scale and, therefore, benefit from economies of scale*". It proposed that a similar relationship holds in respect of capital costs of these specific WWTPs, that is, the capital costs of these specific plants are 15% lower than the national average capital costs of all its WWTP.

Uisce Éireann argued that applying this adjustment achieves greater cost reflectivity and aims at preventing overestimating the treatment costs associated with treating effluent from trade effluent customers and underestimating the costs of treating effluent for non-domestic customers.

***Why CRU is of the view that this departs from a national charging approach?***

While the CRU acknowledges that this is a cost-reflective approach in the sense that the trade effluent charges reflect an estimate of the costs incurred at the specific WWTPs receiving trade effluent from the industrial trade effluent connections, the CRU is of the view that this adjustment contravenes the existing established Framework i.e., diverges from the national charging approach that underpins the Framework. To explain, under the existing Framework the costs of Uisce Éireann undertaking different activities (for example, treating water at its water treatment plants, distributing water through the water network of pipes to customer premises) are aggregated on a national basis and allocated to each customer class (as per the allocation rules) and thus reflected in the tariff rates of each class. The existing Framework tariffs therefore reflect the national average costs of providing water or wastewater services to customers, not the costs of the specific assets which customers use locally.

***Potential negative consequences of applying this new 'treatment plant' adjustment***

The application of this adjustment to these industrial trade effluent connections means that all other connections pick up the shortfall which raises equity concerns. This has the potential to create equity issues in respect of some customers paying charges that reflect the national average costs of a service, and other customers paying charges that reflect the specific cost of particular assets that they use. Moreover, 'non-trade effluent' non-domestic connections which discharge into the same WWTPs as these industrial trade effluent connections would not benefit from the same discount.

Further, reflecting the investment needs and expenditure of a region or locality within that region or locality's water or wastewater tariff is likely to lead to a higher risk of volatility in tariff levels from year to year. Changes in the WWTPs used by industrial trade effluent connections could occur from year to year as individual customers enter and exit or change their usage. This would need to be reflected through updates to the 'treatment plant' adjustment factors currently being proposed by Uisce Éireann. The CRU considers this to be an unnecessary source of new volatility. For all these reasons, the CRU has decided to reject Uisce Éireann's proposal to apply a 'Treatment Plant' adjustment to the allocation of treatment costs to industrial trade effluent connections as this proposal is not consistent with the current Framework.

See Sections 6.3.5 & 6.4.3 for further information on the CRU's decision on this key topic for consideration.

## 2.3 High-Level Overview of Impacts to Tariff Rates & Customer Bills - 01 October 2024

The CRU's decision on Uisce Éireann's proposed changes to the Framework has the following high-level impacts on the non-domestic 'share' of overall costs, tariff rate levels and customer bill impacts. These impacts are further discussed in Sections 6 to 10 of this paper.

**Key Changes & High-Level Impacts**

*Allowed Revenue Level Change*

The existing non-domestic tariff rates recover Uisce Éireann's RC2allowed revenue amount for 2019, which was used to compute an annualised figure of €1,103m (in nominal prices) for the 3-year transition period. Updating the Framework with the allowed revenue amount for 2024 of €1,474m (as determined under RC3) in 2024 prices represents an increase of €371m (or 34%) in nominal terms. As a result, all tariff rates have also increased.

This represents the most significant change to the Framework, and thus change to the customer tariff rate levels. Uisce Éireann's proposal to update the Framework with the Allowed Revenue for 2024 is in accordance with the CRU's decision on the Framework published in 2019, which is also highlighted in the CRU Consultation Paper (CRU/2023149).

### Stakeholder Feedback and CRU Observations

One respondent agreed with Uisce Éireann's proposal to use 2024-allowed revenues for tariff setting as the figure relates to the final year of the RC3. Two other respondents requested Uisce Éireann and CRU to consider whether cost recovery should be the ultimate goal in tariff setting. The CRU notes that it is evident that the increase in revenues is substantial, and in line with the principle of cost recovery and cost reflectivity, a corresponding escalation in tariffs would be anticipated.

***Context - customers paying tariffs below the underlying costs***

In 2019, the harmonised charging arrangements were designed to achieve multiple objectives, one of which was that tariff levels are to reflect the costs of providing services to customers, that is, reflecting Uisce Éireann's prevailing allowable revenue. When the Non-Domestic Tariff Framework was implemented on 01 October 2021, the enduring non-domestic tariff levels were fixed for 3 years, to provide price certainty and stability to customers, especially those customers who transitioned from their old tariff rates to the new enduring tariff rates over time. Due to this, over the three years, non-domestic customers have been underpaying and have benefited from receiving lower bills, than if the tariffs were updated for each year of the transition period. To avoid bill instability and a large step change in the tariff levels for October 2025 (to reflect the up-to-date allowed revenue amount), the prevailing tariffs must reflect the most up-to-date available revenue and customer data.

As set out in the CRU Consultation Paper, this material increase in the allowed revenues (from 2019 to 2024) reflects the significant and necessary investment and operational costs being incurred by Uisce Éireann to improve public water and wastewater infrastructure and services over this 5-year period. This investment will enhance the quality, security and efficiency of water and wastewater service provision for all customers. The tariffs that were decided upon in 2019 were based on 2019 revenue and remained unchanged over the last five years. The updated tariffs for October 2024 account for the necessary revenue increase spanning the years 2019 to 2024 which were not accounted for in the existing non-domestic charges.

Over this 5-year period, Uisce Éireann has increased water treatment plant capacity, upgraded reservoirs and pump stations, rehabilitated water mains to reduce leakage, and reduced the number of properties at risk of microbiological non-compliance and thus the number of boil water notices. Uisce Éireann has also invested in wastewater assets to improve the treatment capacity at a number of wastewater agglomerations and accelerated investment in large-scale wastewater below-ground projects such as Greater Dublin Regional Drainage Plan: Blanchardstown Sewerage Scheme, Upper Liffey Valley Sewerage Scheme and the Leixlip Transfer Pipeline[49].

Uisce Éireann continues to invest significant revenue into expanding and maintaining its asset base to deliver ongoing improvements in service[50], and compliance, to protect the environment and to facilitate population and economic growth. In addition to the continuous investment in water and wastewater assets, Uisce Éireann is also developing national data management systems to improve the accuracy of its regulatory reporting capability, including an enhanced cost estimation approach and completed risk management methodology[51]. However, continued inflationary pressures on energy costs have also resulted in unavoidable increased operational expenditures for Uisce Éireann.

The CRU notes that at the end of RC3, Uisce Éireann's investment and delivery performance will be assessed for value for money as part of the lookback process. Furthermore, the CRU is committed to the ongoing monitoring and assessment of Uisce Éireann's efficient capital investment and operational delivery during the RC3 period via the Investment Plan and Performance Assessment Framework monitoring programmes. The CRU further notes that the

[49] *"Uisce Éireann Capital Investment Plan - 2020 Supplementary Information"*, available at the following link.
[50] *"Uisce Éireann Capital Investment Plan 2020 to 2024 Monitoring Report No. 2 (CRU/202339) – 23 June 2023"*, available at the following link.
[51] "*Uisce Éireann SWI Implementation Plan Quarterly Report Q4 2022",* available at the following link.

CRU's decision on Uisce Éireann's proposal to update the Framework with 2024 allowed revenue alone (irrespective of the other updates to the Framework noted in this paper) would result in the requirement for tariff level increases of approximately 34% to ensure tariff levels align with underlying costs.

### CRU's Decision

The CRU's decision is to set tariffs commencing on 01 October 2024 based on Uisce Éireann's allowed revenue for 2024.

***Allowed Revenue Cost Composition Changes***

The 2024 allowed revenue also comprises a higher portion of capital expenditure relative to operational expenditure when compared to the RC2 allowed revenue for 2019, placing an upward pressure on the volumetric charge levels (as capex is currently recovered through the volumetric charges). The CRU has decided to approve Uisce Éireann's proposal to allocate a portion of capital costs to be recovered from the standing charge component of some tariff classes to reduce the potential negative impact of perverse incentives at the class boundaries[52]. As a result, the standing charge levels are increasing to a greater extent than volumetric charge levels.

***Change in Share of Allowed Revenue to be Recovered from Non-Domestic Sector***

The share of total allowed revenue to be recovered from the non-domestic sector is currently 22.98%. The CRU's decision on Uisce Éireann's proposed updates to the Framework has the effect of increasing this non-domestic share to 23.99%. There are two principal factors contributing to this increase.

- Using updated (2021) customer connection and volume data has the effect of increasing the share of total allowed revenue to be recovered from the non-domestic sector as the non-domestic sector's volume grew at a greater rate than the domestic volume between 2019 and 2021. This is primarily due to the inclusion of the 245 trade effluent connections' volume into the Framework who are currently charged 'specific' trade effluent charges.
- Additionally, Uisce Éireann has amended a number of the cost allocation rules (for example, the introduction of PE as a cost driver to allocate wastewater treatment costs and allocating a portion of water distribution capex on 'volume' basis) which also have the effect of increasing the share of costs to be recovered from the non-domestic sector. These changes are aimed at ensuring that tariffs reflect the costs of providing services to customers, thereby achieving greater equity across water, wastewater, and trade effluent customers.

[52] Please see Section 13.3 of this paper where perverse incentives at class boundaries and their impacts are explained.

The output of Uisce Éireann's cost allocation to the non-domestic sector is broken down as follows:

| Percentage of Allowed Revenue Costs Allocated to the Non-Domestic Sector | | | | | |
|---|---|---|---|---|---|
| | Service | | | | Total |
| | Water Supply | Wastewater | Trade Effluent[53] | Other[54] | |
| **Existing Framework Cost Allocations** | **11.25%** | **8.76%** | **1.54%** | **1.43%** | **22.98%** |
| **Cost Allocations for October 2024** | **12.00%** | **5.92%** | **5.22%** | **0.84%** | **23.99%** |

The primary change to the percentage 'share' of total allowed revenue costs allocated across each non-domestic service is a reduction in the 'share' of costs to provide wastewater services (from 8.76% to 5.92%) and increase in the 'share' of costs to provide trade effluent services (from 1.54% to 5.22%). This is a consequence of the inclusion of trade effluent connections into the Framework as well as the application of Uisce Éireann's new cost allocation rules to reflect the costs of providing wastewater services and trade effluent services.

Please also note that the 1.54% primarily reflects the revenues received from 245 trade effluent connections on 'specific' trade effluent charges, while the 5.22% reflects the costs of providing services to all 6,868 trade effluent connections. This is further discussed in Section 6.7.2 of this paper.

***Summary Impacts to Customers:***

- **Impact on the share of the total allowed revenue to be recovered from the non-domestic sector -** These changes to the input data, as well as the CRU's decision on Uisce Éireann's proposed changes to a number of the cost allocation rules, have the cumulative effect of increasing the non-domestic share of Uisce Éireann's total costs from **22.98%** to **23.99%**. This is further discussed in Section 6.7 of this paper.
- **Impact to the new tariff rate levels -** Broadly these changes have the cumulative effect of increasing both the standing charge and volumetric charge levels for all tariff classes (which is driven by setting tariffs to reflect the most up-to-date allowed revenue value (for 2024)). The standing charge rate levels are increasing at a higher rate than the volumetric tariff rate levels. This is discussed in Section 7 of this paper.
- **Impact to customer bills -** 100% of connections will see an increase in their bills as a result of the new water and wastewater tariffs across the customer base. To protect customers from large bill increases, the CRU has decided to apply a 75% cap on the maximum annual bill increase for all connections facing an annual bill increase by at

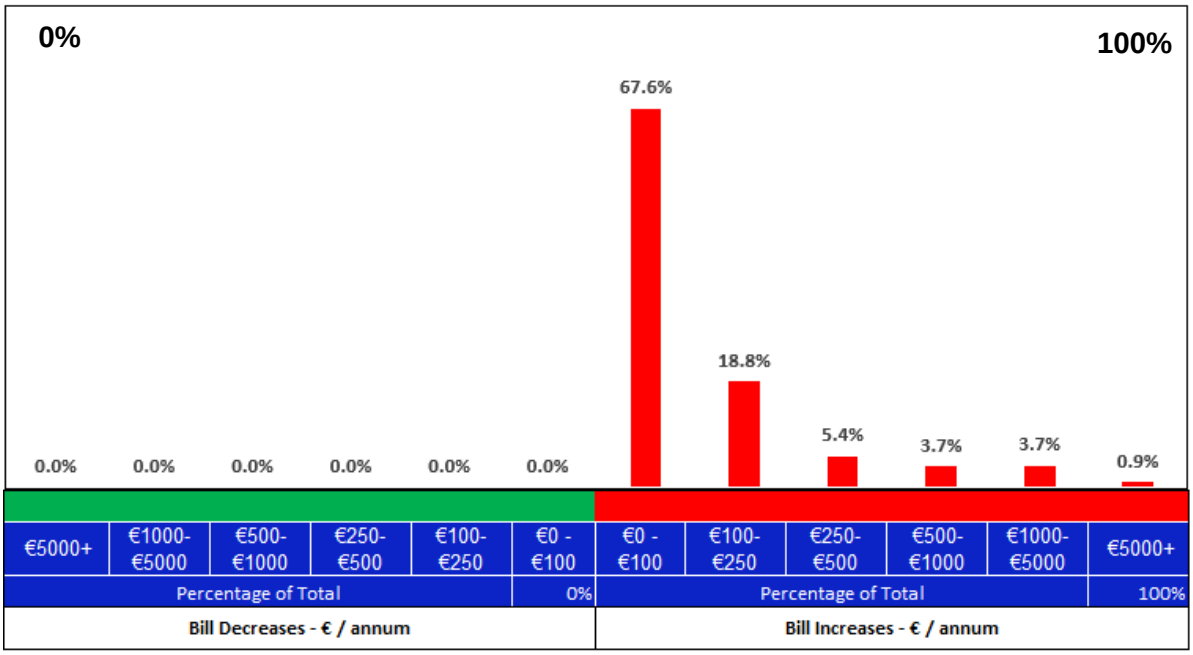
[53] Trade effluent ('TE') is a type of wastewater that is discharged from a non-domestic premises that can have a composition that can be more polluting than regular wastewater.

[54] 'Other' captures revenue received from legacy agreements and Additional Services. Additional Services include revenue Uisce Éireann receives from other services, such as tankered waste and leachate.

least €750 and that increase represents at least a 75% increase in their annual bills (based on their previous year's consumption). It is important to acknowledge that customers experiencing large increases have been benefiting from tariffs that were considerably lower than the actual cost of providing the service to them as they have availed of generous caps on annual increases, which further widened the gap between their bill and the true cost of delivering the service.

The following customer bill impact graph shows the distribution of customer bill impacts (capturing the percentage of connections that would see different monetary impacts to their annual bills) if the new tariff rates are applied to all **188,625** water and wastewater metered and unmetered connections <u>with</u> the CRU's decision on bill capping arrangements in place:

**Figure 2 - Uisce Éireann's Customer Bill Impact Distributional Analysis Based on Applying its Proposed New Water and Wastewater Tariffs – <u>WITH</u> Bill Capping Arrangements in Place**




The application of the bill capping arrangements would mean that:

- 86.4% (162,905 connections) would see annual bill increases of less than €250
- 13.6% (25,720 connections) would see annual bill increases of €250 or greater

Further detail on the bill impacts across the customer base is presented and discussed in Section 9.2 of this paper.

## 2.4 The Benefits of Updating the Framework

Updating Uisce Éireann's charging regime will provide the following benefits:

- **Achieves a more equitable system of charges for all non-domestic customers** - The integration of Uisce Éireann's trade effluent charging arrangements into the Framework will achieve greater equity for all non-domestic and trade effluent customers. Water, wastewater, and trade effluent tariffs that are based on the same cost basis, the same customer input data and the same cost allocation rules will minimise cross-subsidies across customer classes. Tariffs that result in 'similar' customers (in terms of consumption characteristics (e.g., volume of water consumption) or discharge characteristics (e.g., strength of pollutants discharged, and volume of effluent discharged)) being charged the same amount for using the same service achieves greater equity across customers, both within the trade effluent customer base and across the non-domestic and trade effluent customer bases.

- **Aligns tariff levels with underlying costs** - Tariffs should be designed to reflect the costs of providing services to customers. Uisce Éireann's Non-Domestic Tariff Framework has been updated to reflect up-to-date revenue and customer input data to ensure tariff levels are not out of line with the costs of providing services to customers and minimise the risk of a large step change in tariff levels over future years. Tariffs that reflect costs also provide efficient price signals to customers and allows for more efficient decisions by customers in their use of water, wastewater, and trade effluent services.

- **Promotes efficient use of water and wastewater services** - Uisce Éireann's non-domestic tariffs continue to promote water conservation and the reduction of wastewater discharge volumes within the tariff structures (by maintaining a relatively low fixed element (standing charge) across the customer classes) placing a strong incentive on customers to conserve water and reduce wastewater volumes. This also provides more scope for customers to reduce their water and wastewater bills.

- **Introduces national harmonised charging arrangements for trade effluent customers** - This provides benefits by creating a system of trade effluent charging that is simpler than what exists today, more transparent and achieves greater equity across trade effluent customers by introducing a consistent set of charging arrangements to all trade effluent customers.

- **Creates incentives to reduce the volume and pollutant strength of trade effluent discharged into the wastewater network -** Uisce Éireann tariff structure for industrial trade effluent connections result in 'high polluting' connections paying more than connections whose trade effluent contains low levels of pollutants (for the same volume of trade effluent discharged). This will better align with the polluter pays principle within the EU Water Framework Directive and also with the government environmental policy objectives.

- **Better aligns with a model of harmonised system of charges for all services in place in many other jurisdictions -** For example, many of the water and wastewater utilities in the UK have adopted a model of harmonised tariffs for all their services, including trade effluent services, where utilities offer a rationalised 'suite' of non-domestic and trade effluent tariffs, with approximately two to seven non-domestic water, wastewater, or trade effluent tariff categories. In Northern Ireland and Scotland, a 'suite' of non-domestic and trade effluent tariffs applies nationally. In England, one suite of

tariffs applies within a region, where many of these regions contain more customers than exist in Ireland.

The CRU has provided decisions and further observations on each aspect of Uisce Éireann's proposals, which are set out throughout Sections 4 to 13 of this paper.

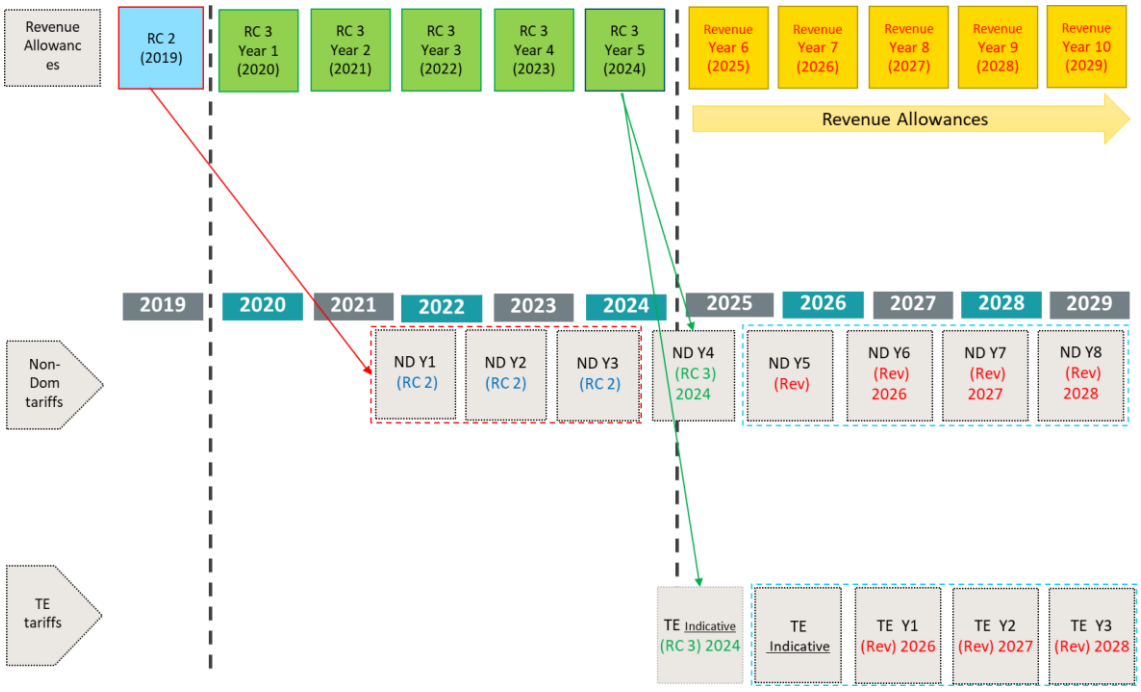
# 3 Methodology & Consultation Approach

This Decision Paper concerns Uisce Éireann's new water and wastewater non-domestic tariffs to apply to its non-domestic customers (on 01 October 2024) and a New Trade Effluent Charging Framework to apply to Uisce Éireann's customers who are licensed to discharge trade effluent into Uisce Éireann's wastewater network on 01 October 2026.

## 3.1 Planned Phases of Consultation to Set Tariffs

It is important to put the relationship between Uisce Éireann's allowable revenue determinations and Uisce Éireann's non-domestic tariff levels (which are set to recover the allowable costs set out in a revenue determination) into context. Figure 3 illustrates this relationship:

**Figure 3 – Uisce Éireann's Allowable Revenue Determinations and Non-Domestic Tariffs**




The CRU is of the view that, in general, setting tariffs on an annual basis is best for customers as tariff levels are more in line with the costs of providing services to customers. However, as illustrated above (via the red arrow), the current non-domestic tariffs (ND Y1, ND Y2, ND Y3), have been fixed for a 3-year period (01 October 2021 to 30 September 2024) and reflect Uisce Éireann's allowable revenue for RC2, that is 2019.

With a view to ensuring that tariff levels are not out of line with the costs of providing water, wastewater, and trade effluent services, and also minimising the risk of a large step change in

tariff levels over future years, the CRU planned two phases of consultation during 2023[55] and 2024[56].

### 3.1.1 1st Phase of Consultation and Decision – Setting Tariffs for 01 October 2024

The first phase (illustrated by the green arrows in the graphic above) concerns updating the non-domestic water and wastewater tariffs (ND Y4) to reflect Uisce Éireann's allowable revenue for year 5 (2024) of RC3[57]. This phase also consulted on Uisce Éireann's proposals for new harmonised trade effluent charging arrangements and indicative trade effluent tariff rates (that also reflect Uisce Éireann's allowable revenue for 2024 as determined in RC3 – noted as "TE Indicative (RC 3) 2024" in the above graphic).

On 21 December 2023, the CRU published a Consultation Paper (CRU/2023149) requesting stakeholders' views on Uisce Éireann's proposals. As part of its proposals, Uisce Éireann informed the CRU that it cannot implement its proposed trade effluent charging arrangements or trade effluent tariff rates on 01 October 2024, therefore the trade effluent tariff rates set out in this Decision Paper are 'indicative' and will not be applied to trade effluent customers' bills.

However, they serve an important purpose as they will allow customers to better understand the consequences of the CRU's decision on Uisce Éireann's trade effluent charging proposals. Further, the indicative tariff rates provide an important price signal to customers as to the likely structure and level of trade effluent charges in the future.

In this Decision Paper, the CRU sets out its decision on Uisce Éireann's Non-Domestic Tariff Framework and New National Trade Effluent Charging Arrangements proposals. The CRU recognises that this is a large paper and covers a range of tariff design and transitional considerations. However, it is important that customers can see the whole picture as to the method of generating the new non-domestic tariffs, transition approach and indicative trade effluent tariffs and how connections will be impacted in respect of their water and wastewater bills.

The CRU procured the consultancy services of CEPA to provide specialist economic and policy advice to assist the CRU in further developing Uisce Éireann's Non-Domestic and Trade Effluent Tariff Framework.

[55] This represents the 1st Phase of Consultation. On 21 December 2023, the CRU published a Consultation Paper (CRU/2023149) requesting stakeholders' views on Uisce Éireann's proposals.
[56] This represents the 2nd Phase of Consultation to set tariffs for 01 October 2025.
[57] That is, Uisce Éireann's allowed revenue determination *"Irish Water Revenue Control 3 - Interim Review Decision Paper (CRU/2022977)"* - 23 November 2022, which was the most up-to-date approved revenue available to Uisce Éireann when it developed its tariff proposals (from Q4 2022 to Q3 2023).

### 3.1.2 2nd Phase of Consultation – Setting Tariffs for 01 October 2025

The second phase concerns updating the non-domestic water and wastewater tariffs (ND Y5) to reflect Uisce Éireann's up-to-date allowable revenue, which is planned for Q4 2024. This phase will also consult on Uisce Éireann's non-domestic bill capping arrangements for 2025, and may consider tariff application rules for trade effluent customers and if there will be a need to introduce new trade effluent transitional arrangements to transition them from their existing tariff and levels to their new trade effluent charging arrangements. This topic will likely be presented in a further consultation.

### 3.1.3 3rd Phase of Consultation – Setting Tariff Levels for the Future (2026 Onward)

The frequency for how changes to non-domestic and trade effluent tariff rates will be consulted on and decided from October 2026 onwards is yet to be determined. As noted above, in general, setting tariffs on an annual basis is best for customers as tariff levels are more in line with the costs of providing services to customers and it minimises the risk of facing large jumps in tariff levels over time. Aligning tariff levels with underlying costs is also essential to ensure Uisce Éireann has sufficient funding for the investment in water and wastewater infrastructure to meet its customers' demands for services in the future and improve public water and wastewater infrastructure and services. Such investment is not only critical for businesses to ensure security of supply for businesses i.e., a safe, sustainable, and reliable water supply can be achieved but also investment will be critical in helping the State meet its targets under the National Development Plan and for foreign direct investment.

## 3.2 Data Availability

Please refer to the CRU Consultation Paper (CRU2023149) which sets out Uisce Éireann's data limitations and provides the CRU's views on these constraints. Uisce Éireann's data limitations include:

- Data to account for the effects of 'network location', 'contribution to peak', 'network leakage' (on a customer class basis) when allocating costs to different customer classes (See Section 6); and
- Data to disaggregate secondary treatment costs from disposal costs of Uisce Éireann's wastewater treatment costs (See Section 5.3.5).

The CRU is requiring Uisce Éireann to enhance its current asset management and accounting systems in identifying and recording cost information associated with a particular service provision and customer tariff grouping. This will improve the data availability on all non-domestic and trade effluent connections over time.

# PART B – CRU DECISION ON TARIFF DESIGN CHANGES

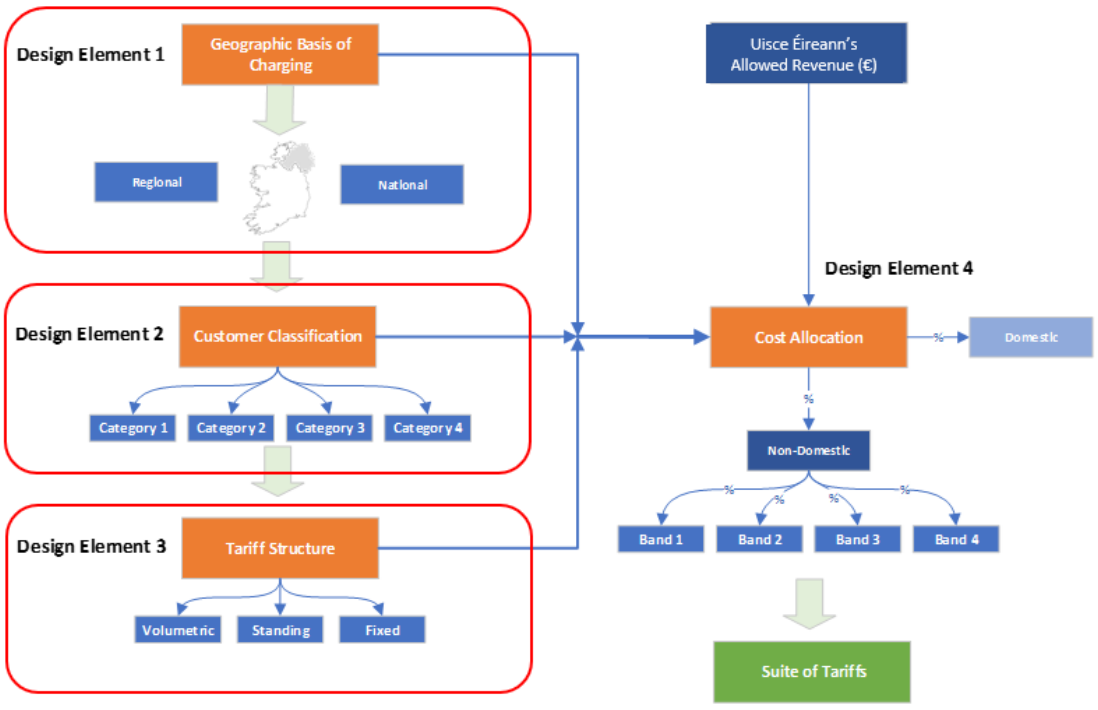
# 4 Design Elements 1, 2 and 3 – Geographic Basis for Charging, Customer Classification and Tariff Structures – Water & Wastewater

This section covers Design Elements 1, 2 and 3 in respect of water and wastewater tariffs. Please note that these design elements are discussed in respect of trade effluent tariff in Section 5 below.

The existing Framework established rules for the first three design elements of the Framework:

- **Design Element 1:** In respect of 'Geographic Basis of Charging', water and wastewater tariffs under the Framework are set on a national basis (that is, tariffs are set to recover the national costs of water and wastewater service provision).
- **Design Element 2:** In respect of 'Customer Classification' the Framework established rules for how customers are grouped into customer tariff classes and defines each customer tariff class.
- **Design Element 3:** In respect of 'Tariff Structures', the Framework determined the design and number of charging components within each tariff class and how these are applied to customers' bills.

Visually, this section considers the following design features in respect of water and wastewater services highlighted in red:



Having carefully considered stakeholder feedback to the consultation, the following table summarises the CRU's decision with respect to Uisce Éireann's proposed changes to these three design elements of the existing Framework in respect of the provision of water and wastewater services. The table below sets out the proposals the CRU has approved (noted in green text):

<table>
<tr><th>Existing Tariff Framework</th><th>The CRU's Decision</th></tr>
<tr><td colspan="2">Design Element 1: Geographic Basis of Charging</td></tr>
<tr><td>Water and Wastewater tariffs to apply on a national basis</td><td>No change</td></tr>
<tr><td colspan="2">Design Element 2: Customer Classification</td></tr>
<tr><td>4 separate metered classes for water and wastewater services:<br><table><tr><th colspan="2">Water and Wastewater Customer Classes</th></tr><tr><th>Tariff Class</th><th>Annual Consumption (m3)</th></tr><tr><td>Band 1</td><td>Less than 1,000m3</td></tr><tr><td>Band 2</td><td>Between 1,000m3 and 19,999m3</td></tr><tr><td>Band 3</td><td>Between 20,000m3 and 249,999m3</td></tr><tr><td>Band 4</td><td>Equal to or greater than 250,000m3</td></tr></table></td><td>Approve Proposal<br>5 metered classes for water services:<br><table><tr><th colspan="2">Water Customer Classes</th></tr><tr><th>Tariff Class</th><th>Annual Consumption (m³)</th></tr><tr><td>Band 1</td><td>Less than 1,000 m³</td></tr><tr><td>Band 2</td><td>Between 1,000 m³ and 19,999 m³</td></tr><tr><td>Band 3</td><td>Between 20,000 m³ and 249,999 m³</td></tr><tr><td>Band 4</td><td>Between 250,000 m³ and 2,299,999 m³</td></tr><tr><td>Band 5</td><td>Equal to or greater than 2,300,000 m³</td></tr></table>Retain 4 metered classes for wastewater services:<br><table><tr><th colspan="2">Wastewater Customer Classes</th></tr><tr><th>Tariff Class</th><th>Annual Consumption (m3)</th></tr><tr><td>Band 1</td><td>Less than 1,000m3</td></tr><tr><td>Band 2</td><td>Between 1,000m3 and 19,999m3</td></tr><tr><td>Band 3</td><td>Between 20,000m3 and 249,999m3</td></tr><tr><td>Band 4</td><td>Equal to or greater than 250,000m3</td></tr></table></td></tr>
<tr><td>2 unmetered classes for water and wastewater services</td><td>No change</td></tr>
<tr><td colspan="2">Design Element 3: Tariff Structure</td></tr>
<tr><td>Tariffs to apply on a per connection basis</td><td>No change</td></tr>
<tr><td>Separate charge for water and wastewater services</td><td>No change</td></tr>
<tr><td>Two-part metered tariffs (with a fixed and a variable component)</td><td>No change</td></tr>
<tr><td>A single, fixed charge per service to unmetered connections</td><td>No change</td></tr>
<tr><td>A national Domestic Allowance for mixed-use connections</td><td>No change</td></tr>
</table>

## 4.1 Changes to the Existing Customer Classes for the Provision of Water Services

Under the Tariff Framework customers are grouped into customer classes for tariffing purposes. The existing Framework groups customers into four separate customer classes for the provision of water and wastewater services, which are differentiated by annual consumption levels. Uisce Éireann has reviewed the existing customer classes (or Bands) and proposed to introduce a fifth customer class (or Band) for the provision of water services.

### Uisce Éireann's Considerations

Uisce Éireann considered two options for classifying customers for the provision of water services. That is, retaining the existing four water customer classes or introducing a fifth water customer class, as set out below:

| Option 1 – Four customer classes | | Option 2 – Five customer classes | |
|---|---|---|---|
| **Tariff Category** | **Annual consumption ($m^3$)** | **Tariff Category** | **Annual consumption ($m^3$)** |
| Band 1 | Less than 1,000$m^3$ | Band 1 | Less than 1,000$m^3$ |
| Band 2 | Between 1,000$m^3$ and 19,999$m^3$ | Band 2 | Between 1,000$m^3$ and 19,999$m^3$ |
| Band 3 | Between 20,000$m^3$ and 249,999$m^3$ | Band 3 | Between 20,000$m^3$ and 249,999$m^3$ |
| Band 4 | Equal to or greater than 250,000$m^3$ | Band 4 | Between 250,000$m^3$ and 2,299,999$m^3$ |
| | | Band 5 | Equal to or greater than 2,300,000$m^3$ |

Source: Table 5.2 in Uisce Éireann's *Non-Domestic Tariff Design Review and Alignment proposals* (CRU/2023150)

Please note that Uisce Éireann proposed to retain the existing four customer classes (Band 1 to Band 4) and volume thresholds for the provision of wastewater services.

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed to introduce a fifth customer class for the provision of water services, and retain the existing four customer classes for the provision of wastewater services, as defined below:

| Water Customer Classes | |
|---|---|
| **Tariff Class** | **Annual Consumption ($m^3$)** |
| Band 1 | Less than 1,000 $m^3$ |
| Band 2 | Between 1,000 $m^3$ and 19,999 $m^3$ |
| Band 3 | Between 20,000 $m^3$ and 249,999 $m^3$ |
| Band 4 | Between 250,000 $m^3$ and 2,299,999 $m^3$ |
| Band 5 | Equal to or greater than 2,300,000 $m^3$ |

| Wastewater Customer Classes | |
|---|---|
| **Tariff Class** | **Annual Consumption ($m^3$)** |
| Band 1 | Less than 1,000 $m^3$ |
| Band 2 | Between 1,000 $m^3$ and 19,999 $m^3$ |
| Band 3 | Between 20,000 $m^3$ and 249,999 $m^3$ |
| Band 4 | Equal to or greater than 250,000 $m^3$ |

**Stakeholder Feedback and CRU Observations**

***Introduction of Fifth Customer Class for the Provision of Water Services***

There was broad support from respondents to introduce a fifth customer class for the provision of water services and to retain the existing four customer classes for the provision of wastewater services.

Generally, customers are grouped into separate tariff classes based on differing costs to serve separate groups of customers. Uisce Éireann has identified a cost differential to support the fifth class for connections consuming 2,300,000 $m^3$ per annum in respect of the 'Network Location' effect. This is where customers located on the 'upper' parts of the network place less demand on the network, and thus impose fewer costs (operational and capital costs) on the system, relative to those customers located at the extremities of the network. Uisce Éireann has stated that the connections that would be assigned to the new Band 5 class are located closer to the water treatment plant relative to other Band 4 connections, and thus place less demand on the network. Thus, introducing a fifth water class could achieve greater cost reflectivity. Creating five customer classes allows for greater refinement of the costs allocated across tariff classes.

Offering five water customer classes is not out of line with practice elsewhere. Most of the water utilities in the United Kingdom ('UK') reviewed by the CRU offer four or more customer classes

and five of them have 5 or more customer classes[58]. The CRU notes that creating a fifth band water class for connections consuming 2,300,000 $m^3$ per annum or greater results in only two connections falling into this class, however this is also not out of line with what is in place internationally. Many customer classes offered by the UK utilities reviewed by the CRU have a very small number of connections per tariff class. For example, one utility has two connections in its largest tariff class, and in two other utilities, there is only one connection in their largest tariff category.

***Annual Volume Threshold for Band 5 Water Tariff Class***

No respondents commented on whether Uisce Éireann's proposed annual volume threshold for this class (Band 5) is appropriate. Given the rationale provided in Uisce Éireann's proposals, the CRU is of the view that the threshold for the fifth customer class should be set at annual consumption equal to or greater than 2,300,000 $m^3$.

***Retain the Existing Four Customer Classes for the Provision of Wastewater Services***

Uisce Éireann did not propose introducing a fifth tariff class for wastewater services as wastewater connections with annual discharge volume above 2,300,000 $m^3$ per annum are trade effluent licensed and *"…will, therefore, be assigned to a trade effluent customer class."*

In response to a raised point by a respondent, the CRU has requested Uisce Éireann to provide additional information to support its proposal to not introduce a fifth wastewater band. Please see Section 3.2.1 in the CRU Responses Paper (CRU202461) for further details. After reviewing the analysis undertaken by Uisce Éireann, the CRU is of the view that the data does not point towards a cost differential for this group of customers (annual volume of 2,300,000 $m^3$ or greater for wastewater discharge). The CRU will keep this under review and is open to introducing a fifth wastewater band should it become evident that this group can be separated in terms of the cost base.

***Timing of the Application of the Band 5 Tariff***

In respect of the timing of the introduction of Uisce Éireann's proposed Band 5, one respondent supported Uisce Éireann's proposal to establish the new Band 5 (and generate associated tariff rates) on 01 October 2024 even though Uisce Éireann will not be in a position to apply the new Band 5 rates to the connections eligible for Band 5 during the 'tariff year' from 01 October 2024 to 30 September 2025. The respondent is of the view that establishing the new Band 5 in this 'tariff year', with a late implementation, will provide sufficient time for customers to adjust to the changes. The CRU is of the view that introducing Band 5 for water in October 2024 will reduce potential tariff instability from introduction at a later date.

[58] Please see Table 20 - International Precedent – Number of Water Customers and Water Tariff Volume Thresholds (England) in Appendix 1 of the CRU Consultation Paper (CRU/2023149) for further detail on the number of water customers per tariff class across 10 water companies in England.

For these reasons, the CRU's decision is to approve Uisce Éireann's proposal to introduce a fifth customer class 'Band' for connections that consume a volume of water equal to or greater than 2,300,000 m3 per annum and retain the existing four customer classes for the provision of wastewater services.

## CRU's Decision

The CRU's decision is to approve Uisce Éireann's proposal to introduce a fifth customer class for the provision of water services, and retain the existing four customer classes for the provision of wastewater services, as defined below:

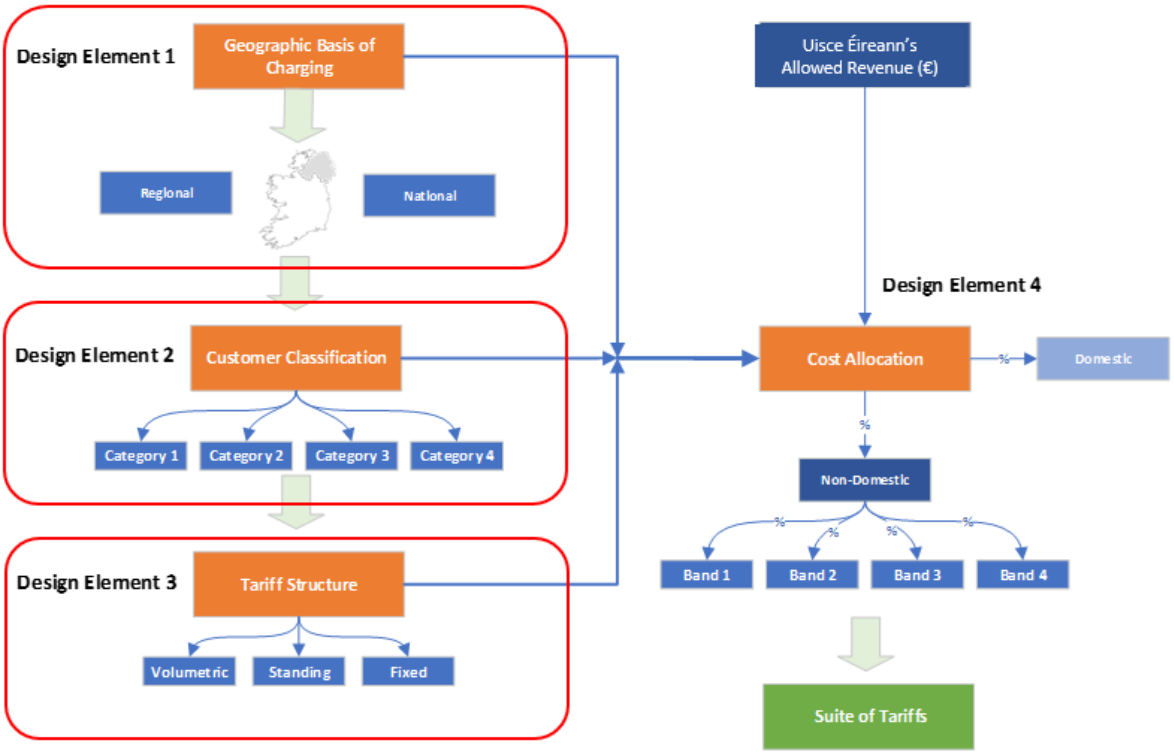
| Water Customer Classes | |
|---|---|
| **Tariff Class** | **Annual Consumption ($m^3$)** |
| Band 1 | Less than 1,000 $m^3$ |
| Band 2 | Between 1,000 $m^3$ and 19,999 $m^3$ |
| Band 3 | Between 20,000 $m^3$ and 249,999 $m^3$ |
| Band 4 | Between 250,000 $m^3$ and 2,299,999 $m^3$ |
| Band 5 | Equal to or greater than 2,300,000 $m^3$ |

| Wastewater Customer Classes | |
|---|---|
| **Tariff Class** | **Annual Consumption ($m^3$)** |
| Band 1 | Less than 1,000 $m^3$ |
| Band 2 | Between 1,000 $m^3$ and 19,999 $m^3$ |
| Band 3 | Between 20,000 $m^3$ and 249,999 $m^3$ |
| Band 4 | Equal to or greater than 250,000 $m^3$ |

# 5 Design Elements 1, 2 and 3 - Geographic Basis for Charging, Customer Classification and Tariff Structures – Trade Effluent

The existing Framework does not contain harmonised charging arrangements for the provision of trade effluent services. This section summarises the CRU's decision on Uisce Éireann's proposals for new harmonised trade effluent charging arrangements to apply to Uisce Éireann's trade effluent connections in respect of the 'Geographic Basis of Charging', 'Customer Classification' and 'Tariff Structures' design elements. For clarity, for the purposes of generating tariffs, a trade effluent connection is a connection that has been granted a licence to discharge trade effluent into Uisce Éireann's public wastewater system.

Visually, this section considers the following design features in respect of trade effluent services highlighted in red:




Please note the graphic is a conceptual illustration of the four design features of the Framework, each of which needs to be considered for both non-domestic and trade effluent charging arrangements. Thus, the term 'Non-Domestic' in this diagram also includes trade effluent connections.

The following table summarises the CRU's decision with respect to Uisce Éireann's proposals on these three design elements of the Framework for the provision of trade effluent services.

**The CRU's Decision**

**Design Element 1: Geographic Basis of Charging**

Trade effluent tariffs to apply on a national basis.

**Design Element 2: Customer Classification**

3 metered classes for trade effluent services, differentiated by a combination of both business activity and annual consumption ($m^3$):

**Trade Effluent Customer Classes**

| Tariff Class | Business Activity & Annual Consumption ($m^3$) |
|---|---|
| **TE Category 1** | • Commercial Activities and;<br>• Industrial Activities with annual consumption of less than 1,000 $m^3$ |
| **TE Category 2** | • Industrial Activities with annual consumption of between 1,000 $m^3$ and 249,999 $m^3$ |
| **TE Category 3** | • Industrial Activities with annual consumption equal to or greater than 250,000 $m^3$ |

2 unmetered classes for trade effluent services.

**Design Element 3: Tariff Structure**

Tariffs to apply on a per connection basis.

Multi-part metered tariffs for each trade effluent tariff class comprising the following fixed and variable components:

- Standing Charge
- Variable Charge (uniform volumetric rate or Mogden structure depending on trade effluent tariff class)
- Trade effluent specific 'Compliance and Licensing' Charge, which is fixed but varies by TE category

Unmetered trade effluent tariffs comprising the following fixed components:

- A single, fixed charge per annum for trade effluent unmetered connections
- Trade effluent specific 'Compliance and Licensing' Charge

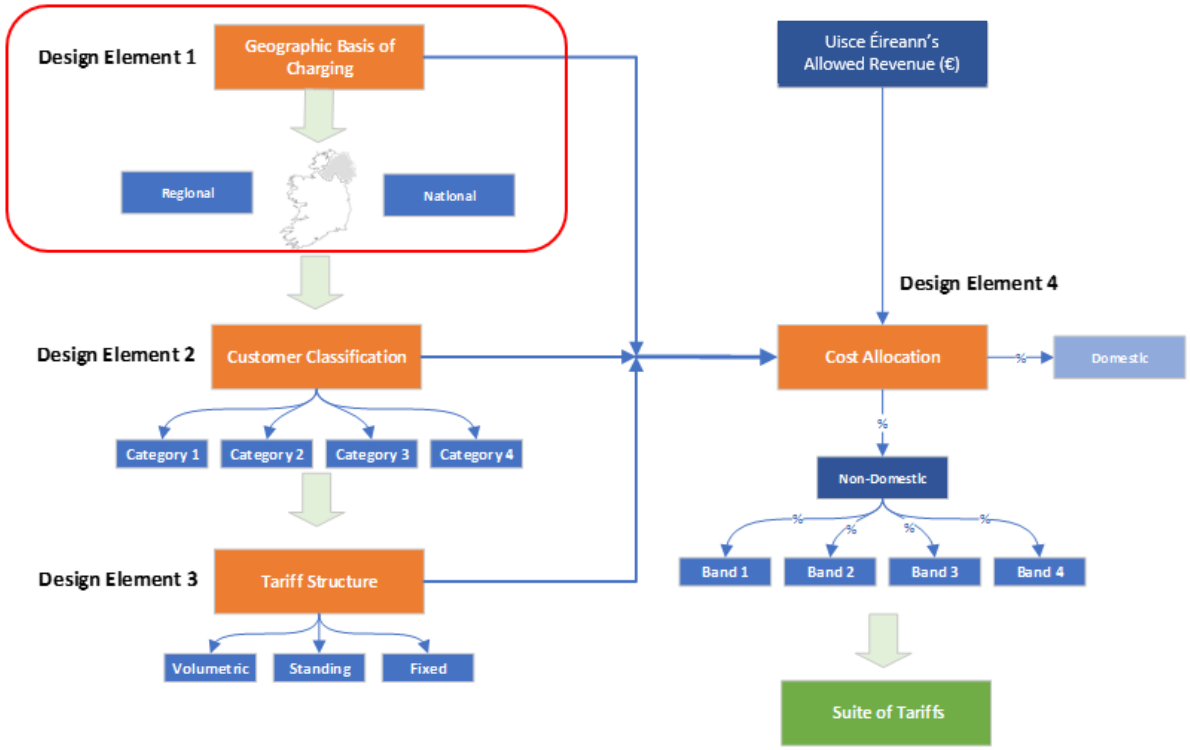
A national Domestic Allowance for trade effluent mixed-use metered connections.

The CRU's decision on Uisce Éireann's proposals in respect of each Design Element are presented and discussed separately below.

## 5.1 Design Element 1 - Geographic Basis for Charging – Trade Effluent

The geographic basis for charging considers the geographic 'level' at which charges should be set. That is, should tariffs be set to recover the regional or national costs of trade effluent service provision.

Visually, this section considers the following design features in respect of trade effluent services highlighted in red:




Current (specific) trade effluent tariffs are set to recover a range of regional or local/plant specific costs of providing trade effluent services as determined by the previous Local Authority.

### Uisce Éireann's Considerations

Uisce Éireann considered a number of different geographic cost bases on which to set tariffs for the provision of trade effluent services (see Section 5 of Uisce Éireann's *Trade Effluent Tariff Design Review proposal* submission document). These were:

- National approach to setting trade effluent tariffs.
- Regional approaches to setting trade effluent tariffs:
    - County boundaries;
    - A wastewater agglomeration or wastewater treatment plant specific basis i.e., trade effluent charges based on the economics of each individual wastewater agglomeration or treatment plant;

- Individual agreements using a Model Form Agreement ('MFA') type methodology[59].

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to set tariffs for the provision of trade effluent services on a national basis.

## Stakeholder Feedback and CRU Observations

There was broad support from respondents to set tariffs for the provision of trade effluent services on a national basis. Many highlighted that a harmonised trade effluent tariff regime would benefit Uisce Éireann's customers in terms of simplicity, equity, and transparency. However, there was one respondent who argued for regional-based charging and was of the view that this would be more cost-reflective[60].

The CRU continues to hold the view that setting tariffs to recover costs on a national basis is optimal for customers. As set out in the CRU's Consultation Paper (CRU/2023149) and the CRU's Decision on the Non-Domestic Tariff Framework[61], setting tariffs on a regional basis would be complex to establish and administer, and would lack transparency for customers. Further, reflecting the investment needs and expenditure of a region within that region's water or wastewater tariff is likely to lead to a higher risk of volatility in tariff levels from year to year. The CRU is also of the view that a national approach would be more equitable. This is because tariffs that result in 'similar' customers (in terms of discharge characteristics (e.g., 'strength' and volume of effluent discharged) being charged the same amount for using the same service achieves greater equity across customers, both within the trade effluent customer base and across the non-domestic and trade effluent customer bases. Additionally, in support of setting tariffs for the provision of trade effluent services on a national basis, one respondent highlighted that variance in charging across the State would encourage a disjointed system to develop, within which Uisce Éireann would not be empowered to apply the same standards for each customer, as set out under EU law.

As set out in the CRU's Consultation Paper (CRU/2023149), a national approach also aligns with the approach taken to setting non-domestic water and wastewater tariffs in Ireland and aligns with what is in place in other jurisdictions in respect of trade effluent tariffs. For example, we see that many of the water and sewerage utilities in the UK have adopted a model of harmonised trade effluent tariffs. In Northern Ireland and Scotland, a 'suite' of trade effluent

[59] Please see Section 4.3.1 in Uisce Éireann's *Trade Effluent Tariff Design Review proposal* submission document for further information on Model Form Agreements.
[60] Points raised by respondents to the consultation (published in December 2023) on this proposal are summarised and further discussed in the CRU's Response Paper (CRU202461) published alongside this paper.
[61] *"Irish Water's Non-Domestic Tariff Framework CRU Decision Paper (CRU/19/074)"* - 03 July 2023 - available at the following link.

tariffs applies nationally. In England, one suite of trade effluent tariffs applies within a region, where many of these regions contain more customers than exist in Ireland[62].

In summary, the CRU continues to hold the view that a national charging structure provides greater benefits to customers in terms of simplicity, equity, transparency and stability than regional based charging, and also is aligned with common practice elsewhere. The CRU therefore approves Uisce Éireann's proposals to set trade effluent tariffs on a national basis.

**CRU's Decision**
The CRU's decision is to approve Uisce Éireann's proposals to set tariffs for the provision of trade effluent services on a national basis.

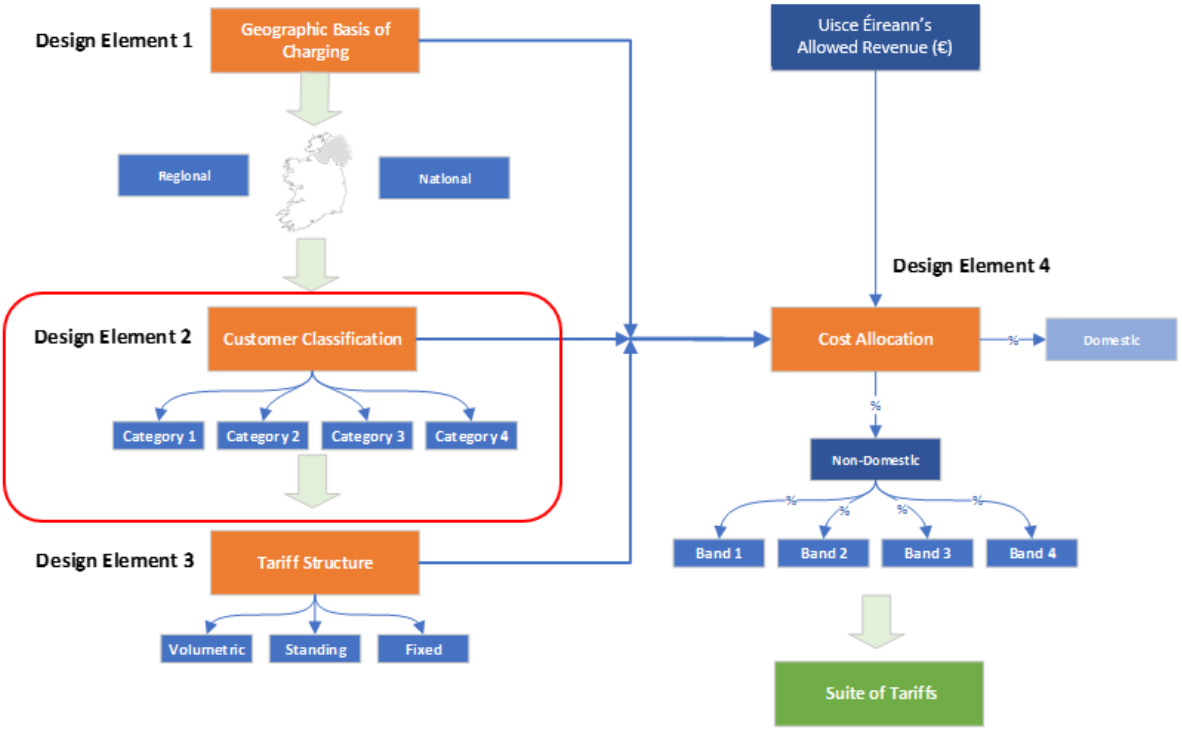
## 5.2 Design Element 2 - Customer Classification – Trade Effluent

This section outlines the CRU's decision with respect to Uisce Éireann's proposals to classify its trade effluent customer base into groups for the purposes of setting tariffs for trade effluent service provision.

- The first subsection sets out the CRU's decision on Uisce Éireann's proposals regarding its method to classify metered trade effluent connections into metered trade effluent tariff classes and
- The second subsection sets out the CRU's decision on Uisce Éireann's proposed definitions of metered trade effluent tariff classes.

Visually, this section considers the following design feature in respect of trade effluent services highlighted in red:

[62] Please see Table 17 - International Precedent - Geographic Basis for Charging – Trade Effluent Customers in Appendix 1 of CRU Consultation Paper (CRU/2023149), the CRU provides further details on the number of trade effluent tariff categories offered to customers in a number of other jurisdictions.




## 5.2.1 Classifying Customers into Trade Effluent Tariff Classes

Generally, customers are grouped or classified into tariff classes based on similar costs to serve. The costs of treating trade effluent discharges are related to both the volume of effluent discharged and also the 'strength' (or concentration) of pollutants (such as Biological Oxygen Demand ('BOD') or Chemical Oxygen Demand ('COD') and Suspended Solids ('SS')) within the effluent discharged.

The treatment process is generally split into primary and secondary treatment. The costs associated with secondary treatment are largely determined by the load of BOD or COD in the wastewater, while the costs associated with sludge disposal are largely determined by SS load. Primary treatment involves screening and settlement of wastewater. The costs of this part of the wastewater treatment process are primarily driven by the volume of wastewater to be treated. Different business activities and processes undertaken by trade effluent customers can produce a range of different 'strength' (or concentrations of pollutants (BOD/COD and SS) of effluent discharged.

### Uisce Éireann's Considerations

Uisce Éireann considered four approaches as a basis for classifying trade effluent connections into trade effluent customer tariff classes (see Section 6.2 of Uisce Éireann's *Trade Effluent Tariff Design Review* proposal submission document). These were:

- Annual consumption;
- Discharge strength;

- Activity-based categorisation; and
- A combination of both annual consumption and activity-based categorisation.

**Uisce Éireann Proposal(s):**

Uisce Éireann proposed classifying trade effluent customers into trade effluent customer tariff classes based upon a combination of both annual consumption and business activity.

A customer's classification will be reviewed annually based on the most recent, if any, changes to the business activity and the most recent consumption data.

## Stakeholder Feedback and CRU Observations

All the respondents who provided feedback on this design feature supported the classification of trade effluent customers into different tariff classes based on a combination of both annual consumption and activity. One respondent noted it as an equitable and cost-reflective approach, meeting the polluter pays principle.

Given the costs of treating trade effluent is driven by both the volume and strength of effluent, the CRU is of the view that it is sensible to group customers using 'markers' for both 'strength' and volume of effluent. This will help ensure the costs of treating trade effluent are allocated appropriately to each customer class. It also facilitates the development of a 'strength and volume' trade effluent charging structure (such as a Mogden formula), where a connection's charge depends on both the strength and volume of trade effluent it discharges from its premises into the public wastewater system. The use of a Mogden formula[63] also aligns with the polluter pays principle, that is, customers discharging high strength trade effluent should pay higher charges than customers discharging low strength wastewater (for the same volume of trade effluent discharged).

The CRU acknowledges the drawbacks identified by Uisce Éireann of solely using 'annual consumption', 'discharge strength' or 'business activity' to classify trade effluent connections into trade effluent tariff classes.

As noted by Uisce Éireann in its submission document, Uisce Éireann samples the effluent discharges (in respect of measuring the pollutants levels) from a number of its trade effluent connections. However, there are nearly 7,000 connections that are licensed to discharge trade effluent across the country, and it would be uneconomic for Uisce Éireann to sample all of these connections' effluent discharges. Thus, there is a need to use an alternative 'marker' to proxy the strength of effluent, and Uisce Éireann proposed to use 'business activity' for this, on the basis that different business activities and processes undertaken by trade effluent customers can produce a range of different 'strength' (or concentrations of pollutants (BOD or COD and SS) of effluent discharged. During the consultation process, one respondent acknowledged this argument that this categorisation avoids the need for thousands of small users to pay for

[63] Please see Sections 2 and 5.3.3 of this paper for the CRU decision on the Mogden charging structure to apply Trade Effluent Category 2 and Trade Effluent Category 3.

sampling and analysis as would be done if customers were grouped based on site characteristics instead of trade activity.

As set out in the CRU's Consultation Paper (CRU/2023149), classifying trade effluent customers into trade effluent customer tariff classes based upon a combination of both annual consumption and business activity is also applied by several UK utilities. One respondent highlighted that TEC codes is a tried and tested method which they note has worked well.

Many UK utilities have exempted some activities from trade effluent charges due to their effluent discharge being considered low risk. For example, Water Plus served at Severn Trent wholesale region[64] states that *"Where a discharge is legally considered a trade effluent discharge, but it is assessed by the wastewater undertakers to be insignificant in volume and strength and is therefore unlikely to require any further action after the initial application is processed, the wastewater charges will be applied."*

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposals to classify trade effluent customers into trade effluent customer tariff classes based upon a combination of both annual consumption and business activity.

A customer's classification will be reviewed annually based on the most recent, if any, changes to the business activity and the most recent consumption data.

### 5.2.2 Trade Effluent Customer Classes

Uisce Éireann proposed to classify trade effluent customers into trade effluent tariff classes based on a combination of both annual consumption and activity. In respect of 'activity', Uisce Éireann stated in its proposals that "*Customers classes can be defined based on whether they undertake Commercial or Industrial Activities (as the difference in activity can drive differences in wastewater strength)".* Uisce Éireann proposed using Trade Effluent Categorisation codes ('TEC')[65] to categorise customers into these commercial and industrial activities based on similarities in the 'strength' or polluting load of wastewater discharged. A list of industrial and commercial activities is set out in Appendix 3 of Uisce Éireann's *Customer Information Paper*.

Uisce Éireann also considered an alternative method for categorising trade effluent customers based on their primary activity by using NACE code[66]. However, Uisce Éireann argued that

[64] '*Scheme of charges How we calculate your bills From April 2024*' – Water Plus - available at the following Link.

[65] Uisce Éireann defines the term TEC: *"Means trade effluent categorisation code. TEC codes provide a method of reviewing, informing and setting the relative risks of issues from experience of trade effluent discharges from various trade sectors."*

[66] Uisce Éireann defines NACE code as *"Means the industry standard for classifying economic activities in the European Union".* Please see page 129 of Uisce Éireann's submission *Trade Effluent Tariff Design Review proposals* – 06 December 2023, for this definition. Available at the following link.

NACE code would not take into consideration the relative strength of the wastewater being discharged.

Uisce Éireann therefore proposed that trade effluent customers are differentiated initially by business activity (which indicates the strength of the wastewater discharged), and then, by annual consumption (which indicates the volume of wastewater discharged).

## Uisce Éireann's Considerations

Uisce Éireann considered two options for classifying customers into trade effluent tariff classes, two trade effluent customer classes or three trade effluent customer classes. Each option, with Uisce Éireann's proposed definition of each trade effluent customer class, is set out below:

<table>
<tr><th colspan="2">Option 1 – Two customer classes</th><th colspan="2">Option 2 – Three customer classes (proposal)</th></tr>
<tr><th>Category</th><th>Combination of activity and annual consumption $m^3$</th><th>Category</th><th>Combination of activity and annual consumption $m^3$</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2"><ul><li>Commercial Activities; and</li><li>Industrial Activities with annual consumption <1,000 $m^3$</li></ul></td><td>1</td><td><ul><li>Commercial Activities; and</li><li>Industrial Activities with annual consumption <1,000 $m^3$</li></ul></td></tr>
<tr><td>2</td><td><ul><li>Industrial Activities with annual consumption between 1,000 $m^3$ and 249,999 $m^3$</li></ul></td></tr>
<tr><td>2</td><td><ul><li>Industrial Activities with annual consumption equal to or greater than 1,000 $m^3$</li></ul></td><td>3</td><td><ul><li>Industrial Activities with annual consumption equal to or greater than 250,000 $m^3$</li></ul></td></tr>
</table>

Source: Table 6.2 in Uisce Éireann's *Trade Effluent Tariff Design Review proposals* (CRU/2023151)

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed three customer classes for the provision of trade effluent services, based on a combination of both annual consumption and business activity, as defined below:

| Trade Effluent Customer Classes | |
|---|---|
| **Tariff Class** | **Business Activity & Annual Consumption ($m^3$)** |
| **TE Category 1** | • Commercial Activities and;<br>• Industrial Activities with annual consumption of less than 1,000 $m^3$ |
| **TE Category 2** | • Industrial Activities with annual consumption of between 1,000 $m^3$ and 249,999 $m^3$ |
| **TE Category 3** | • Industrial Activities with annual consumption equal to or greater than 250,000 $m^3$ |

## Stakeholder Feedback and CRU Observations

Two respondents supported Uisce Éireann's proposal to introduce three separate trade effluent tariff classes. However, a respondent argued that it would be appropriate to have a separate band for trade effluent customers with an annual volume ≥2,300,000$m^3$, similar to the 5$^{th}$ band for water supply.

As set out in the CRU Consultation paper, TEC codes are widely used by UK utilities and "…*provide a method of reviewing, informing, and setting the relative risks of issues from experience of trade effluent discharges from various trade sectors*"[67]. TEC codes can be used to classify connections that carry out similar business activities into defined trade effluent categories. This will result in similar trade effluent producers (in terms of the assumed 'strength' of effluent discharged) being grouped together.

The use of 'business activity' and 'volume' to classify trade effluent into 3 separate trade effluent tariff categories provides a means to reflect the cost differential of serving these three groups of customers. This also facilitates the application of different charging structure to each class of customer (that is, a 'volume only' or a 'volume and strength' charging structure). For example, the use of 'volume' in conjunction with 'business activity' acknowledges the situation where a connection may carry out a business activity that has an associated high level of pollutants but discharges a very low volume of trade effluent. Similarly, it also captures the situation where connections that discharge a high volume of trade effluent may not always have high pollutant strength. This approach acknowledges the fact that it is less costly to treat 'low-volume high-strength' or 'high-volume low-strength' effluent than 'high volume-high strength' effluent.

Additionally, as noted above, different tariff classes also facilitate the application of a different charging structure to each class. For example, the cost of administering a 'volume and strength' charging structure (such as a Mogden formula) to all trade effluent connections would not be appropriate. This is because the costs of sampling individual discharges and applying a complex

[67] *"Trade Effluent Risk Assessment, Sampling & Monitoring: Good Practice Guidance Report Ref. No. 18/WW/23/10"* – UK Water Industry Research – 2018.

Mogden charging structure can outweigh the benefits of lower pollutant levels being discharged into the public wastewater system which may be marginal if a connection's 'strength' and volume of the trade effluent is relatively low.

Furthermore, Uisce Éireann's proposal to introduce 3 separate trade effluent categories is not out of line with what is in place in other jurisdictions. In many of the water and sewerage utilities in the UK, there are a number of separate trade effluent tariff categories, which are often differentiated by volume of effluent discharged[68].

### CRU's Decision

The CRU's decision is to approve Uisce Éireann's proposal for three customer classes for the provision of trade effluent services, based on a combination of both annual consumption and business activity, as defined below:

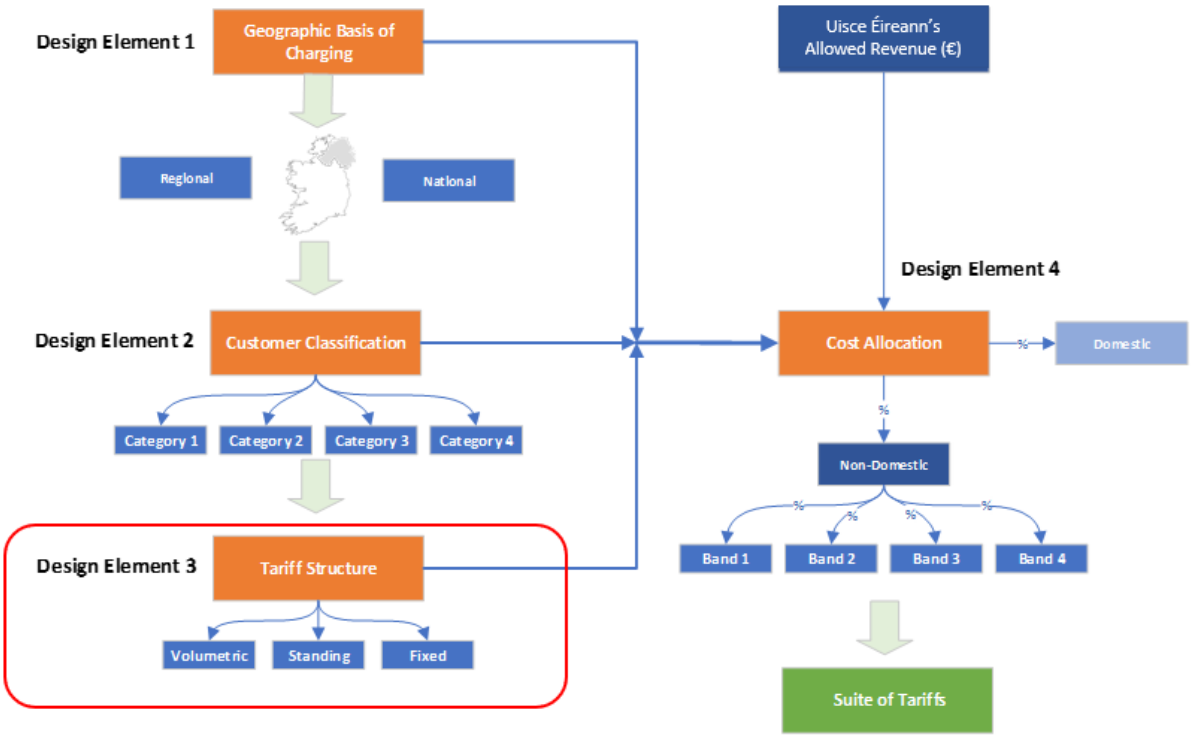
| Trade Effluent Customer Classes | |
|---|---|
| **Tariff Class** | **Business Activity & Annual Consumption ($m^3$)** |
| **TE Category 1** | • Commercial Activities and;<br>• Industrial Activities with annual consumption of less than 1,000 $m^3$ |
| **TE Category 2** | • Industrial Activities with annual consumption of between 1,000 $m^3$ and 249,999 $m^3$ |
| **TE Category 3** | • Industrial Activities with annual consumption equal to or greater than 250,000 $m^3$ |

## 5.3 Design Element 3 – Tariff Structure – Trade Effluent

Tariff structures relate to the set of rules and charging components that are used to determine customer bills for each of Uisce Éireann's trade effluent customer classes.

Visually, this section considers the following design feature in respect of trade effluent services highlighted in red:

[68] Please see Table 19 - International Precedent – Trade Effluent Mogden Classes, Volume Thresholds and Tariff Components of Appendix 1 in the CRU Consultation Paper (CRU/2023149) for further details.




This section sets out the CRU's decision on Uisce Éireann's proposals regarding the basis for trade effluent charging with regard to:

- charging at connection, site or account level;
- structure of the metered trade effluent tariffs (fixed and variable charge components etc.);
- structure of unmetered trade effluent tariffs; and
- structure of the metered trade effluent tariffs to apply to mixed-use connections.

## 5.3.1 Level at Which to Apply Trade Effluent Charges

Section 8.1.1 of Uisce Éireann's *Trade Effluent Tariff Design Review proposal* submission document sets out Uisce Éireann's proposals regarding how it intends to charge its trade effluent customers. That is, at what level (connection, site, customer etc.) Uisce Éireann proposed to apply a tariff.

### Uisce Éireann's Considerations

Uisce Éireann considered two options. These were:

- Charging per connection; and

- Charging at an aggregate level (e.g., Site or Customer Account basis).

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to charge trade effluent tariffs on a per connection basis.

## Stakeholder Feedback and CRU Observations

Two respondents agreed with the proposal to apply trade effluent tariffs at a connection level as it is more cost-reflective than the alternatives and appears uncontroversial particularly as the approach is familiar and clear (i.e., consistent with the existing harmonised non-domestic water and wastewater tariff design). Of the two respondents, one is of the view that it prefers the option to charge at connection level as it will encourage efficiency and as such, prefer this option over aggregate charging.

However, the CRU is aware of the disproportionate impact of the proposed changes to the Framework on customers with low water usage but multiple connections. To ensure full protection of all customers' interests, the CRU requested Uisce Éireann to investigate whether there is a cost basis to provide discounts to additional standing charges for customers with multiple meters (due to having multiple connections). Uisce Éireann carried out further analysis, please see Section 4.2 of the CRU Responses Paper (CRU202461) for further discussion. After considering the analysis, the CRU maintains its views as outlined in the Consultation Paper (CRU/2023149) and as set out below.

As described within the CRU's Consultation Paper (CRU/2023149) in respect of the provision of water and wastewater services, it is the presence of connections that drives the overall size of Uisce Éireann's network and operations over the long term and therefore the substantive element of costs. Although some elements of Uisce Éireann's costs may be explained by the number of sites or customer accounts (e.g., the costs of customer account management), these costs are likely to be small, and connections will explain a much greater proportion of costs. These points also hold for both the provision of non-domestic and trade effluent services.

For trade effluent, the number (and size) of the connections determines the wastewater network and wastewater treatment capacity that Uisce Éireann needs to make available to meet prospective demand. Thus, applying charges on a connection basis better reflects the costs that connections impose on the overall system, achieving greater cost reflectivity. Uisce Éireann's proposal to apply trade effluent tariffs on a connection basis also aligns with the application of the prevailing non-domestic water and wastewater tariffs.

Further, other utilities, including those in the energy sectors in Ireland and elsewhere, levy charges on a connection basis. In the UK it is also common practice to calculate and apply tariffs on a connection level basis.

The CRU acknowledges the likely significant bill increases for some customers with multiple connections. To protect customers from large bill increases, bill capping arrangements across all customer classes have been included in this decision. Should any connection see an annual bill increase by at least €750 and that increase represents at least a 75% increase in its annual bill, the connection's annual bill increase will be automatically capped at 75% on 01 October 2024.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposals to apply trade effluent tariffs on a per connection basis.

### 5.3.2 Structure of Charges for Trade Effluent Metered Customers

Uisce Éireann's next design proposal related to whether to introduce a single, two-part, or multi-part tariff for providing trade effluent services. These refer to different 'parts' or components of a customer's tariff.

Charges in this section can be described as fixed or variable. Variable based charges mean the customer pays per unit of wastewater discharged. This means a customer's bill varies by volume of wastewater (and can also vary by pollutant strengths present in effluent discharged based on the structure of the variable charge). Whereas fixed charges are the same for all customers within a certain customer class – they may vary depending on the customer class the customer is in, but they do not increase/decrease for every unit of wastewater discharged.

#### Uisce Éireann's Considerations

Uisce Éireann considered and defined three options. These were:

- Single-Part Tariff – "…*a customer's bill has only one element. For trade effluent, Single Part tariffs could be designed on a volumetric only basis, where a customer's charge is exclusively determined by the volume of the wastewater discharged*".
- Two-Part Tariff – "...*a customer's bill can have two elements, typically a standing charge and a volumetric charge*"; and
- Multi-Part Tariff – "... *can occur where additional fixed costs are incurred by the utility company, separate to the costs already recovered via the Two Part tariff, and apply for providing specialised services to a specific group of customers*." Uisce Éireann explains that "*For example, the Mogden Formula is a Multi Part tariff commonly used in the UK and Ireland to represent the average costs of treating trade effluents in terms of wastewater volume costs and wastewater strength costs*".

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed 'Multi-Part' tariffs for trade effluent, comprising fixed elements and variable elements relating to the volume and strength of wastewater discharged.

## Stakeholder Feedback and CRU Observations

The respondents who commented on this design feature supported Uisce Éireann's proposal to apply a multi-part tariff as it encourages a fairer distribution of costs aligned with polluters pay principle and is more cost-reflective by ensuring that all trade effluent customers contribute towards all costs that are incurred.

As set out in the CRU's Consultation Paper (CRU2023149), tariffs are designed to recover a utility's efficiently incurred costs; however, the design of a tariff can also influence efficiency in the use of water and wastewater (including trade effluent) services, equity across customers, price stability, transparency, and cost recovery for the utility.

Each of the three tariff structural options (Single-Part tariff, Two-Part tariff, and Multi-Part tariff) considered by Uisce Éireann have differing implications for both customers and the utility providing the service.

- As highlighted in the in the CRU's Consultation Paper (CRU/2023149), in respect of a 'Single-Part tariff', designing trade effluent charges on the basis of a fixed charge only would remove the incentive to reduce usage and make efficient use of the system for trade effluent customers. It also removes the opportunity for customers to reduce their bills associated with trade effluent service provision. Conversely, applying only a volumetric charge increases the risk of both short-term under and over recovery by the utility. This structure also doesn't reflect the fixed costs incurred by the utility in providing a service to a customer, which are incurred irrespective of the volume of effluent discharged.

- Uisce Éireann currently applies a 'Two-Part Tariff' to its non-domestic water and wastewater customers. This structure, comprising a fixed and a variable charge, best reflects the case that certain costs in the provision of water and wastewater services by a utility are fixed, while others vary with the level of water consumed/wastewater discharged. However, this structure does not facilitate the charging of trade effluent of differing 'strength' (i.e., pollutant levels) that is discharged into the public wastewater system by trade effluent connections. A utility incurs higher costs when treating trade effluent with higher levels of pollutants. The Two-Part tariff also doesn't allow for separately capturing specific costs (such as sampling, licensing, and compliance costs) incurred in serving trade effluent customers, that vary based on trade effluent tariff class.

- The CRU acknowledges that a 'Multi-Part' tariff delivers benefits by providing a charging structure that captures the fixed costs as well as costs that vary based on the volume and 'strength' of trade effluent that is treated (for example, through a Mogden charging structure). A Multi-Part tariff design can achieve greater cost reflectivity and better

incentivise efficient use of trade effluent services, relative to a One-Part or Two-Part tariff design.

Trade effluent tariff structures that reflect both a 'volume' and 'strength' charge are commonly used by utilities in the UK in applying charges to trade effluent connections.[69] A number of utilities also charge an additional fixed charge or standing charge to trade effluent connections.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposals to apply a 'Multi-Part' tariffs for trade effluent, comprising fixed elements and variable elements relating to the volume and strength of wastewater discharged.

### 5.3.3 Setting the Fixed and Variable Charge Components by Trade Effluent Tariff Class

Following on from Uisce Éireann's proposal to set a 'multi-part' tariff, Uisce Éireann proposed to apply three elements consisting of two Fixed Charge components, a 'Standing Charge' and a 'Compliance and Licensing' Charge, as well as a Variable Charge component to each of its three proposed trade effluent tariff classes.

Uisce Éireann's proposed tariff charging components are summarised in the following table and discussed further below.

| **Uisce Éireann 's Proposed TE Customer Classes** | | **Uisce Éireann 's Proposed Tariff Charging Components** | | |
|---|---|---|---|---|
| **TE Tariff Class** | **Business Activity & Annual Consumption ($m^3$)** | **Standing Charge (€/annum)** | **Compliance and Licensing Charge (€/annum)** | **Variable Charge (€/$m^3$)** |
| **TE Category 1** | • Commercial Activities<br>• Industrial Activities with annual consumption of less than 1,000 $m^3$ | Non-Domestic Wastewater Standing Charge | Fixed Charge per TE category | Non-Domestic Wastewater Volumetric Charge |
| **TE Category 2** | • Industrial Activities with annual consumption of between 1,000 $m^3$ and 249,999 $m^3$ | Non-Domestic Wastewater Standing Charge | Fixed Charge per TE category | Mogden Volumetric Charge |

[69] Please see Table 18 International Precedent - Charging Approach for Trade Effluent Customers in Appendix 1 of the CRU Consultation Paper (CRU/2023149) for further details.

| | | | | |
|---|---|---|---|---|
| **TE Category 3** | • Industrial Activities with annual consumption equal to or greater than 250,000 $m^3$ | Non-Domestic Wastewater Standing Charge | Fixed Charge per TE category | Mogden Volumetric Charge |

Section 8.2 Uisce Éireann's *Trade Effluent Tariff Design Review proposal* submission document considers how to set each of these Charging Components.

## Uisce Éireann's Considerations - Setting the Standing Charge Component for each Trade Effluent Customer Class

- Uisce Éireann stated that the intent of a standing charge *"…is to recover certain costs as a fixed component of a customer's bill."*
- Uisce Éireann considered that *"This approach is standard practice in the utility sector and reflects that for any network there is a fixed cost associated with connection to the system which does not change with consumption."*
- Uisce Éireann is of the view that "…*trade effluent customers should therefore contribute their share of the functional costs recovered through annual standing charges i.e., UÉ proposes that NDTF standing charges will apply to all trade effluent customers."*

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed to apply the relevant Non-Domestic Tariff Framework Wastewater Standing Charge as determined by the trade effluent connection's annual volume.

## Uisce Éireann's Considerations - Setting the 'Compliance and Licensing' Charge component for each Trade Effluent Customer Class

Uisce Éireann stated that *"UÉ proposes attributing compliance and licensing costs for recovery through a separate fixed component of a trade effluent customer's bill."*

Composition of Charge:

- Uisce Éireann stated that *"Compliance costs include the costs of UÉ carrying out audits to determine a trade effluent customer's compliance with its licence or consent. The frequency of audit site visit will depend on the results of the TERA tool assessment for each customer*."
- Uisce Éireann also stated that *"Licence management costs includes the costs incurred by UÉ in carrying out regular reviews of existing trade effluent licence. A review of a trade effluent licence is undertaken ensure it is up to date and remains fit for purpose. For example, Section 16 and Section 99 licences have wastewater Emission Limit Values (ELVs), wastewater volume, BOD/COD and SS, which impact on the available*

*capacity at wastewater treatment plants receiving the discharge. Updating ELVs will support UÉ's asset planning and may increase available capacity."*

Uisce Éireann's proposed application of the 'Compliance and Licensing' Charge per trade effluent tariff category:

- For Trade Effluent Category 1 customers, "*UÉ intends sampling a representative cross section of Trade Effluent Category 1 customers across a geographical range of Commercial Activities and Industrial Activities and consumption values. UÉ proposes recovering the sampling costs allocated to Category 1 customers through the trade effluent compliance and licensing charge component."*
- For Trade Effluent Category 2 and 3 customers*, "UÉ proposes recovering the sampling costs allocated to Trade Effluent Category 2 and 3 customers… through the variable charge component as UÉ may change the frequency of the sampling programme for individual customers depending on the nature and characterisation of a trade effluent customer's wastewater discharge and the risk it poses to UÉ's wastewater assets."*
- Uisce Éireann highlighted that "*The trade effluent compliance and licensing fixed charge varies by Trade Effluent Customer Category and does not cover any costs already accounted for by the NDTF standing (fixed) charge*."
- Uisce Éireann also clarified that "*The compliance and licensing charge will replace the current monitoring or FOG charges which currently apply to some trade effluent customers."*

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to apply a separate trade effluent fixed Compliance and Licensing charge which varies by trade effluent category.

## Uisce Éireann's Considerations - Setting the 'Volumetric' Charge component for each Trade Effluent Customer Class

Uisce Éireann sets out the following considerations in respect of setting the appropriate Volumetric Charge for each trade effluent tariff class. Uisce Éireann stated that trade effluent costs not recovered through the fixed Standing and Compliance and Licensing charges must be recovered through the variable component of the trade effluent charge.

In summary, Uisce Éireann proposed that the following costs will be allocated for recovery through the variable component of the trade effluent charge:

**a.** Sampling costs will be recovered through the variable charge for Trade Effluent Category 2 and 3 customers (Uisce Éireann proposed to recover these costs through

the Compliance and Licensing charge component for Trade Effluent Category 1 customers as set out above)

**b.** Wastewater collection costs; and

**c.** Wastewater treatment and disposal costs.

**Volumetric Charge - Trade Effluent Tariff Class Category 1**

Uisce Éireann put forward the following principal arguments in respect of the appropriate volumetric charge to apply to Trade Effluent Category 1 customers:

- *"UÉ estimates that 6,382 or c.92.9% of total trade effluent customers will be assigned to Trade Effluent Category 1. UÉ considers that in general the wastewater discharged by connections in this Trade Effluent Category, while legally a trade effluent discharge, is relatively insignificant in volume and/or strength and unlikely to unduly impact on the operation of UÉ's wastewater assets."*
- *"UÉ does not think it is currently cost efficient to implement Mogden formula charging for Category 1 customers given the low risk profile of the discharge."*
- *"As these customers likely present a relatively low risk to our wastewater assets… …UÉ proposes applying the same uniform volumetric rate structure to Trade Effluent Category 1 customers as is applied to wastewater customers only discharging sanitary wastewater."*
- *"UÉ's proposals may result in some Trade Effluent Category 1 customers currently applied a LA area Mogden formula moving to the uniform volumetric rate structure..."*

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to apply a uniform volumetric rate structure for Trade Effluent Category 1 which is set at the same level as Non-Domestic Tariff Framework wastewater volumetric rate (as determined by the trade effluent connection's annual volume).

**Volumetric Charge - Trade Effluent Tariff Class Categories 2 and 3**

To provide context, Uisce Éireann estimated "*…that 471 or c. 6.9% of total trade effluent customers will be assigned to the Trade Effluent Category 2 customer class and 15 or c.0.2% to the Trade Effluent Category 3 customer class."*

Uisce Éireann considered 3 options to set the volumetric charge for Trade Effluent Tariff Class Categories 2 and 3:

- **A uniform rate** *"…including a single assigned strength rate for each Trade Effluent Category based on average (Kilograms of COD and SS) values for Trade Effluent*

*Category 2 and 3 customers as determined by UÉ's monitoring and sampling programme."*

- **Split Mogden formula incorporating availability (fixed) and variable (operating) charges for each Trade Effluent Category (2 and 3).** *"The availability charge is a set of fixed charges based on the maximum volume, strength and solids content of a customer's trade effluent as specified in their trade effluent discharge authorisation. The operating charge is calculated based on the actual volume, strength and composition of the trade effluent that is discharged from the customer's property to the public sewer."*

- **Single Mogden formula incorporating variable operating charges only with a uniform rate for each component per Trade Effluent Category (2 and 3).** *"The operating charge is calculated based on the actual volume, strength and composition of the trade effluent that is discharged from the customer's property to the public sewer."*

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed to apply a single Mogden formula, incorporating variable operating charges only, with a uniform rate for each component per Trade Effluent Category (2 and 3).

## Stakeholder Feedback and CRU Observations

***'Standing Charge' Component***

The respondents who commented on this proposal broadly agreed with Uisce Éireann's proposal of applying the relevant Non-Domestic Tariff Framework Wastewater Standing Charge (based on a connection's volume) per Trade Effluent Tariff Category. One respondent agreed there was no rationale to deviate from applying the same charges and that the underlying fixed cost of collection and treatment is comparable between trade effluent and non-trade effluent connections. One respondent explained that the approach is reasonable and leads to an efficient and streamlined process of cost recovery as a fixed component of a customer's bill is necessary to ensure customers contribute to the functional costs. Additionally, it was highlighted that this will be an efficient method of cost recovery which is standard practice in other jurisdictions.

As set out in the CRU Consultation Paper, the Standing Charge is set to recover certain costs in providing a service that does not vary with volumes discharged, for example, the costs such as billing and meter reading volumes consumed/discharged, and in some cases a portion of fixed capital costs. The CRU is of the view that it is appropriate to apply the relevant wastewater Standing Charge to trade effluent connections to recover such costs, which are incurred irrespective of the volume or strength of effluent discharged. Further, this approach is simple,

transparent, and easy for customers to understand. In the UK, a number of utilities also charge an additional fixed charge to trade effluent connections[70].

***'Compliance and Licensing' Charge component***

Two respondents supported Uisce Éireann's proposal to apply a separate Fixed Compliance and Licensing Charge per Trade Effluent Tariff Category. One of the two respondents noted that the charge will ensure Uisce Éireann has sufficient financing to carry out audits to determine compliance at the frequency they require to be effective.

As set out in the CRU Consultation Paper, there are certain costs that relate to serving trade effluent customers that should not be recovered from connections that do not discharge trade effluent as these costs relate specifically to trade effluent (such as trade effluent compliance and licensing costs). The CRU is of the view that applying a separate trade effluent fixed Compliance and Licensing charge to target the recovery of such costs from those that impose these costs, which varies by trade effluent category, is appropriate. Reflecting this cost differentiation will achieve greater equity across customers.

One respondent noted that Uisce Éireann should aim to use existing EPA's sampling data for trade effluent analysis to keep things simple and efficient. For clarity, the CRU requested Uisce Éireann to consider using EPA's sampling data for its charging purpose. Uisce Éireann stated it must conduct its own sampling and compliance activities to fulfil its obligations under its legislations/regulations including the Urban Waste Water Treatment Directive, Drinking Water Directive, Water Framework Directive, Water Services Acts 2007-2022 and various associated Irish regulations. While acknowledging some overlap with EPA activities, Uisce Éireann noted that there are differences in sampling frequency and the use and management of data for charging (see further details in Section 3.5.3 of the CRU Response to Comments Paper), it is not feasible for Uisce Éireann's to use the EPA's data.

***CRU Clarification***

In addition to the changes as a result of the consultation responses, the CRU has engaged with Uisce Éireann to reduce cost allocation to Trade Effluent Compliance and Licensing Costs. This change is to ensure that Uisce Éireann's cost allocation exercise fully aligns with the objectives of the Framework. The implication of this change is that the 'indicative' trade effluent compliance and licensing charges for each Trade Effluent Tariff Category will be reduced.

***'Volumetric' Charge component***

**Trade Effluent Tariff Class Category 1**

All the respondents who provided feedback on this tariff design feature agreed with the application of the relevant Non-Domestic Tariff Framework wastewater volumetric charge (based on a connection's volume) to Trade Effluent Category 1 customers who discharge relatively low 'strength' or low volumes of trade effluent. One of the respondents further

[70] Please see Table 19 - International Precedent – Trade Effluent Mogden Classes, Volume Thresholds and Tariff Components in Appendix 1 of CRU Consultation Paper (CRU/2023149) for further details.

explained that this is a logical charge to apply considering the low-risk profile of the associated discharge and the low impact it will have on wastewater assets.

As the CRU noted in the CRU Consultation paper, applying the relevant non-domestic wastewater 'volumetric' charge to Trade Effluent 1 category customers is a simple, transparent and an easy approach for customers to understand.

Further, a number of utilities in the UK deem a trade effluent connection's pollutant strength and/or volume to be 'insignificant' and are charged a different charge (that is, not a Mogden structure) to other trade effluent connections (i.e., where a Mogden charge is applied).

**Trade Effluent Tariff Class Categories 2 and 3**

All the respondents who commented on this design feature agreed with Uisce Éireann's proposal to apply a Mogden 'volume and strength' charging structure to Trade Effluent 2 and 3 Category customers given these connections are likely to discharge higher 'strength' and volumes of trade effluent into the public wastewater system.

As noted in the CRU Consultation Paper, the application of a different charging structure to different trade effluent classes recognises the costs and benefits of such charging structures. For example, the cost of administering a 'volume and strength' charging structure (such as a Mogden formula) to all trade effluent connections would not be appropriate. This is because the costs of sampling individual discharges and applying a complex Mogden charging structure can outweigh the benefits of lower pollutant levels being discharged into the public wastewater system which are likely to be marginal if a connection's 'strength' or volume of the trade effluent is relatively low.

In many UK utilities, trade effluent tariff structures that reflect both a 'volume' and 'strength' charge are commonly used in applying charges to trade effluent connections.[71] The CRU therefore approves Uisce Éireann's proposal to apply a single Mogden formula to Trade Effluent Category 2 and 3 connections.

[71] Please see Table 18 - International Precedent - Charging Approach for Trade Effluent Customers in Appendix 1 of CRU Consultation Paper (CRU/2023149) for further detail.

**CRU's Decisions**

The CRU's decision is to approve Uisce Éireann's proposal to:

- apply the relevant Non-Domestic Tariff Framework wastewater standing charge as determined by the trade effluent connection's annual volume.
- apply a separate Fixed Compliance and Licensing Charge per Trade Effluent Tariff Category.
- apply a uniform volumetric rate structure for Trade Effluent Category 1 which is set at the same level as Non-Domestic Tariff Framework wastewater volumetric rate (as determined by the trade effluent connection's annual volume).
- apply a single Mogden formula, incorporating variable operating charges only, with a uniform rate for each component per Trade Effluent Category (2 and 3).

### 5.3.4 Mogden Formula Structure

Uisce Éireann's next design consideration relates to the structure and terms of its proposed Mogden formula.

The Mogden formula is a widely used method of charging for trade effluent by utilities in the UK[72]. It is also applied to a small number of trade effluent connections in certain Local Authorities in Ireland. It is designed to capture the costs of collecting, treating, and disposing of trade effluent. The formula generally contains four separate terms, each of which are linked to the cost of the different activities of collecting, treating, and disposing of trade effluent. Two of the terms in the formula relate to the cost of collecting and providing primary treatment of trade effluent (the R and V components respectively) and are charged based on the volume of trade effluent discharged by a connection. The other two terms relate to the cost of providing secondary treatment (which is influenced by the level of BOD/COD (mg/L) in the wastewater) and the cost of disposing of suspended solids (which is related to the level of suspended solids) and are charged based on the measured level of COD and suspended solids within the effluent discharged by a connection (the B and S components respectively).

The formula's output is a charge €/$m^3$ which is applied to an individual trade effluent connection, and this charge will vary based on the volume of trade effluent discharged and also the strength of pollutants within the trade effluent discharged by a particular connection[73].

[72] Please see Table 18 - International Precedent - Charging Approach for Trade Effluent Customers in Appendix 1 of the CRU Consultation Paper (CRU/2023149) for further detail.
[73] Please note, the unit '$m^3$' within the Mogden component table in the above Uisce Éireann proposal(s) box should be read as €/$m^3$.

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed to apply the following Mogden formula structure:

$$\text{Unit Charge} = R + V + \left(\frac{Ot}{Os} \times B\right) + \left(\frac{St}{Ss} \times S\right)$$

Where the terms are defined as follows:

| Component | Description | Unit |
|---|---|---|
| R | A fixed charge per cubic metre for reception and conveyance costs | $m^3$ |
| V | A fixed charge per cubic metre for volumetric and primary or preliminary treatment costs, | $m^3$ |
| Ot | The Chemical Oxygen Demand (COD) of the customer's settled trade effluent | mg/l |
| Os | The average national figure for COD of settled wastewater as determined by UÉ across all its wastewater treatment plants | mg/l |
| B | The biological oxidation cost per cubic metre of settled wastewater of average strength | $m^3$ |
| St | The total suspended solids content of the customer's trade effluent | mg/l |
| Ss | The average national figure for SS of wastewater as determined by UÉ across all its wastewater treatment plants | mg/l |
| S | The charge per cubic metre for treatment and disposal of primary sludge from a wastewater treatment plant | $m^3$ |

- Average COD value (482 mg/L) measured by Uisce Éireann across all its wastewater treatment plants over a three-year period from 2020 to 2022.
- Average SS value (252 mg/L) measured by Uisce Éireann across all its wastewater treatment plants over a three-year period from 2020 to 2022.

## Stakeholder Feedback and CRU Observations

The responses to this proposal all generally agreed with Uisce Éireann's proposed Mogden formula structure and the terms of its proposed Mogden formula.

As stated in the CRU Consultation Paper, Uisce Éireann's proposed Mogden formula structure, parameters and defined terms are similar to what is in place in 8 of the water and sewerage utilities in the UK reviewed by the CRU. Table 18 in Appendix 1 of CRU Consultation Paper (CRU/2023149) provides details on the separate Mogden formula applied by each utility. This

shows that 7 of the utilities apply one 'volumetric' Mogden charge similar to Uisce Éireann, and one utility applies a split Mogden charge, made up with an 'Availability charge (i.e., fixed charge)' and an 'Operating charge (i.e., volumetric charge)'. Most utilities also have 4 parameters in their Mogden formula which are similarly defined.

This type of charging structure applies a charge based on the volume of trade effluent discharged and also the strength of pollutants (level of measured COD and SS mg/L) within the trade effluent discharged by a particular trade effluent customer. This means that 'high polluting' trade effluent customers will see higher charges, and lower polluting trade effluent customers will see lower charges (for the same volume of trade effluent discharged). This charging structure better reflects the situation that a utility incurs greater costs treating trade effluent with higher levels of pollutants. The Mogden charging structure creates a strong incentive for (and rewards) trade effluent connections to reduce both their volume and strength of trade effluent discharged into the public wastewater system. In addition to this, one respondent notes that, noting that it is a relatively simple structure that focuses on the most signification pollutants.

As also noted by a number of responses, the Mogden formula charging structure promotes efficient use of trade effluent services and is in line with the polluter pays principle (as set out in the EU Water Framework Directive). A national Mogden charging structure also achieves greater equity for all trade effluent customers. Tariffs that result in 'similar' customers in terms of discharge characteristics (e.g., the strength of pollutants discharged, and volume of effluent discharged) being charged the same amount for using the same service achieves greater equity across customers. The CRU supports Uisce Éireann's proposal to apply a national Mogden formula structure, and therefore the CRU has approved Uisce Éireann's proposals for setting tariffs for the provision of trade effluent services on a national geographic basis (See Section 5.1).

### CRU's Decision

The CRU's decision is to approve Uisce Éireann proposal to apply the following Mogden formula structure:

$$\text{Unit Charge} = R + V + \left(\frac{Ot}{Os} \times B\right) + \left(\frac{St}{Ss} \times S\right)$$

Where the terms are defined as follows:

| Component | Description | Unit |
|---|---|---|
| R | A fixed charge per cubic metre for reception and conveyance costs | $m^3$ |
| V | A fixed charge per cubic metre for volumetric and primary or preliminary treatment costs, | $m^3$ |
| Ot | The Chemical Oxygen Demand (COD) of the customer's settled trade effluent | mg/l |
| Os | The average national figure for COD of settled wastewater as determined by UÉ across all its wastewater treatment plants | mg/l |
| B | The biological oxidation cost per cubic metre of settled wastewater of average strength | $m^3$ |
| St | The total suspended solids content of the customer's trade effluent | mg/l |
| Ss | The average national figure for SS of wastewater as determined by UÉ across all its wastewater treatment plants | mg/l |
| S | The charge per cubic metre for treatment and disposal of primary sludge from a wastewater treatment plant | $m^3$ |

- Average COD value (482 mg/L) measured by Uisce Éireann across all its wastewater treatment plants over a three-year period from 2020 to 2022.
- Average SS value (252 mg/L) measured by Uisce Éireann across all its wastewater treatment plants over a three-year period from 2020 to 2022.

## 5.3.5 Setting the Mogden Formula Parameters – R, V, B and S

Uisce Éireann's next design consideration relates to how to determine the proportion of costs to be recovered from each term of its proposed Mogden formula, that is, R, V, B and S. This will set the term values as determined within Uisce Éireann's cost allocation exercise.

Calculating each term of the Mogden formula requires granular cost data on each of the activities relating to collecting, treating, and disposing of trade effluent. Uisce Éireann explains in its *Trade Effluent Tariff Design Review proposals* submission document that its cost data allows for wastewater costs to be "..*split between collection costs (reflecting the costs of reception and conveyance of wastewater) and treatment costs…"* and that *"… treatment costs can be further categorised as costs relating to volumetric or primary treatment (which does not depend on the strength of the wastewater being discharged) and all costs relating to both secondary treatment or disposal costs (which do depend on the strength of the wastewater being discharged)."*

However, Uisce Éireann has outlined in its *Trade Effluent Tariff Design Review proposals* submission document that at this point in time Uisce Éireann cannot currently differentiate treatment costs between secondary treatment and disposal costs. As this information is required to generate the value of the B and S parameter which makes up the Mogden Formula, Uisce Éireann put forward an alternative way of deriving the proportion of costs that should be recovered from B and S (which are used to determine the values of B and S in the formula). Uisce Éireann's proposals are summarised below.

## Uisce Éireann's Considerations

As set out above, Uisce Éireann proposed to use the following Mogden formula:

$$\text{Unit Charge} = R + V + \left(\frac{Ot}{Os} \times B\right) + \left(\frac{St}{Ss} \times S\right)$$

Uisce Éireann discussed how it proposed to determine the proportion of costs to be recovered from each component:

- **R component**:
    - "*The R component of the Mogden formula is designed to recover collection costs. The R component of the Mogden formula is calculated using the wastewater collection costs allocated to Trade Effluent Category 2 and 3 customers*."
    - Uisce Éireann proposed to have two Mogden Formulas (a separate formula applied to Trade Effluent Tariff Categories 2 and 3), which only differ in respect to the value (€/$m^3$) of the R component. Uisce Éireann proposed "*…applying a network location adjustment to trade effluent customers discharging more than 250,000$m^3$ per annum*" to reflect the differential in costs in serving these two groups of customers.
    - Uisce Éireann's current cost data allows them to differentiate "*wastewater collection costs and wastewater treatment and disposal costs*."
- **V component:**
    - *"The V component of the Mogden formula is designed to recover volumetric or primary treatment costs which are unaffected by the level of BOD/COD (mg/l) or SS (mg/l) in the wastewater. The V component of the Mogden formula is*

*calculated using the treatment costs associated with primary or volumetric treatment allocated to Trade Effluent Category 2 and 3 customers*."

- Uisce Éireann's current cost data allows Uisce Éireann to *"… split its treatment and disposal costs between wastewater treatment costs associated with primary or volumetric treatment and the remaining treatment and disposal costs associated with the strength of the wastewater.*"

- **B and S components:**

  - *"The B component of the Mogden formula is designed to recover secondary treatment costs which are affected by the level of BOD/COD (mg/l) in the wastewater."*

  - "*The S component of the Mogden formula is designed to recover disposal costs, which are affected by the level of SS (mg/l) in the wastewater."*

  - However, Uisce Éireann outlined that it *"… cannot currently disaggregate secondary treatment costs from disposal costs as our cost accounting systems don't yet accommodate this level of cost granularity.".*

  - Therefore, Uisce Éireann *"…proposes to set the B and S components of the Mogden formula based on the ratio of B and S components (54% to 46%) in the Dun Laoghaire Rathdown (DLR) Mogden formula which was set in 2013…" "Using this ratio UÉ splits the allocation for wastewater treatment costs which are unrelated to volumetric treatment. Of these costs, c.80% is assigned to the B component and c.20% is assigned to the S component."*

Please see Section 8.2.3.2 of Uisce Éireann's *Trade Effluent Tariff Design Review proposal* submission document for a more detailed discussion by Uisce Éireann of this proposal.

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed to determine the proportion of costs to be recovered from each term of its proposed Mogden formula as follows:

- the R and V components based on Uisce Éireann's cost data.
- the B and S components based on the ratio of B and S components in the existing Dun Laoghaire Rathdown (DLR) Mogden formula which was set in 2013.

This results in the following splits:

| Proportion to be recovered by each Mogden formula component | R | V | B | S |
|---|---|---|---|---|
| Proportion of cost to be recovered by each component of the Mogden Formula (before assumed B and S split) based on UÉ allocation | 22% | 34% | 44% | |
| Proportion of cost to be recovered by each component of the Mogden Formula (B and S split based on DLR split) | 22% | 34% | 35% | 9% |

Uisce Éireann proposed to have two Mogden Formulas (a separate formula applied to Trade Effluent Tariff Category 2 and 3 customers), which only differ in respect to the value (€/$m^3$) of the R component.

## Stakeholder Feedback and CRU Observations

***Setting the Mogden components***

No respondent has specifically commented on Uisce Éireann's proposals of setting the R and V components. Uisce Éireann has set the R value based on Uisce Éireann's cost incurred from the wastewater collection costs, and the V value based on Uisce Éireann's cost incurred from wastewater volumetric/primary treatment to serve Trade Effluent Tariff Category 2 and 3 customers. The CRU is of the view that this approach is appropriate.

***Setting the B and S components***

Mixed views were received on Uisce Éireann's tariff design proposal. Some respondents emphasised potential issues with current data and the need to adjust the values used in the Mogden formula when Uisce Éireann has access to new data.

Uisce Éireann has outlined in its proposals that at this point in time, Uisce Éireann does not have the information required to generate the value of the B and S parameter which makes up the Mogden formula as it cannot currently differentiate treatment costs between secondary treatment and disposal costs. In the absence of this data, Uisce Éireann has proposed to derive the proportion of costs that should be recovered from B and S (which are used to determine the

values of B and S in the formula) by basing it on the split of the B and S components in the existing Dun Laoghaire Rathdown (DLR) Mogden formula. As set out in the CRU Consultation Paper, in the absence of granular cost data to differentiate treatment costs between secondary treatment and disposal costs at this point in time it is necessary to use an alternative method to derive this split. Uisce Éireann's proposal to use an existing Mogden formula as a proxy for this split is a sensible approach. Uisce Éireann's proposal to use the existing DLR Mogden formula, as opposed to the alternative existing Mogden formulae (set by Fingal County Council, Dublin City County Council and South Dublin County Council) appears appropriate given that the DLR Mogden formula is the most recent Mogden formula calculated by the Local Authorities, and Uisce Éireann report that it "…*reflects treatment costs associated with a relatively new wastewater treatment plant (Shanganagh wastewater treatment plant)."* Additionally, Fingal County Council, Dublin City County Council and South Dublin County Council formulae were set in reference to the Ringsend wastewater treatment plant, which given its scale is unlikely to reflect the breakdown of treatment costs incurred by Uisce Éireann at most of its wastewater treatment plants.

The CRU therefore approves Uisce Éireann's proposed method to determine the proportion of costs to be recovered from the B and S terms of its proposed Mogden formula.

However, the CRU expects Uisce Éireann to continue to enhance its current asset management and accounting systems in identifying and recording cost information to differentiate treatment costs between secondary treatment and disposal costs to derive the B and S split in Mogden formula for each trade effluent category.

The CRU recognises Uisce Éireann's data limitation regarding that it cannot currently disaggregate secondary treatment costs from disposal costs as its cost accounting systems don't yet accommodate this level of cost granularity. It should be noted that the CRU is of the view that, Uisce Éireann should continue to enhance its current accounting systems in identifying and recording cost information associated with a particular service provision and customer tariff grouping. This will improve the data available on setting the Mogden formula parameters for all trade effluent connections over time. The CRU will be requiring Uisce Éireann to undertake analysis during RC4 to review and ensure this tariff design feature remains appropriate.

***Two Mogden Formulas***

Uisce Éireann also proposed to have two Mogden Formulas (a separate formula applied to Trade Effluent Tariff Categories 2 and 3), which only differ in respect to the value (€/$m^3$) of the R component. Uisce Éireann proposed "*…applying a network location adjustment to trade effluent customers discharging more than 250,000$m^3$ per annum*" to reflect the differential in costs in serving these two groups of customers. The R component of the Mogden formula is calculated by Uisce Éireann using the wastewater collection costs allocated to Trade Effluent Category 2 and 3 customers. Applying a 'network location' adjustment to these costs aligns with the adjustments applied to wastewater collection costs to non-domestic customers of the same 'size' (discharge volume).

Further, in the UK many of the water and sewerage utilities offer differently priced Mogden formula based on the annual discharge volume of the customer to reflect the differential in costs[74].

One of the respondents argued that a "…*decreasing block tariff…*" should apply for all components rather than only the R component of the Mogden formula between Trade Effluent Category 2 and 3 customers. Based on the respondent's feedback, the CRU requested Uisce Éireann to investigate if there is any cost differential in treatment and disposal costs (i.e., V, B, and S components) to serve these two groups of customers.

Uisce Éireann responded *"*As *there is overlap in the treatment plants that Trade Effluent Category 2 and Category 3 customers discharge to. Accordingly, UÉ does not believe that there is justification for a difference between the level of (V, B and S component values) adjustment applied to Trade Effluent Category 2 and Category 3 customers."* The CRU is of the view that applying two Mogden formulas to Trade Effluent Tariff Categories 2 and 3, differing only in the R component (€/$m^3$), is appropriate based on Uisce Éireann's existing data.

The CRU, therefore, approves Uisce Éireann's proposal to have two Mogden Formulas (a separate formula applied to Trade Effluent Tariff Category 2 and 3 customers), which differ with respect to the value (€/m3) of the R component.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann proposal to determine the proportion of costs to be recovered from each term of its proposed Mogden formula as follows:

- the R and V components based on Uisce Éireann's cost data.
- the B and S components based on the ratio of B and S components in the existing Dun Laoghaire Rathdown (DLR) Mogden formula which was set in 2013.

The CRU's decision is to also approve Uisce Éireann proposal to have two Mogden Formulas (a separate formula applied to Trade Effluent Tariff Category 2 and 3 customers), which only differ in respect to the value (€/$m^3$) of the R component.

## 5.3.6 Outfall Arrangements

There are a very small number of trade effluent customers who are licensed to discharge trade effluent that are connected directly to an outfall pipe downstream of Uisce Éireann's wastewater treatment plant. Uisce Éireann's next design consideration relates to how to charge for connections that have outfall arrangements.

### Uisce Éireann's Considerations

[74] Please see Table 19 - International Precedent – Trade Effluent Mogden Classes, Volume Thresholds and Tariff Components of Appendix 1 in CRU Consultation Paper (CRU/2023149) for further details.

Uisce Éireann has identified that "*A very small number of trade effluent customers discharge directly to an outfall. Usually this is a sea outfall whereby the wastewater is discharged directly to the sea without being treated at a UÉ wastewater treatment plant.*"

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to apply only the R element of the Mogden formula (i.e., reception and conveyance charges only apply) to Trade Effluent Category 2 and 3 connections in instances where:

- a discharge bypasses Uisce Éireann's treatment plant as agreed by Uisce Éireann and the Environmental Protection Agency ('EPA')

## Stakeholder Feedback and CRU Observations

No respondents commented explicitly on the charging arrangements for outfall customers. As stated above, the R component of the Mogden formula is designed to recover collection costs incurred for 'receiving and conveying' trade effluent through Uisce Éireann's wastewater network, i.e., its reception and conveyance charge. Trade effluent customers connected to the public wastewater system (such as outfall pipes) should contribute to these costs, and thus should be applied the R component of the Mogden charge. However, given the effluent discharged into outfall pipes does not enter a wastewater treatment plant Uisce Éireann does not incur the cost of primary, secondary treatment and disposal costs (reflected in the Mogden terms V, B and S) and thus the CRU is of the view that Uisce Éireann's proposal not to charge these parameters of the Mogden in principle is appropriate.

Additionally, there are a small number of water and sewerage utilities in the UK that similarly have a separate charging arrangements for connections discharging into outfall pipes[75] where not all the parameters of the Mogden formula are applied to such connections.

The CRU therefore approves Uisce Éireann's proposed method of charging trade effluent connections in Trade Effluent Category 2 and 3 that are connected to an outfall pipe downstream of a Uisce Éireann Wastewater Treatment Plant as agreed by Uisce Éireann and the EPA. Please see Section 3.5.6 of the CRU Responses Paper (CRU202461) for more details and Uisce Éireann's intention to not permit any new direct-to-outfall connections downstream of its treatment plants.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann proposal to apply only the R element of the Mogden formula (i.e., reception and conveyance charges) to Trade Effluent Category 2 and 3 connections in instances where:

- a discharge bypasses Uisce Éireann's treatment plant as agreed by Uisce Éireann and the Environmental Protection Agency ('EPA')

[75] *"Charging scheme for Southern Water wholesale region 2024/25 Primary & Non Primary charges"* – Business Stream – available at the following link. *"Scheme of Charges 2024-25"* – Welsh Water – available at the following link.

### 5.3.7 Structure of Charges for Unmetered Trade Effluent Customers

Unmetered trade effluent connections represent 2% (approximately 120 connections) of Uisce Éireann's trade effluent customer base. Unmetered connections are those connections that, for technical or other reasons, do not have a water or wastewater meter.

#### Uisce Éireann's Considerations

Uisce Éireann considered two options to determine its unmetered trade effluent charges. These were:

- an assessed charge based upon the value of a business type or activity or
- a flat charge, whereby all customers are charged the same amount (per tariff class).

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to apply a single flat charge whereby all unmetered trade effluent customers pay the same amount.

Uisce Éireann also proposed to set the unmetered charge for the provision of trade effluent service at a relatively low level, commensurate with the tariff applied to metered Trade Effluent Category 1 customers.

#### Stakeholder Feedback and CRU Observations

One respondent agreed with this proposal and noted that the flat tariff is simple to understand, which should bring an element of bill stability for customers and simpler implementation for Uisce Éireann. As described within the CRU's Consultation Paper on the Non-Domestic Tariff Framework, there are typically two options for unmetered tariffs:

- a fixed annual charge; or
- an assessed charge.

An unmetered customer's bill may be a flat annual charge (based on, for example, an assumed level of consumption or the property's rateable value) or instead may be based on some observable characteristic that correlates with consumption. Assessed charges could be based on pipe size, number of employees, number of loading units per water fitting within a non-domestic property etc.

Although setting tariffs on an assessed basis would achieve a more cost-reflective unmetered charge, this approach requires good data on observable characteristics that correlate with consumption. At this time Uisce Éireann does not have complete data on meter or pipe size for each connection, nor does it have data on employee numbers, water fittings etc. for all connections. Further, the complexity and costs of administering unmetered charging

arrangements should be weighed up against the relatively small number of unmetered trade effluent customers (approximately 2% of the trade effluent customer base). The CRU is of the view that Uisce Éireann's approach of setting a flat charge (based on a low-usage consumer) is simple and easy to administer and also align with the approach to setting unmetered tariffs for water and wastewater customers.

Two other respondents recommended that unmetered customers should have meters installed as a priority, supporting the equity principle and polluter pays principle. The CRU notes the points raised by the respondents. As noted in the CRU Consultation Paper, the CRU is of the view that, unless it is not possible, or it is uneconomic, to meter these unmetered properties, Uisce Éireann should meter these connections as a matter of priority to achieve greater equity across customers.

The CRU therefore approves Uisce Éireann's proposals regarding the structure of unmetered trade effluent tariffs.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann proposal to apply a single flat charge whereby all unmetered trade effluent customers pay the same amount.

The CRU's decision is to also approve Uisce Éireann proposal to set the unmetered charge for the provision of trade effluent service at a relatively low level, commensurate with the tariff applied to metered Trade Effluent Category 1 customers.

### 5.3.8 Structure of Charges for Metered Trade Effluent Mixed-Use Customers

Some non-domestic customers may use water services at their premises for both domestic and non-domestic purposes. They are called mixed-use customers. Mixed-use customers may include farms with a farmhouse or retail units with residential accommodation located above them. A single meter is used to measure the water delivered to the premises. A very small number of these mixed-use customers hold a licence to discharge trade effluent. Approximately 2.7% or 188 connections of the 6,868 trade effluent connections are mixed-use.

By way of context, the existing Framework non-domestic charging arrangements (on a per service basis) that are applied to the non-domestic portion of a metered mixed-use premises are as follows:

- A standing charge; and
- A volumetric charge which is applied to the metered consumption in excess of a Domestic Allowance (which is deemed to cover the domestic consumption at the premises).

Uisce Éireann proposed to apply the same non-domestic mixed-use charging arrangements that are currently applied to non-domestic connections to trade effluent connections.

### Uisce Éireann's Proposal(s)

Uisce Éireann proposed to apply a Domestic Allowance (DA) value of 213 $m^3$ per annum to the trade effluent volumetric charge at a mixed-used premises with 1 to 4 occupants.

Mixed-use premises with occupancy greater than 4 will get an extra 25 $m^3$ DA per annum (for each of water and wastewater) per additional occupant.

## Stakeholder Feedback and CRU Observations

All respondents who provided feedback on this design feature agreed with the proposal, considering it is consistent with the current approach. One of the respondents is of the view that it is a pragmatic approach that ensures consistency with the tariff treatment of non-trade effluent mixed use connections.

As described within the CRU's Consultation Paper (CRU/2023149) and Decision Paper (CRU/19/074) on the Non-Domestic Tariff Framework, Statutory Instrument No. 597/2017[76] ("*Water Services Act 2007 (Threshold Amount and Allowance Amount) Order 2017"*), specifies a 'threshold' and an 'allowance amount' below which Uisce Éireann shall provide water services without charge to a domestic customer. The 'threshold amount' is specified as 213,000 litres per year (or 213 $m^3$ per year). The Ministerial Order also specifies that dwellings having more than 4 residents are given an additional 'allowance amount' of 25,000 litres per year (or 25 $m^3$ per year) above the threshold amount for every person beyond 4 persons ordinarily resident in the dwelling.

As mixed-use customers avail of water and wastewater services for both domestic and non-domestic purposes, from an equity perspective it is important that the measures and charging arrangements that apply to domestic customers, as far as practicably, are similarly applied to the domestic portion of Uisce Éireann's mixed-use customers. This means that Uisce Éireann aims to seek parity between the Water Services Act 2017 and the Domestic Allowance to be used within the Non-Domestic Tariff Framework. To achieve parity between domestic customers and the domestic portion of mixed-use trade effluent customers Uisce Éireann has set the DA equal to the threshold amount set by the Minister (i.e., 213 $m^3$/annum) for mixed-use premises with 1 to 4 occupants and also provide an additional allowance amount of 25 $m^3$/annum per person for premises with more than 4 occupants.

The CRU is of the view that Uisce Éireann's proposed approach to charging mixed-use trade effluent connections is appropriate and is also in line with how Uisce Éireann charges water and

[76] *"Water Services Act 2007 (Threshold Amount and Allowance Amount) Order 2017"* - Iris Oifigiúil – 29 December 2017 - available at the following link.

wastewater mixed-use connections, thereby ensuring there is equity in respect of mixed-use charging arrangements across the non-domestic and trade effluent customer bases.

### CRU's Decision

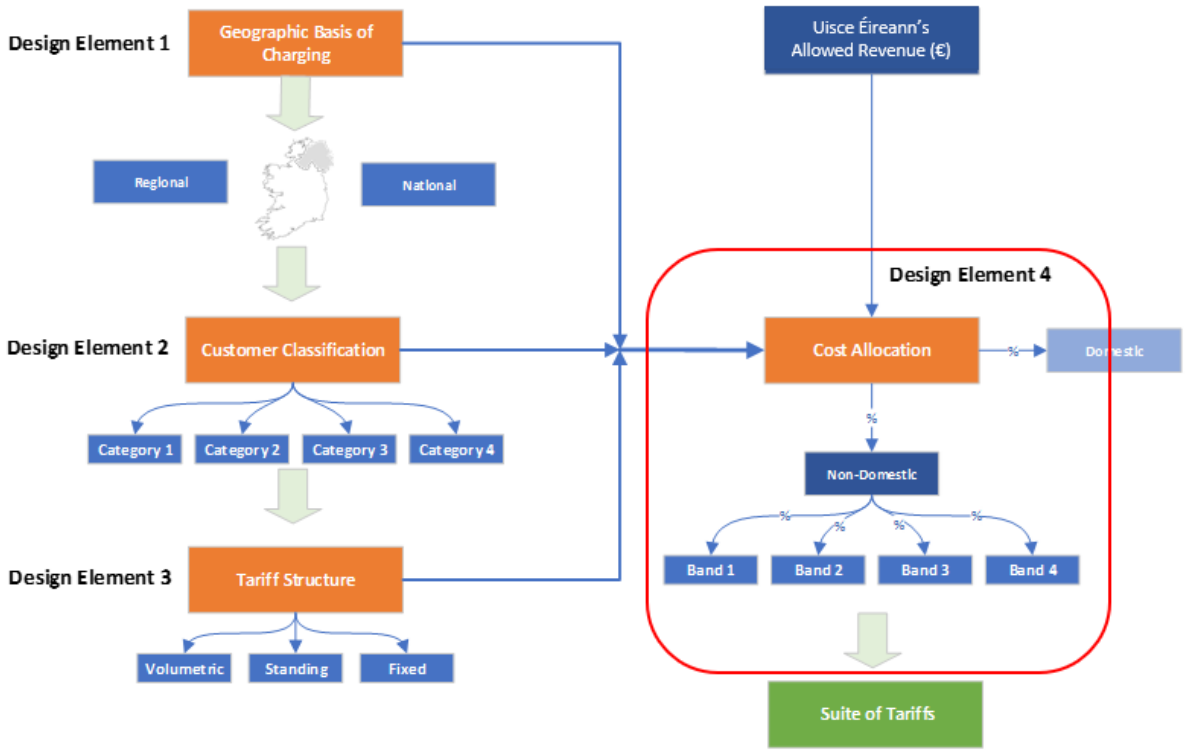
The CRU's decision is to approve Uisce Éireann proposed to apply a Domestic Allowance (DA) value of 213 $m^3$ per annum to the trade effluent volumetric charge at a mixed-used premises with 1 to 4 occupants.

Mixed-use premises with occupancy greater than 4 will get an extra 25 $m^3$ DA per annum (for each of water, wastewater and trade effluent) per additional occupant.

# 6 Design Element 4 - Cost Allocation to Domestic, Non-Domestic and Trade Effluent Customer Classes

The 'Cost Allocation' design element concerns how Uisce Éireann's costs are allocated to the different customer classes and different service offerings. In principle, tariffs should be designed so that users contribute to the costs they impose on the system.

Visually, this section considers the following design feature in respect of water, wastewater and trade effluent services highlighted in red:




The existing Framework cost allocation methodology is based on a 'Full Allocated Cost' ('FAC') approach. This involves disaggregating Uisce Éireann's total costs (approved under the CRU's Allowed Revenue decision) into separate services (water or wastewater service), separate activities (e.g., water treatment, water distribution) and cost types (operational costs and capital costs) and attributing these costs to the different customer classes. This is done by developing allocation rules and 'cost drivers' which are used to allocate costs in a systematic way to each customer class, and ultimately to be recovered via each class's standing charge and volumetric charge. These 'cost drivers' and allocation rules are used for the purposes capturing the different costs of providing water and wastewater services to each customer class.

Uisce Éireann has reviewed the existing Framework's cost allocation methodology and has undertaken a cost allocation exercise to examine the costs of providing water, wastewater, and

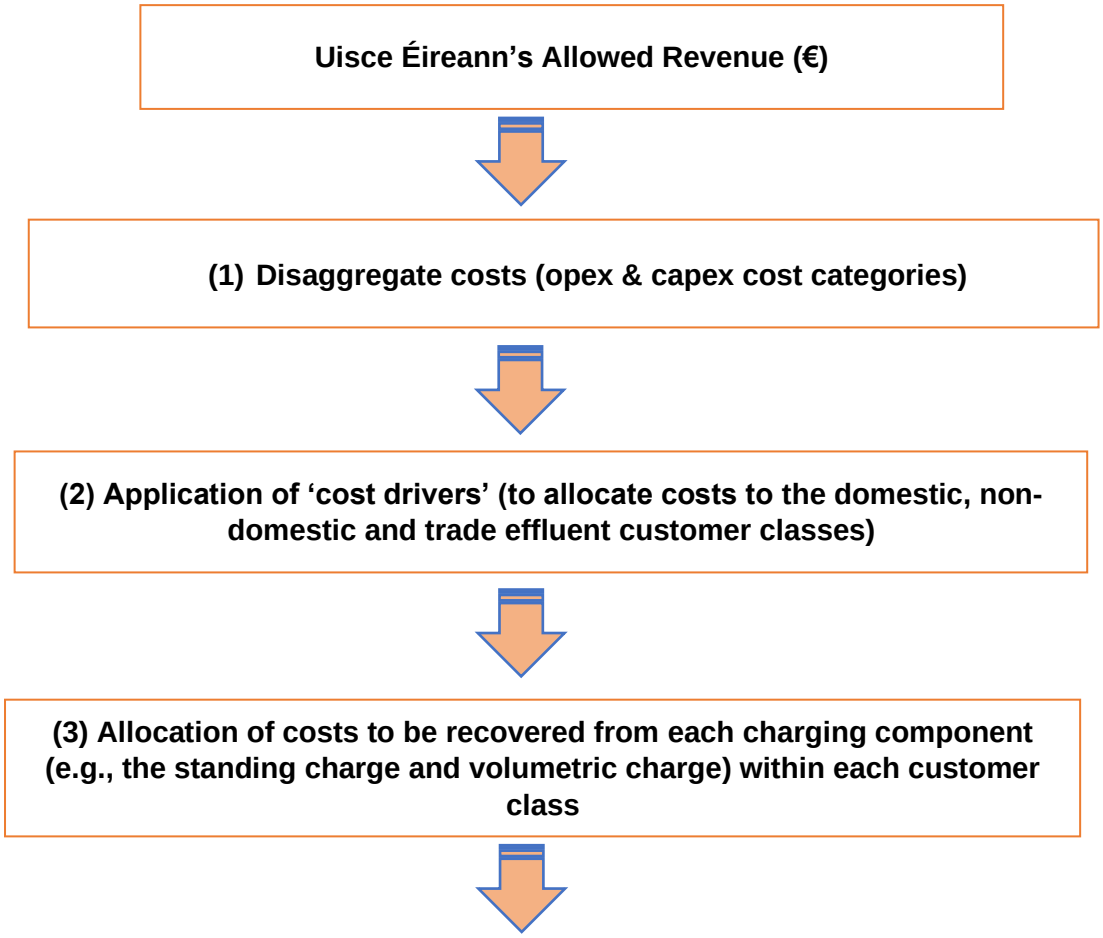
trade effluent services to the domestic, non-domestic and trade effluent customer bases, and also to each individual non-domestic and trade effluent customer class.

This section summarises the CRU's decision on Uisce Éireann's proposed changes to the existing Framework cost allocation rules which result in tariffs for non-domestic and trade effluent customer bases that recover, on aggregate, 23.99% of total allowed revenues (a slight increase from 22.98% of total allowed revenue that is currently billed to the non-domestic sector) to adequately cover the costs of providing water, wastewater, and trade effluent services to the non-domestic sector.

The output of the cost allocation exercise (i.e., the costs to be allocated to each customer class, as well as to each class's charging component) is used to determine the tariff 'rates', for example, the standing charge and volumetric charge levels.

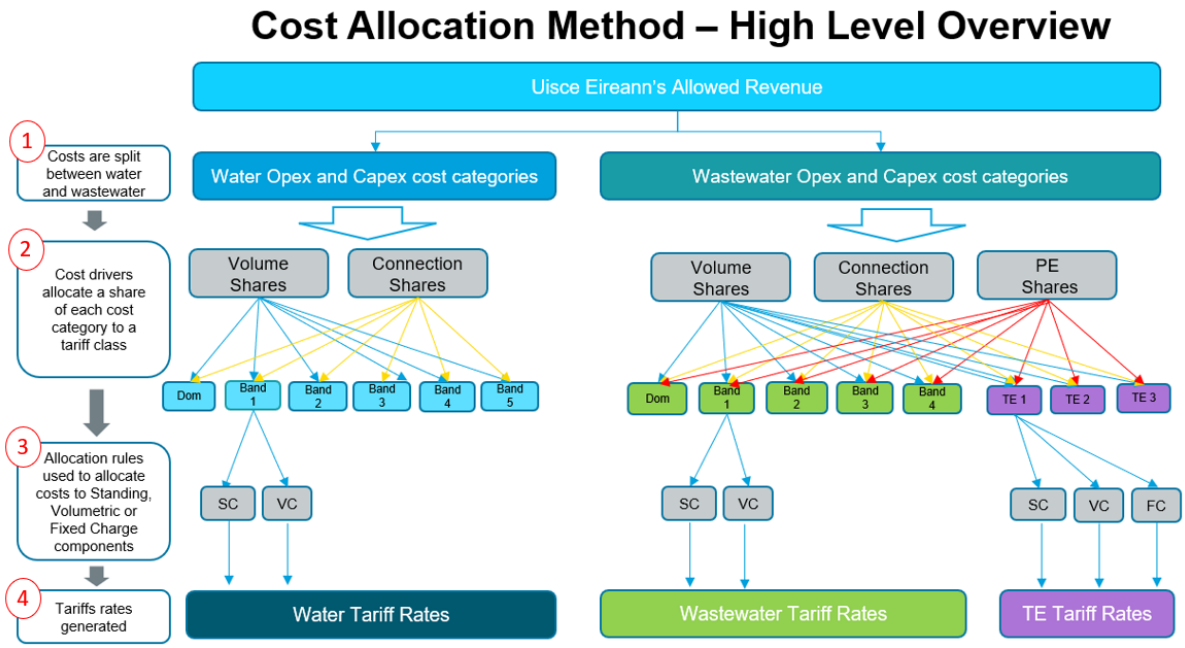
A high-level overview of this process is illustrated in Figure 4 below. This is provided to assist readers follow the cost allocation approach and understand the steps involved.

**Figure 4 – High-level Overview of Process**



**(4) Setting of tariff rates (based on the output of the cost allocation exercise and projected connections, consumption/discharge volumes and effluent load parameters)**

This process and the above steps can be visually illustrated as follows:




This section summarises the CRU's decision on the Uisce Éireann's proposed changes to the Framework's cost allocation rules regarding:

- cost allocation 'cost drivers' and 'cost driver adjustments';
- 'cost driver adjustment' values; and
- rules to allocate costs to the charging components (e.g., standing, and volumetric charges) of each customer class.

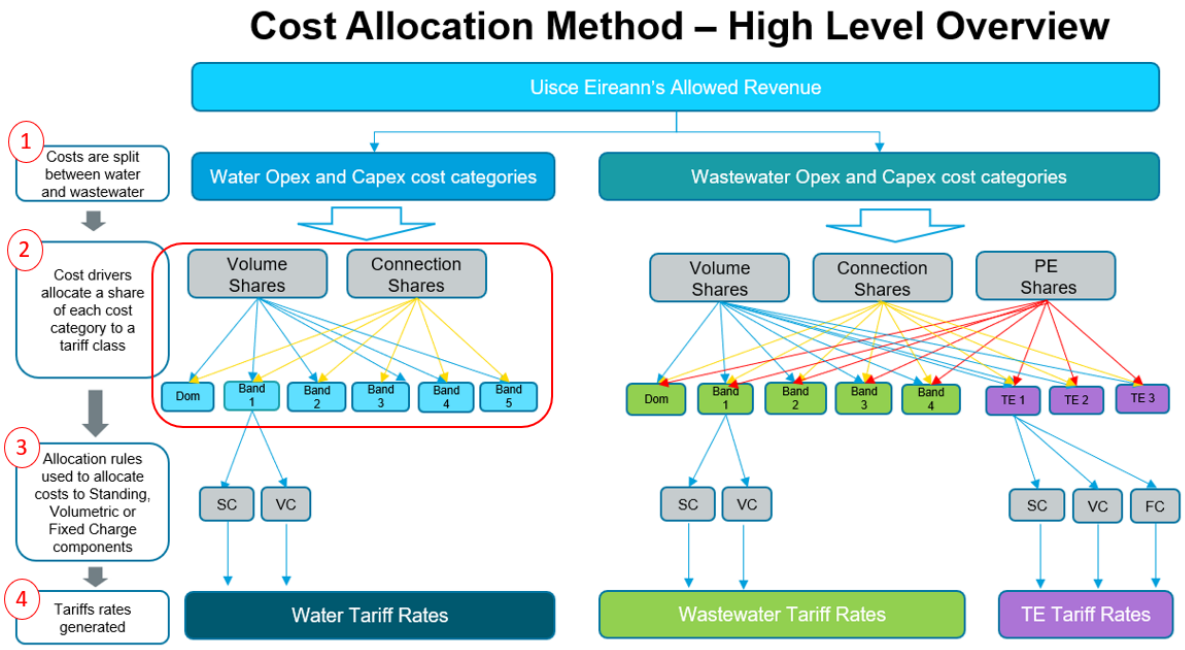
This section also presents the CRU's decision on Uisce Éireann's proposed change to the capex input values used in its cost allocation exercise. This is discussed in subsection 6.6 below.

The output allocation of costs to both the domestic and non-domestic customer bases is also presented in subsection 6.7 below.

## 6.1 Cost Drivers & 'Cost Driver Adjustments' – Water Services

Cost drivers are an essential part of cost allocation, as they determine how costs are allocated to each service offering and customer class. A utility's costs can be disaggregated into 'direct' and 'indirect' costs. Direct costs can be directly attributed to a specific customer class, while indirect costs require the use of cost drivers to apportion these costs to a customer class based on certain customer characteristics (such as volume consumed, peak demand, location etc.) that drive such costs. For example, water treatment operational costs (such as energy and chemical costs) will generally be driven by the volume of water being treated (i.e., water consumed). Whereas the water treatment capital costs are generally sized to meet peak water demand, and thus driven by a customer's contribution to peak demand (where meter size is often used as a proxy for this contribution).

Visually, Sections 6.1 and 6.2 of this paper consider the following step (highlighted in red) within the cost allocation methodology in respect of water services:




### 6.1.1 Changes to Cost Drivers and Cost Driver Adjustments Used to Allocate Costs to Water Customer Classes

Under the Framework Uisce Éireann's operational and capital costs for the provision of water services are disaggregated into separate cost categories. For each cost category, a 'cost driver' and an adjustment to this cost driver (for the purposes of more accurately reflecting the costs incurred by Uisce Éireann in delivering water to each customer class) are identified. These are used to allocate costs to each customer class for the provision of water services.

The following table summarises the cost allocation rules used to allocate water operational and capital costs to water customer tariff classes under the existing Framework. The table also sets out CRU's decision on Uisce Éireann's proposals, with approved rules in green text.

| Existing Tariff Framework | | | CRU Decision | |
|---|---|---|---|---|
| **Cost Drivers and Adjustments – Allocation of Operational Costs (Water Service)** | | | | |
| **Allocation of Operational Costs – Water Service** | | | | |
| **Cost Category** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** |
| Operations & Maintenance (distribution related costs) | Consumption | Network Location | No change | |
| Operations & Maintenance (resource and treatment related costs) | Consumption | Network Leakage | No change | |
| Work and Asset Management (distribution related costs) | Consumption | Network Location | No change | |
| Work and Asset Management (resource and treatment related costs) | Consumption | Network Leakage | No change | |
| Customer Operations | Connections | No Adjustment | No change | |
| Support Services | 10% Consumption & 90% Connections | No Adjustment | No change | |
| Non-controllable costs | 10% Consumption & 90% Connections | No Adjustment | No change | |
| **Cost Drivers and Adjustments – Allocation of Capital Costs (Water Service)** | | | | |
| **Allocation of Capital Costs – Water Service** | | | | |
| **Cost Category** | **Cost Driver** | **Adjustment(s)** | **Cost Driver(s)** | **Adjustment(s)** |
| Water Capex – Resource & Treatment | Consumption | Contribution to Peak Demand | No change | |
| Water Capex – Distribution | Connections | Network Location | 60% Connections | Network Location |
| | | | 40% Consumption | Contribution to Peak Demand |

Each of the CRU's decisions on Uisce Éireann's proposed changes are discussed further below.

## 6.1.2 Changes to Allocating Water Distribution Capex

### Uisce Éireann's Considerations

Uisce Éireann has considered a change to the approach of allocating water distribution capex *"…in order to significantly reduce the occurrence of perverse incentives inherent in the current tariff design.*"

> **Uisce Éireann's Proposal(s):**
>
> Uisce Éireann proposed to change the Water Capex Distribution cost driver allocation rule from '100% Connections' basis to a blended split of '60% Connections & 40% Consumption' basis.

### Stakeholder Feedback and CRU Observations

The respondents who commented on this proposal broadly supported Uisce Éireann's proposal to allocate water distribution capex using '60% Connections and 40% Consumption' blended split. One of the respondents agreed with the CRU's observations regarding the importance of reducing perverse incentives. The respondent also noted that the 40% consumption split is necessary considering the relationship between volume and pressure in the network.

As set out in the CRU Consultation Paper, the CRU acknowledges that Uisce Éireann's primary motivation to amend the Water Capex Distribution cost driver allocation rule from a 100% Connections basis to a blended split of '60% Connections & 40% Consumption' is to lessen the negative impact of perverse incentives that exist at certain tariff boundaries (i.e., the incentive for customers who are close to a tariff class boundary to consume inefficiently). Uisce Éireann's proposed allocation rule change reduces the scale of the perverse incentive, as the difference in the volumetric charge rate levels of adjacent tariff Bands is lessened, and thus this lessens the incentive to consume inefficiently for connections close to a tariff boundary[77]. The CRU understands that the presence of perverse incentives within the tariff design is partly driven by the existing cost allocation rule applied to water capex distribution costs.

Additionally, Uisce Éireann puts forward the case that a portion of water distribution capex costs are driven by the volumes of water distributed, given that, as Uisce Éireann stated "…*water networks are built in a manner to ensure there is sufficient pressure within the network to distribute water efficiently."* The CRU is of the view that there is merit to introducing a 'Volume' basis to the allocation of these costs from a cost driver perspective.

In comparing this approach to international precedent, there is little information publicly available regarding the cost drivers used by other utilities or jurisdictions as companies do not publish their cost allocation models. However, in 2005 Stone & Webster Consultants produced a Report for the Scottish Executive on an analysis of whether there were significant cross-subsidies

[77] Please see Sections 2.2 and 13.3 of this paper where perverse incentives at class boundaries and their impacts are explained.

between the different customer groups served by Scottish Water[78]. Broadly, there are similarities in the conceptual approach to cost allocation and use of cost drivers described in this Report compared to those that underpin the existing Non-Domestic Tariff Framework. Many of the differences relate to the availability of data (and thus cost drivers) to Uisce Éireann at this point in time.

With respect to the allocation of water distribution capex costs, the CRU understands from this Report that Scottish Water allocated this cost category on the basis of standardised connections which were adjusted by network location. The CRU recognises that Uisce Éireann's proposed allocation rule is different to that applied by Scottish Water stated in this Report. However, the CRU is of the view that Uisce Éireann's proposal is appropriate and therefore, approves Uisce Éireann's proposals to allocate water distribution capex using the '60% Connections and 40% Consumption' blended split.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposals to change the Water Capex Distribution cost driver allocation rule from '100% Connections' basis to a blended split of '60% Connections & 40% Consumption' basis.

## 6.2 'Cost Driver Adjustment' Values Per Customer Class – Water Services

### 6.2.1 Changes to Cost Driver Adjustment Values Used to Allocate Costs to Water Tariff Customer Classes

Allocating Uisce Éireann's costs purely on the basis of a 'Volume' and/or a 'Connections' cost driver does not fully capture the costs that different customer classes impose on the system. The existing Framework therefore includes particular 'adjustments' that are applied to the cost drivers used to allocate particular costs to customer classes (as identified in Table 1 below). The existing Framework uses, as proxies, 'network location', 'contribution to peak' and 'network leakage' adjustments recorded by consultants 'Stone & Webster' in their assessment of cross subsidies between the different customer groups served by Scottish Water[79]. In the absence of reliable data of these effects in Ireland, the CRU was of the view that it is better to use proxies (which are based on a quantitative assessment) as a basis for these adjustment levels, than use adjustment level estimates that have no supporting evidence or not apply these adjustments at all.

[78] *"Analysis of whether there are significant cross subsidies between the different customer groups served by Scottish Water - A final report for the Scottish Executive"* - Stone & Webster - February 2005.

[79] "*Analysis of whether there are significant cross subsidies between the different customer groups served by Scottish Water - A final report for the Scottish Executive"* - Stone & Webster - February 2005.

The following table summarises the CRU's decision on Uisce Éireann's proposed changes to the existing Framework's cost driver adjustment levels used in the allocation of costs to water tariff customer classes. Table 1 sets out the CRU's decision on Uisce Éireann's proposals, indicating what has been approved (noted in green text).

An adjustment to a cost driver alters the spread of costs over the different Bands. A cost driver adjustment of 1.00 means that this category of costs would be picked up evenly across all 5 water customer bands. An adjustment of <1.00 means that this band will pick up a smaller proportion of these costs. For example, for the Water Network Location adjustment, a Band 3 adjustment of 0.95 means that the customers in this Band pick up a smaller proportion of the Water Opex – O&M (distribution related costs) than they would otherwise and this reduction in costs gets picked up by customers in other water Bands.

### Table 1 - Cost Driver Adjustments for Water Services

| Existing Tariff Framework | | | | | | | CRU Decision | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost Allocation – Adjustments (to Cost Drivers) – Water Service | | | | | | | | | | | |
| Service | Adjustment | Cost Category | Tariff Class – Water Services | | | | Tariff Class – Water Services | | | | |
| | | | Band 1 | Band 2 | Band 3 | Band 4 | Band 1 | Band 2 | Band 3 | Band 4 | Band 5 |
| **Water** | Contribution to Peak Demand | Water Capex – Resource & Treatment | 0.90 | 0.85 | 0.80 | 0.80 | 0.90 | 0.85 | 0.80 | 0.80 | 0.80 |
| **Water** | Network Location | Water Opex - O&M (distribution related costs)[80] | 1.00 | 1.00 | 0.95 | 0.70 | 1.00 | 1.00 | 0.95 | 0.70 | 0.50 |
| **Water** | Network Location | Water Capex – Distribution-driven by connection | 1.00 | 1.00 | 0.95 | 0.70 | 1.00 | 1.00 | 0.95 | 0.70 | 0.50 |
| **Water** | Contribution to Peak Demand[81] | Water Capex – Distribution – driven by consumption | N/A | | | | 0.90 | 0.85 | 0.80 | 0.80 | 0.80 |

[80] Specifically, this cost category is Water Opex - Operations & Maintenance & Work and Asset Management (distribution related costs).

[81] **Applying peak demand adjustments to water distribution capex cost allocated by consumption (see Section 6.2):** Uisce Éireann proposal to apply the peak demand adjustments to water distribution capex allocated by volume/consumption was not reflected in Uisce Éireann's Non-Domestic Tariff Design Review and Alignment proposals (CRU/2023150) and CRU's Consultation Paper (CRU/2023149). This information has now been updated in the CRU Decision Paper to reflect the CRU's decision to approve this tariff design proposal.

| Existing Tariff Framework | | | | | | | CRU Decision | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Water** | Network Leakage | Water Opex – O&M (treatment related costs)[82] | 1.00 | 0.95 | 0.90 | 0.80 | 1.00 | 0.95 | 0.90 | 0.80 | 0.80 |

## Uisce Éireann's Considerations

Uisce Éireann's proposals are summarised in the table below. Please note that the "20% 'Contribution to Peak Demand' adjustment to the allocation of water distribution capex driven by consumption" is an update of Uisce Éireann's Proposal as discussed in the table above.

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed to retain the existing adjustment values for Band classes 1, 2, 3, and 4.

For Uisce Éireann's proposed new Band 5 class, Uisce Éireann proposed to apply:

- 20% 'Contribution to Peak Demand' adjustment to the allocation of Resource and Treatment capex;
- 20% 'Contribution to Peak Demand' adjustment to the allocation of water distribution capex driven by consumption;
- 50% 'Network Location' adjustment to the allocation of water distribution opex driven by consumption;
- 50% 'Network Location' adjustment to the allocation of water distribution capex driven by connection;
- 20% 'Network Leakage' adjustment to the allocation of Resource and Treatment opex.

## Stakeholder Feedback and CRU Observations

All respondents who commented on this question broadly supported Uisce Éireann's proposal. One respondent suggested that the cost driver adjustment levels used in the allocation of costs to water tariff customer classes should be revised when new empirical data becomes available.

***'Contribution to Peak' Adjustment & Adjustment Levels*** *- Allocation of Water Resource and Treatment Capex*

[82] Specifically, this cost category is Water Opex - Operations & Maintenance & Work and Asset Management (resource and treatment related costs).

As set in the CRU's Consultation Paper (CRU/2023149) and the CRU's Decision on the Non-Domestic Tariff Framework (CRU/19/074), the CRU is of the view that the principle of adjusting the 'Volume' cost driver to account for each class's contribution to the water system peak demand is conceptually sound. A large part of water treatment capex is driven by meeting the instantaneous (system) peak demand for water. Therefore, it makes sense to adjust the allocation of these costs to take into account the fact that some customer classes contribute less to the system peak than other customer classes as their water usage is more consistent over the course of a day.

The CRU is of the view that Uisce Éireann should continue to apply the existing 'Contribution to Peak' adjustment values for Bands 1 to Band 4 until Uisce Éireann gathers additional information on its customer base. Given that Uisce Éireann reports that it has insufficient evidence to differentiate between the Band 4 and Band 5 contribution to peak system demand, the CRU is of the view that is appropriate to apply the same 'Contribution to Peak Demand' adjustment (to the allocation of Resource and Treatment capex) of 20% to Band 5, as is applied to Band 4.

***'Network Location' Adjustment and Adjustment values*** *- Allocation of Water Distribution Opex Costs and Allocation of Water Distribution Capex Costs Driven by Connections*

As set in the CRU's Consultation Paper (CRU/2023149) and the CRU's Decision on the Non-Domestic Tariff Framework (CRU/19/074), the CRU is of the view that the principle of adjusting the cost driver to account for network location when allocating distribution opex and capex costs across customer classes is conceptually sound. Typically, customers with larger connection sizes are located on the 'upstream' parts of the network and hence place less demand on the overall network.

The CRU is of the view that Uisce Éireann should continue to apply the existing 'Network Location' adjustment values (for allocating water distribution opex and capex costs) for Band 3 and Band 4 until Uisce Éireann gathers additional information on its customer base.

Uisce Éireann proposed a 'Network Location' adjustment value of 50% (for allocating water distribution opex and capex costs) for its proposed Band 5 class. This is on the basis that, as Uisce Éireann report, the Band 5 connections are located closer to their water treatment plants relative to the Band 4 connections, and thus place less demand on the network. The CRU acknowledges that there is a case to use a different 'Network Location' adjustment value for Band 5 connections given in principle Uisce Éireann will incur less water distribution operational and capital costs in serving connections that are located close to their treatment plant, on the very 'upper' parts of the network.

***'Network Leakage' Adjustment and Adjustment values*** *- Allocation of Water O&M Opex Costs (treatment related)*

As set in the CRU's Consultation Paper (CRU/2023149) and the CRU's Decision on the Non-Domestic Tariff Framework (CRU/19/074), the CRU is of the view that the principle of adjusting the 'Volume' cost driver to account for the cost of network leakage when allocating operational

and maintenance opex costs associated with water resource and treatment activates is conceptually sound. Given the incidence of leakage on the water network, typically a utility will incur more resource and treatment opex costs delivering a quantity of water to customers located at the extremities of the network, than delivering the same quantity of water to those located on the 'upstream' parts of the network. One respondent agreed with the assumption that *"…utilities located at the 'extremities' of the network consequently incur greater resource and treatment operational costs than those located upstream".*

The CRU is of the view that Uisce Éireann should continue to apply the existing 'Leakage' adjustment values for Bands 1 to Band 4 until Uisce Éireann gathers additional information on its customer base. Given that Uisce Éireann reports that it has insufficient evidence to differentiate between the Band 4 and Band 5 contribution to network leakage, the CRU is of the view that is appropriate to apply the same 'Leakage' adjustment (to the allocation of Resource and Treatment operational costs) of 20% to Band 5, as is applied to Band 4.

***CRU Clarifications***

***'Contribution to Peak' Adjustment & Adjustment Levels*** *- Allocation of Water Distribution Capex Costs Driven by Consumption*

In Uisce Éireann's cost allocation exercise, Uisce Éireann applied a 'Contribution to Peak' adjustment to the proportion of water distribution capex costs driven by consumption based on the observation that *"…networks are also designed to accommodate and ensure peak demand can be met. The capacity of supply pipes will also be measured to ensure it is sufficient to meet all downstream requirement".*

The approach and level of Uisce Éireann's proposed adjustment are equivalent to the 'Contribution to Peak' adjustment which currently applies to water treatment capex to reflect the fact that treatment plants are designed to accommodate peak demand.

The CRU is of the view that the principle of adjusting the 'consumption' cost driver for allocating water distribution capex costs is sound to account for each class's contribution to the system peak of water distribution. It is reasonable to adjust the allocation of this cost to reflect the contributions of customers in different groups to system peak load. The CRU is reassured that the level of the adjustments is based on existing values already used for water treatment capex, which suggests that customers in higher bands typically contribute less to peak demand given that their usage is more consistent over the course of a day.

However, it was an oversight that this adjustment was not stated in Uisce Éireann's Non-Domestic Tariff Design Review and Alignment proposals submission document and the CRU's Consultation Paper. For clarity, this update does not affect the non-domestic and trade effluent tariff rates as it has already been applied in Uisce Éireann's cost allocation exercise for the consultation.

***Uisce Éireann's Data Availability***

In the absence of reliable data of the effects of 'network location', 'contribution to peak', 'network leakage' (on a customer class basis) when allocating costs to different customer classes, the CRU is of the view it is better to continue to use the existing proxies (which are based on a

quantitative assessment) as a basis for these adjustment levels. The CRU expects Uisce Éireann to enhance its data collection and management so that Uisce Éireann will be in a position to undertake the analysis during RC4 to review and ensure these adjustment levels by class remain appropriate.

### CRU's Decision

The CRU's decision is to approve Uisce Éireann's proposals for:

- retaining the existing adjustment values for Water Band classes 1, 2, 3, and 4.

For Uisce Éireann's new Water Band 5 class, the CRU's decision is to approve Uisce Éireann proposal to apply:

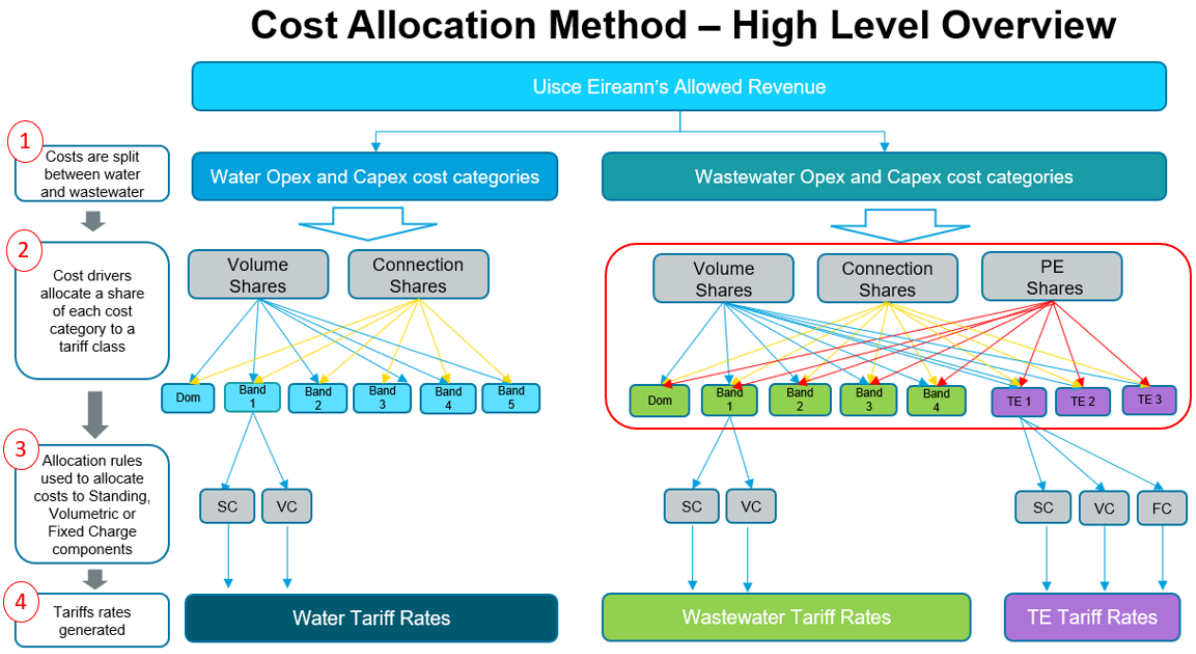
- 20% 'Contribution to Peak Demand' adjustment to the allocation of Resource and Treatment capex;
- 20% 'Contribution to Peak Demand' adjustment to the allocation of Water Distribution capex driven by consumption;
- 50% 'Network Location' adjustment to the allocation of Water Distribution opex driven by consumption;
- 50% 'Network Location' adjustment to the allocation of Water Distribution capex driven by connection;
- 20% 'Network Leakage' adjustment to the allocation of Resource and Treatment opex.

# 6.3 Cost Drivers & 'Cost Driver Adjustments' – Wastewater and Trade Effluent Services

## 6.3.1 Changes to Cost Drivers and Cost Driver Adjustments Used to Allocate Costs to Wastewater and Trade Effluent Tariff Customer Classes

Under the Framework Uisce Éireann's operational and capital costs for the provision of wastewater services are also disaggregated into separate cost categories. Similar to water services, for each cost category a 'cost driver' and an adjustment to this cost driver (for the purposes of more accurately reflecting the costs incurred by Uisce Éireann in providing wastewater services to each customer class) is identified. These are used to allocate costs to each customer class for the provision of wastewater services.

Visually, Sections 6.3 and 6.4 of this paper considers the following step (highlighted in red) within the cost allocation methodology in respect of wastewater and trade effluent services:




In reviewing the existing wastewater cost allocation rules, Uisce Éireann considered how to allocate costs separately for the provision of wastewater services and trade effluent services to each of the wastewater tariff classes and proposed trade effluent tariff classes respectively. To achieve this, Uisce Éireann proposed to introduce a third cost driver called 'Population Equivalent'[83], which is further discussed below.

[83] Uisce Éireann defines PE as: *"A term used to indicate the pollution load or strength of wastewater. It includes the pollution load generated by the resident population, the non-resident population (for example, tourists) and industries. A load of 1 PE, or 60 g BOD/day, is assigned for every person."*

The following table summarises the changes to Framework's existing cost driver and cost driver adjustments used in the allocation of wastewater operational and capital costs to the wastewater and proposed trade effluent customer classes. It sets out the CRU's decision regarding Uisce Éireann's proposals, showing what has been approved (noted in green text) and which cost allocation rules have been rejected (noted in red text):

| Existing Tariff Framework | | | CRU Decision | |
|---|---|---|---|---|
| **Cost Drivers and Adjustments – Allocation of Operational Costs (Wastewater & TE Services)** | | | | |
| **Allocation of Operational Costs – Wastewater Services** | | | **Allocation of Operational Costs – Wastewater & TE Services** | |
| **Cost Category** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** |
| Operations & Maintenance (collection related costs) | Wastewater Volume | Network Location | Wastewater Volume | Network Location |
| Operations & Maintenance (treatment related costs) | Wastewater Volume | No Adjustment | 30% Wastewater Volume & 70% PE | Reject Treatment Plant Adjustment - No Adjustment |
| Work and Asset Management (collection related costs) | Wastewater Volume | Network Location | Wastewater Volume | Network Location |
| Work and Asset Management (treatment related costs) | Wastewater Volume | No Adjustment | 30% Wastewater Volume & 70% PE | Reject Treatment Plant Adjustment - No Adjustment |
| Customer Operations | Connections | No Adjustment | Connections | No Adjustment |
| Support Services | 10% Wastewater Volume & 90% Connections | No Adjustment | 5% Wastewater Volume & 5% PE & 90% Connections | No Adjustment |
| Non-controllable costs | 10% Wastewater Volume & 90% Connections | No Adjustment | 5% Wastewater Volume & 5% PE & 90% Connections | No Adjustment |
| **Cost Drivers and Adjustments – Allocation of Capital Costs (Wastewater Service & TE Services)** | | | | |
| **Allocation of Capital Costs – Wastewater Service** | | | **Allocation of Capital Costs – Wastewater Service** | |
| **Cost Category** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** |
| Wastewater Capex – Treatment | Wastewater Volume | No Adjustment | 69% Wastewater Volume & 31% PE | Reject Treatment Plant Adjustment - No Adjustment |
| Wastewater Capex – Collection | Wastewater Volume | Network Location | Wastewater Volume | Network Location |

Each of Uisce Éireann's proposed changes are discussed further below.

### 6.3.2 Proposal to Introduce Population Equivalent ('PE') as a New Cost Driver

#### Uisce Éireann's Considerations

Uisce Éireann notes that under the current Framework, wastewater treatment and disposal costs are allocated to each customer class based on the relative share of each class's wastewater volumes "… *in the absence of more granular opex data on costs associated with Biochemical Oxygen Demand (BOD) and suspended solids*."

Uisce Éireann further stated that it is still not in a position to allocate costs based on BOD and suspended solids. However, Uisce Éireann proposed to use 'Population Equivalent' ('PE') as a cost driver *"… to allocate a portion of UE's wastewater treatment costs as it represents a better indicator of wastewater treatment costs for pollution load than relative share of wastewater volumes."*[84]

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to introduce a third core cost driver, PE which will apply to wastewater treatment costs.

#### Stakeholder Feedback and CRU Observations

The respondent who provided feedback on this proposal agreed with the use of PE as a cost driver as it aligns with the polluter pays principle. The respondent is also of the view that the introduction of this cost driver will help reduce the amount of waste that is disposed of through the water treatment system, which is a step towards sustainability.

As Uisce Éireann notes above, under the current Framework wastewater treatment and disposal costs are allocated to each customer class based on the relative share of each class's wastewater volumes "… *in the absence of more granular opex data on costs associated with Biochemical Oxygen Demand (BOD) and suspended solids*."

In the absence of this data, the CRU is of the view that the use of PE as a cost driver to allocate wastewater treatment costs is more appropriate than using wastewater 'Volume' only. PE[85] is a measure which relates to the 'load' of wastewater (which captures both the volume and pollutant 'strength' of the wastewater). It makes more conceptual sense to use this measure given that wastewater treatment operational and capital costs are driven by both the volume of effluent to be treated but also have the level of pollutants (such as Chemical Oxygen Demand and Suspended Solids) within the effluent to be treated. Additionally, the CRU notes that wastewater

[84] *"Uisce Éireann's Policy Proposals - Non-Domestic Tariff Design Review and Alignment proposals"* – December 2023 – available at the following link.

[85] Uisce Éireann defines PE as: *"A term used to indicate the pollution load or strength of wastewater. It includes the pollution load generated by the resident population, the non-resident population (for example, tourists) and industries. A load of 1 PE, or 60 g BOD/day, is assigned for every person."*

load measured by PE has been used as a cost driver for Water Recycling Treatment in Water Industry Cost modelling carried out by Anglian Water[86].

The CRU is of the view that the use of this cost driver will allow for a more cost-reflective allocation of wastewater treatment costs across all of Uisce Éireann's wastewater customer classes – domestic, non-domestic and wastewater customer classes.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposals to introduce a third core cost driver, population equivalent which will apply to wastewater treatment costs.

### 6.3.3 Changes to Allocating Wastewater Treatment Capital and Operational Costs

#### Uisce Éireann's Considerations

As mentioned above, Uisce Éireann proposed to introduce PE as a third cost driver and use it to allocate wastewater treatment costs. The current cost allocation rule allocates wastewater treatment capital and operational costs on a 100% 'Volume' basis. Uisce Éireann considered how best to allocate these costs to reflect that part of these treatment costs are driven by the volume of effluent to be treated, and part of these costs are driven by the level or strength of pollutants within the effluent that must be treated.

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to allocate wastewater 'treatment related' opex costs using a blended '30% Wastewater Volume and 70% PE' split.

Uisce Éireann proposed to allocate wastewater 'treatment related' capex costs using a blended '69% Wastewater Volume and 31% PE' split.

#### Stakeholder Feedback and CRU Observations

The respondent who provided its views on these two design features did not disagree with Uisce Éireann's proposals but rather sought a better understanding of how the percentages have been estimated and the implications for cost allocation across customer bands.

Uisce Éireann has carried out an analysis of its wastewater treatment plant ('WWTP') costs "*…to determine the percentage of treatment and disposal opex and capex costs driven by wastewater volume or flow and wastewater strength*." Uisce Éireann considered WWTPs with a

[86] *"Water Industry Cost Modelling – Anglian Water's Approach and Initial Results"* - Anglian Water - September 2017 - available at the following link.

range of discharge limits, treatment plant sizes and process types for the analysis. This analysis discussed in more detail in Section 6.1.5 of Uisce Éireann's Non-Domestic Tariff Design Review and Alignment proposals submission document (CRU/2023150).

The output of Uisce Éireann's analysis is provided in Table 2 below:

**Table 2 - Percentage of Uisce Éireann's WWTP costs attributable to volume and strength components**

| Wastewater Treatment and Disposal component | Opex | Capex |
|---|---|---|
| **Wastewater volume** | 30% | 69% |
| **Wastewater strength** | 70% | 31% |

Source: Table 6.1 in Uisce Éireann's *Non-Domestic Tariff Design Review and Alignment proposals* (CRU/2023150)

Uisce Éireann proposed to allocate wastewater 'treatment related' opex costs using a blended '30% Wastewater Volume and 70% PE' split. As stated in the CRU Consultation Paper, allocating a greater percentage of the operational treatment costs on a PE basis is conceptually sound given that a large portion of the operational costs are driven by secondary treatment activities, which generally involves adding *"…large amounts of air to degrade the biological content of the wastewater. Most wastewater treatment plants treat the settled wastewater liquor using aerobic processes."*[87]. This requires Uisce Éireann to pump air into the aeration tank(s) to encourage the growth of the bacteria in order to degrade the biodegradable organic matter in the wastewater. A significant amount of energy is required for the aeration process in wastewater treatment plants.

Uisce Éireann proposed to allocate wastewater 'treatment related' capex costs using a blended '69% Wastewater Volume and 31% PE' split. As stated in the CRU Consultation Paper, wastewater treatment capital costs include the cost of investment in materials, planning, construction, engineering, electrical and mechanical equipment. Allocating a larger proportion of the capital treatment costs on a volume basis also makes conceptual sense as the wastewater treatment capital costs are largely influenced by the volumetric flow rate of the wastewater to be treated, which will determine the capacity requirements of the wastewater treatment (for example the sedimentation tanks) and the sludge treatment facilities.

The CRU is of the view that the cost drivers and cost driver shares for allocating wastewater treatment capital and operational costs shall be reviewed in the future when better data becomes available to Uisce Éireann.

[87] Further details can be found here on Uisce Éireann's website.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposals to:

- allocate wastewater 'treatment related' opex costs using a blended '30% Wastewater Volume and 70% PE' split; and
- allocate wastewater 'treatment related' capex costs using a blended '69% Wastewater Volume and 31% PE' split.

### 6.3.4 Changes to Allocating Wastewater Operational Costs – Support Services and Non-Controllable Costs

#### Uisce Éireann's Considerations

Uisce Éireann describes support services costs as indirect costs that are incurred to support core activities of the Uisce Éireann's business, including Finance, Commercial and Procurement, Regulation, IT, Legal, HR, Business Change, Health, Safety, Quality and Environment (HSQE), Marketing, Secretariat and Corporate Services. Non-controllable costs are identified as pass-through costs incurred in carrying out core activities of Uisce Éireann, such as CRU levy and EPA licence fees.

Uisce Éireann has considered allocating support service costs and non-controllable costs to wastewater services (including trade effluent services) based on the "*…split of direct opex to each service.*"

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to allocate 'Support Services and Non-Controllable' wastewater costs using a '90% Connections, 5% Wastewater Volume and 5% PE' blended split basis.

#### Stakeholder Feedback and CRU Observations

The respondent who commented on this tariff design feature did not state whether it agreed or disagreed with Uisce Éireann's proposals but rather sought a better understanding of the implications for cost allocation across customer bands.

As discussed in the CRU's Decision on the existing Non-Domestic Tariff Framework (CRU/19/074), in the absence of detailed disaggregated cost data, it is not possible for Uisce Éireann to determine with accuracy the appropriate split between the consumption and

connection cost drivers to allocate 'Support Services and 'Non-controllable' costs across the customer classes.

Theoretically, and as noted in the CRU's Decision Paper for the existing Non-Domestic Tariff Framework (CRU/19/074), given that these services support all areas of the business, it may be more appropriate to apply a proportional split (based on the drivers used for the rest of the cost categories) to allocate 'Support Services and Non-controllable costs. However, given the adverse impact of high standing charges levels on customers, notably reducing the scope for customers to be able to reduce their bills and lessening the incentive to conserve water, the CRU decided that a blended 10% consumption and 90% connections split to allocate such costs would be more appropriate.

The CRU continues to hold the view, for the same reasons, that these costs should largely be allocated on a 'connections basis'. Given that a portion of Uisce Éireann's costs are allocated on a PE basis, it seems sensible to include this cost driver in a blended split to allocate Support Services and Non-Controllable costs. Therefore, the CRU is of the view that using a '90% Connections, 5% Wastewater Volume and 5% PE' blended split to allocate Support Services and Non-Controllable Costs for wastewater services and customer groups is sensible.

**CRU 's Decision**

The CRU's decision is to approve Uisce Éireann's proposals to allocate 'Support Services and Non-Controllable' wastewater costs using a '90% Connections, 5% Wastewater Volume and 5% PE' blended split basis.

### 6.3.5 Proposal to Introduce a New Cost Driver Adjustment called 'Treatment Plant'

#### Uisce Éireann's Considerations

As set out above, Uisce Éireann proposed to allocate wastewater 'treatment and disposal' costs using a blended 'Volume and PE' split (as detailed in Table 2 above). Uisce Éireann considered adjusting the treatment and disposal opex and capex costs allocated on a PE basis to trade effluent customers carrying out industrial activities by a 'treatment plant adjustment' to reflect the estimated lower operating and capital costs of the specific WWTPs receiving their trade effluent discharges when compared to the national average operating and capital costs of all of Uisce Éireann's wastewater plants.

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to adjust the wastewater 'treatment and disposal' opex and capex costs allocated on a PE basis to trade effluent customers carrying out industrial activities by a Treatment Plant adjustment.

## Stakeholder Feedback and CRU Observations

Uisce Éireann's proposal to introduce a 'treatment plant' adjustment received a mixed response, with both Uisce Éireann's and CRU's views being supported by different respondents. Two respondents agreed with the introduction of 'treatment plant adjustment'. One respondent agreed with the CRU's concerns regarding potential volatility in tariff levels with the introduction of this adjustment. Another respondent is of the view that if implemented, it should be subject to further consultation with stakeholders after a testing period.

As set out in the CRU Consultation Paper, Uisce Éireann argued that applying this adjustment achieves greater cost reflectivity and aims at preventing overestimating the treatment costs associated with treating effluent from trade effluent customers and underestimating the costs of treating effluent for non-domestic customers.

While the CRU acknowledges that this is a cost-reflective approach in the sense that the trade effluent charges reflect an estimate of the costs incurred at the specific WWTPs receiving trade effluent from the industrial trade effluent connections, the CRU is of the view that this adjustment contravenes the existing established Framework i.e., diverges from the national charging approach that underpins the Framework. To explain, under the existing Framework the costs of Uisce Éireann undertaking different activities (for example, treating water at its water treatment plants, distributing water through the water network of pipes to customer premises) are aggregated on a national basis and allocated to each customer class (as per the allocation rules) and thus reflected in the tariff rates of each class. The existing Framework tariffs therefore reflect the national average costs of providing water or wastewater services to customers, not the costs of the specific assets which customers use locally. Therefore, the CRU is of the view that this proposal is not consistent with the current Framework.

There are a number of reasons to support this approach. As set out in the CRU's Decision on the Non-Domestic Tariff Framework, setting tariffs on a regional basis (or the local assets used by a particular group of customers) would be complex to establish and administer, and would lack transparency for customers. Further, it could be argued that it is unfair to expect customers to face the burden of historic underinvestment (through higher charges) at different locations or regions throughout the country.

The CRU is of the view that a national approach is more equitable as 'similar' customers (in terms of discharge characteristics (e.g., volume of wastewater discharged)) would be charged the same amount for using the same service. A national charging regime, in the CRU's view, involves not just applying charges on a national basis, but also aggregating costs of providing a service on a national basis to be reflected in those charges.

The CRU is of the view that applying such an adjustment to set the trade effluent tariffs (that would apply to trade effluent connections carrying out 'industrial activities' only) creates a direct link to, and reflects, the costs of the specific WWTP assets used by these specific trade effluent 'industrial' connections. In the CRU's view, this departs from a national charging approach that underpins the Framework, given that these trade effluent charges will reflect the costs of the specific WWTP assets used by these specific trade 'industrial' trade effluent connections (and not the national average costs of treating trade effluent).

<u>Implications of Applications of 'Treatment Plant Adjustment'</u>

The application of this adjustment to these industrial trade effluent connections would mean that all other connections pick up the shortfall which raises equity concerns. Consequently, the tariffs for all other connections would increase to recoup the cost that otherwise would be paid by the industrial trade effluent customers. This has the potential to create equity issues in respect of some customers paying charges that reflect the national average costs of a service, and other customers paying charges that reflect the specific cost of particular assets that they use. Moreover, 'non-trade effluent' non-domestic connections which discharge into the same WWTPs as these industrial trade effluent connections would not benefit from the same discount. This point was raised by one respondent, that the application of this adjustment may result in potential cost savings for some customers, but other customers may not benefit in the same manner.

Further, reflecting the investment needs and expenditure of a region or locality within that region or locality's water or wastewater tariff is likely to lead to a higher risk of volatility in tariff levels from year to year. Changes in the WWTPs used by industrial trade effluent connections could occur from year to year as individual customers enter and exit or change their usage. This would need to be reflected through updates to the 'treatment plant' adjustment factors being proposed by Uisce Éireann. The CRU considers this to be an unnecessary source of new volatility, bringing uncertainty to business planning for customers.

**CRU's Decision**

The CRU's decision is to reject Uisce Éireann's proposal to adjust the wastewater 'treatment and disposal' opex and capex costs allocated on a PE basis to trade effluent customers carrying out industrial activities by a Treatment Plant adjustment.

## 6.4 'Cost Driver Adjustment' Values Per Customer Class – Wastewater and Trade Effluent Services

### 6.4.1 Changes to Cost Driver Adjustment Values Used to Allocate Costs to Wastewater and Trade Effluent Tariff Customer Classes

As identified above, allocating Uisce Éireann's costs purely on the basis of a 'Volume' and/or a 'Connections' cost driver does not fully capture the difference in costs that different customer classes impose on the system. The existing Framework therefore includes particular 'adjustments' that are applied to the cost drivers used to allocate particular costs to customer classes. Table 3 summarises the CRU's decision on Uisce Éireann's proposed changes to the existing Framework's adjustments and adjustment levels used in the allocation of costs to wastewater and trade effluent tariff customer classes. The table sets out the proposals the CRU has approved (noted in green text) and which adjustments and adjustment values the CRU has rejected (noted in red text).

### Table 3 - Cost Driver Adjustments for Wastewater and Trade Effluent Services

| Existing Tariff Framework | | | | | | | CRU's Decision | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost Allocation – Adjustments (to Cost Drivers) – Wastewater and Trade Effluent Services | | | | | | | | | | | | | |
| **Service** | **Adjustment** | Cost Category | **Tariff Class – Wastewater Services** | | | | **Tariff Class – Wastewater Services** | | | | **Tariff Class – TE Services** | | |
| | | | **Band 1** | **Band 2** | **Band 3** | **Band 4** | **Band 1** | **Band 2** | **Band 3** | **Band 4** | **TE 1** | **TE 2** | **TE 3** |
| **Waste Water / TE** | Network Location | Wastewater Opex – O&M (collection related costs)[88] | 1.00 | 1.00 | 1.00 | 0.90 | 1.00 | 1.00 | 1.00 | 0.90[89] | 0.98 | 1.00 | 0.90 |
| **Waste Water / TE** | Network Location | Wastewater Capex – Collection | 1.00 | 1.00 | 1.00 | 0.90 | 1.00 | 1.00 | 1.00 | 0.90 | 0.98 | 1.00 | 0.90 |
| **Waste Water / TE** | Treatment plant | Wastewater Opex – O&M (treatment related costs)[90] | | | | | 1.00 | 1.00 | 1.00 | 1.00 | 1.00[91] | 1.00 | 1.00 |
| **Waste Water / TE** | Treatment plant | Wastewater Capex - Treatment | | | | | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Each of the CRU's decisions on Uisce Éireann's proposed changes are discussed further below.

[88] Specifically, this cost is 'Wastewater Opex - Operations & Maintenance & Work and Asset Management (collection related costs)'.

[89] Uisce Éireann proposed to change the Network Location adjustment values for Band 4 by increasing the wastewater Band 4 adjustment from 10% to 20%. The CRU has rejected Uisce Éireann's proposals and as such, the CRU's decision is to retain the network location adjustment values that apply to the allocation of wastewater collection Opex and Capex costs as per the current Framework for Band 4 (i.e., revert to 0.90 for Band 4 wastewater network location adjustment) in the absence of strong evidence that the change would be more cost-reflective. This is also applicable to Uisce Éireann's proposal to amend the same adjustment factor in the same manner for Band 4 Wastewater Capex – Collection.

[90] Specifically, this cost is 'Wastewater Opex - Operations & Maintenance & Work and Asset Management (treatment-related costs)'.

[91] As the CRU has rejected Uisce Éireann's proposal to apply treatment plant adjustments to industrial trade effluent connections, these values revert to 1 to present that no adjustment is applied.

## 6.4.2 Changes to 'Network Location' Cost Driver Adjustment Levels

### Uisce Éireann's Considerations

Uisce Éireann has reviewed the application of a 'network location' adjustment to the allocation of wastewater operational and capital 'collection' costs across its customer classes, including its new proposed trade effluent classes.

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed to retain the existing 'Network Location' adjustment values that apply to wastewater collection opex and wastewater collection capex costs driven by volume for Band 1, Band 2, and Band 3.

Uisce Éireann proposed to change Network Location adjustment values for Band 4 as follows:

- Increase the wastewater Band 4 adjustment from 10% to 20%.

Uisce Éireann proposed to introduce and apply the following 'Network Location' adjustment values that apply to wastewater collection opex and wastewater collection capex costs driven by volume for the new trade effluent categories as follows:

- Trade Effluent Category 1: 3% adjustment
- Trade Effluent Category 2: no adjustment
- Trade Effluent Category 3: 20% adjustment (same as Band 4)

### Stakeholder Feedback and CRU Observations

***Wastewater Tariff Classes – Bands 1 to 4***

The respondent who provided feedback on this design feature agreed with Uisce Éireann's proposal provided that the costs are allocated to all the domestic and non-domestic customers with the same cost allocation rules i.e., both domestic and non-domestic customers recover the shortfall, and that this cost is not only picked up by other trade effluent connections non-trade effluent non-domestic customers.

As set in the CRU's Decision on the Non-Domestic Tariff Framework, the CRU is of the view that there is not a strong case to apply a network location adjustment to the allocation of wastewater collection operational and capital costs, given that wastewater network systems are generally more localised and fragmented than water network systems. Thus, the CRU is of the view, as proposed by Uisce Éireann, that a 'Network Location' adjustment (to the allocation of wastewater collection opex and capex costs) is not applied for Bands 1, 2 and 3.

However, it is possible that large wastewater producers may be located relatively closer to wastewater treatment works than smaller wastewater producers, and thus place less of a demand on the overall wastewater network, and therefore their charges should be lower to reflect this. As set in the CRU's Decision on the Non-Domestic Tariff Framework, there is a case to apply a minor 'network location' adjustment when allocating wastewater collection opex and capex costs to the Band 4 customer class (given the proximity of Band 4 connections to their WWTPs relative to smaller wastewater connections). Uisce Éireann proposed to increase the existing network location adjustment value for the Band 4 class from 10% to 20%. However, the CRU was of the view that Uisce Éireann needs to provide additional evidence to support its argument to change this adjustment value for the Band 4 class.

After the publication of the CRU's Consultation Paper, the CRU requested data from Uisce Éireann on the location (that is, proximity of the wastewater treatment plant) of the Band 4 connections in Ireland relative to smaller wastewater producers. Reviewing this locational data, as Uisce Éireann did not provide the cost relationship between the pipe length of a connection from its wastewater treatment plant and the associated wastewater collection opex and capex costs, the CRU is of the view that Uisce Éireann has not given a compelling justification for why a 20% adjustment would be more accurate than the current adjustment of 10%, which was determined through the 2019 Non-Domestic Tariff Framework decision.

The application of a further discount to Band 4 wastewater connections (increasing from 10% to 20%) results in all other connections picking up the shortfall, which raises equity concerns for smaller volume wastewater connections.

In the absence of strong evidence that the change would be more cost-reflective, the CRU decision is to reject Uisce Éireann's proposal to change the Network Location adjustment value for Band 4 by increasing the wastewater Band 4 adjustment from 10% to 20%. The CRU is of the view that Uisce Éireann should continue to enhance its current cost data associated with reflecting average network location of each customer group. The CRU will be requiring Uisce Éireann to undertake analysis during RC4, or sooner if feasible, to review this adjustment levels remain appropriate.

***Trade Effluent Tariff Classes – Trade Effluent Categories 1, 2 and 3***

No respondents commented on the network location adjustment values applied to Trade Effluent Categories.

In respect to the trade effluent tariff classes, the CRU is of the view that Uisce Éireann's proposals to apply the same network location adjustment values per 'Band' based on the 'size' (annual discharge volume) of the trade effluent connections assigned to its proposed Trade Effluent tariff categories is sound. It creates equity in the allocation of wastewater collection opex and wastewater collection capex costs across the wastewater and trade effluent customers.

That is, trade effluent connections that are classified as 'industrial' and discharge 250,000 $m^3$ per annum or more are placed into Trade Effluent Category 3 (equivalent to 'Band 4' in annual discharge volumes) and thus a network location adjustment value of 10% is applied to this Trade Effluent Category 3. There are a very small number of trade effluent connections that

discharge over 250,000 $m^3$ per annum but are classified as 'commercial' and these connections are placed into Trade Effluent Category 1. To reflect this, an adjustment value of 2% is applied to the Trade Effluent Category 1. There are no trade effluent connections that discharge over 250,000 $m^3$ per annum in Trade Effluent Category 2, and thus no network location adjustment is applied to this class.

### CRU's Decision

Uisce Éireann is to retain the existing 'Network Location' adjustment values that apply to wastewater collection opex and wastewater collection capex costs driven by volume for Wastewater Band 1, Band 2, Band 3, and Band 4.

Uisce Éireann is to apply the following 'Network Location' adjustment values that apply to wastewater collection opex and wastewater collection capex costs driven by volume for the new trade effluent categories as follows:

- Trade Effluent Category 1: 2% adjustment
- Trade Effluent Category 2: no adjustment
- Trade Effluent Category 3: 10% adjustment (same as Wastewater Band 4)

## 6.4.3 Values for a New 'Treatment Plant' Cost Driver Adjustment

### Uisce Éireann's Considerations

Uisce Éireann considered the value of its proposed Treatment Plant adjustment (to apply to the allocation of wastewater treatment operational and capital costs allocated on a PE basis to each of its trade effluent customer classes) by investigating:

- the operating costs at WWTPs accepting trade effluent from Industrial Activities and all other WWTPs; and
- the capital costs required to build the elements WWTPs with different capacities (with capacity =/< 10,000 PE and capacity of 50,000 PE).

**Uisce Éireann's Proposal(s):**

Uisce Éireann proposed to introduce and apply 'Treatment Plant' adjustment to trade effluent customers carrying out Industrial Activities only. It results in the following 'Treatment Plant' adjustment values for the new trade effluent categories as follows:

- Trade Effluent Category 1: 0.004% treatment plant adjustment
- Trade Effluent Category 2: 15% treatment plant adjustment
- Trade Effluent Category 3: 15% treatment plant adjustment

**Stakeholder Feedback and CRU Observations**

No respondents provided direct feedback on Uisce Éireann's proposed methodology for determining the level of adjustment to apply to the allocation of both wastewater treatment operational and capital costs (allocated on a PE basis to each of its trade effluent customer classes).

As discussed above and in the CRU Consultation Paper, the CRU is of the view that Uisce Éireann's proposal to introduce a 'Treatment Plant' adjustment represents a departure from a national charging approach that underpins the Framework and can create equity and tariff volatility concerns.

Therefore, as the CRU's decision is to reject Uisce Éireann's proposals to introduce a 'Treatment Plant' adjustment (see Section 6.3.5 of this Decision Paper), a decision has already been made by the CRU to remove this adjustment factor.

**CRU's Decision**

The CRU's decision is to reject Uisce Éireann's proposal to introduce and apply 'Treatment Plant' adjustment to trade effluent customers carrying out Industrial Activities only. Therefore, no adjustment values for the Treatment Plant Adjustment are to apply to each Trade Effluent Category.

## 6.5 Allocating Costs to Charging Components Within a Customer Class – Water, Wastewater and Trade Effluent

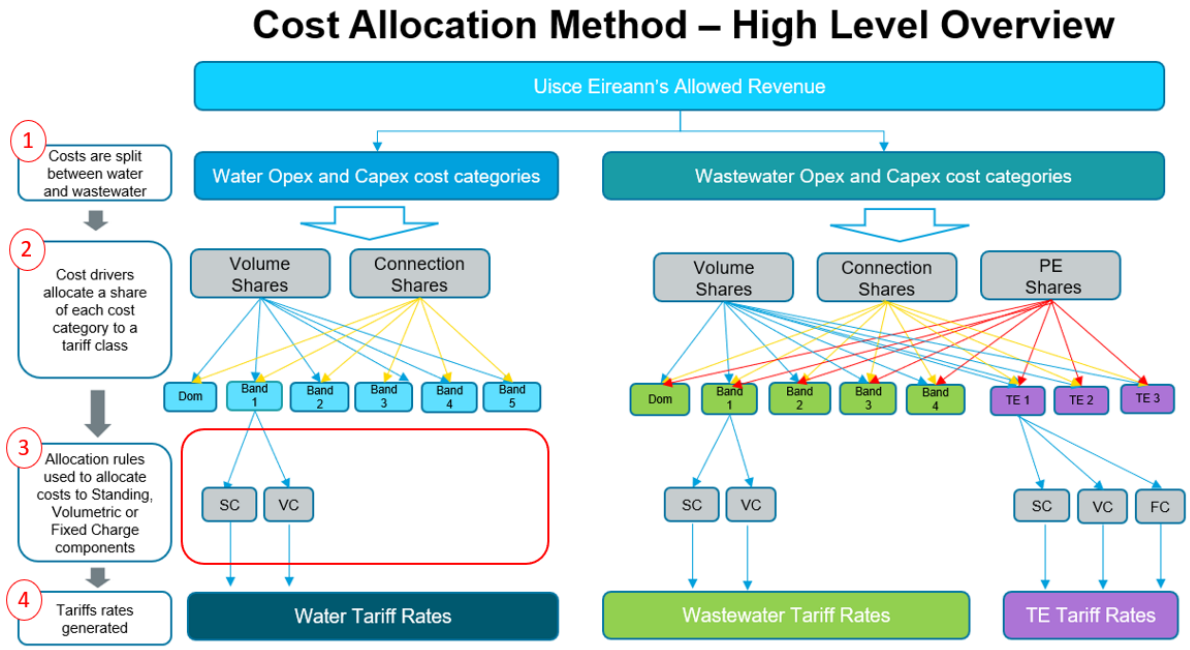
### 6.5.1 Changes for Allocating Costs to Each Tariff Charging Component within a Customer Tariff Class

As described above, each non-domestic customer class is allocated a particular share of each operational cost and capital cost category in line with the cost allocation rules. The Framework also includes rules to determine which of the opex and capex costs (allocated to a customer class) are to be recovered from each tariff charge component (e.g., the standing charge and the volumetric charge) of that customer class.

### 6.5.2 Tariff Components - Water Tariff Customer Classes

As described in Section 4 of this paper, Uisce Éireann proposed to retain a two-part tariff encompassing a standing charge and volumetric charge for the provision of water services.

Visually, this section considers the following step (highlighted in red) within the cost allocation methodology in respect of water services:




The text boxes below illustrate the CRU's decision on Uisce Éireann's proposed changes to the allocation of costs to be recovered from each water tariff customer class's standing and volumetric charge component. To clarify, the total costs allocated to each customer class need to be recovered through either the standing or volumetric charge for each class (for water service provision). For example, for the water Band 1 customer class, Uisce Éireann proposed to recover 100% of water Customer Operations costs allocated to the Band 1 customer class through the Standing Charge and 100% of the 'Resource and Treatment' (R&T) capital costs allocated to the Band 1 customer class through the volumetric charge of that class.

***Costs to be recovered via the Standing Charge and Volumetric Charges – Water Tariffs***

The following table summarises the CRU's decision on Uisce Éireann's proposed changes to the rules used to determine the costs to be recovered via the Standing and Volumetric charges

within each water tariff customer class. The table sets out the proposals the CRU has approved (noted in green text).

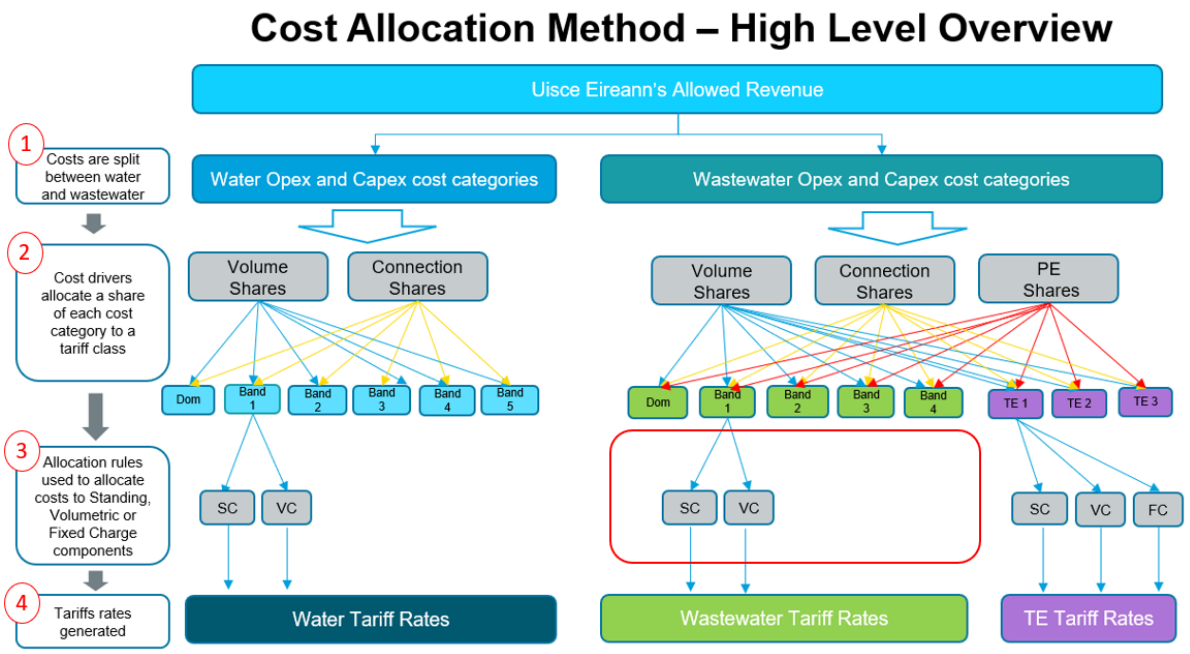
| **Existing Tariff Framework** | | **The CRU's Decision** | |
|---|---|---|---|
| **Cost Allocated to be Recovered via the Standing Charge and Volumetric Charges - Water** | | | |
| **Water Tariff** | | **Water Tariff** | |
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Water R&T Capex |
| **0%** Water Distribution Capex | **100%** Water Distribution Capex | Water Distribution Capex<br>• **44% -** Band 1<br>• **15% -** Band 2<br>• **15% -** Band 3<br>• **23% -** Band 4<br>• **30% -** Band 5 | Water Distribution Capex<br>• **56% -** Band 1<br>• **85% -** Band 2<br>• **85% -** Band 3<br>• **77% -** Band 4<br>• **70% -** Band 5 |
| Operations & Maintenance Opex:<br>• **0.5% -** Band 1<br>• **0.6% -** Band 2<br>• **0.7% -** Band 3<br>• **0.7% -** Band 4 | Operations & Maintenance Opex<br>• **99.5%** - Band 1<br>• **99.4% -** Band 2<br>• **99.3%** - Band 3<br>• **99.3% -** Band 4 | Operations & Maintenance Opex:<br>• **0.5% -** Band 1<br>• **0.6% -** Band 2<br>• **0.7% -** Band 3<br>• **0.7% -** Band 4<br>• **0.7% - Band 5** | Operations & Maintenance Opex:<br>• **99.5% -** Band 1<br>• **99.4% -** Band 2<br>• **99.3% -** Band 3<br>• **99.3% -** Band 4<br>• **99.3% -** Band 5 |
| **100%** Non-Controllable Opex[92] | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | **100%** Support Services Opex | |
| **100%** Group and Shared Opex | | | |

## 6.5.3 Tariff Components - Wastewater Tariff Customer Classes

Similarly, for wastewater tariffs, Uisce Éireann proposed changes to the rules used to determine the costs to be recovered via the Standing and Volumetric charges within each wastewater tariff customer class.

[92] Non-controllable opex costs also include innovation opex. Uisce Éireann stated *"…the purpose of this allowance (innovation fund) is to allow UÉ to promote new technologies and improved ways of delivering water and wastewater service for customers within an incentive base regime where cost efficiency is the focus. For UÉ to draw down its innovation fund allowance it must first receive approval from the CRU for individual innovation projects."* Please see page 97 of Uisce Éireann's Non-Domestic Tariff Design Review and Alignment Proposals submission document for this information.

Visually, this section considers the following step (highlighted in red) within the cost allocation methodology in respect of wastewater services:




## ***Costs to be recovered via the Standing Charge and Volumetric Charges – Wastewater Tariffs***

The following table summarises the CRU's decision on Uisce Éireann's proposed changes to the rules used to determine the costs to be recovered via the Standing and Volumetric charges within each wastewater tariff customer class. The table sets out the proposals the CRU has approved (noted in green text).

| **Existing Tariff Framework** | | **CRU's Decision** | |
|---|---|---|---|
| **Cost Allocated to be Recovered via the Standing Charge and Volumetric Charges - Wastewater** | | | |
| **Wastewater Tariff** | | **Wastewater Tariff** | |
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **0%** Wastewater Collection Capex | **100%** Wastewater Collection Capex | Wastewater Collection Capex<br>• **48%** - Band 1<br>• **0%** - Band 2<br>• **10%** - Band 3<br>• **0%** - Band 4 | Wastewater Collection Capex<br>• **52%** - Band 1<br>• **100%** - Band 2<br>• **90%** - Band 3<br>• **100%** - Band 4 |

| Existing Tariff Framework | | CRU's Decision | |
|---|---|---|---|
| Operations & Maintenance Opex:<br>• **0.5% -** Band 1<br>• **0.6% -** Band 2<br>• **0.7% -** Band 3<br>• **0.7% -** Band 4 | Operations & Maintenance Opex<br>• **99.5%** - Band 1<br>• **99.4% -** Band 2<br>• **99.3%** - Band 3<br>• **99.3% -** Band 4 | Operations & Maintenance Opex<br>• **0.5% -** Band 1<br>• **0.6% -** Band 2<br>• **0.7% -** Band 3<br>• **0.7% -** Band 4 | Operations & Maintenance Opex<br>• **99.5% -** Band 1<br>• **99.4% -** Band 2<br>• **99.3% -** Band 3<br>• **99.3% -** Band 4 |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | **100%** Support Services Opex | |
| **100%** Group and Shared Opex | | | |

## Uisce Éireann's Considerations

Uisce Éireann considered a number of changes to the cost allocation rules that determine which (and what proportion of) costs are recovered by the standing charge and volumetric charge for each water and wastewater customer class. These proposed changes are driven by the need to reduce perverse incentives that exist at some tariff class boundaries. The proposed changes are discussed further below.

## Uisce Éireann's Proposal(s):

Uisce Éireann proposed allocation of costs to be recovered through the Standing and Volumetric Charges for different bands are shown below:

Band 1 Class:

| **Water Tariff** | | **Wastewater Tariff** | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **44%** Water Distribution Capex | **56%** Water Distribution Capex | **48%** Wastewater Collection Capex | **52%** Wastewater Collection Capex |
| **0.5%** Operations & Maintenance Opex | **99.5%** Operations & Maintenance Opex | **0.5%** Operations & Maintenance Opex | **99.5%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | **100%** Support Services Opex | |

Band 2 Class:

| **Water Tariff** | | **Wastewater Tariff** | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **15%** Water Distribution Capex | **85%** Water Distribution Capex | **0.6%** Operations & Maintenance Opex | **99.4%** Operations & Maintenance Opex |
| **0.6%** Operations & Maintenance Opex | **99.4%** Operations & Maintenance Opex | **100%** Non-Controllable Opex | **100%** Wastewater Collection Capex |
| **100%** Non-Controllable Opex | | **100%** Support Services Opex | |
| **100%** Support Services Opex | | | |

## Uisce Éireann's Proposal(s):

Band 3 Class:

| **Water Tariff** | | **Wastewater Tariff** | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **15%** Water Distribution Capex | **85%** Water Distribution Capex | **10%** Wastewater Collection Capex | **90%** Wastewater Collection Capex |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | **100%** Support Services Opex | |

Band 4 Class:

| **Water Tariff** | | **Wastewater Tariff** | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **23%** Water Distribution Capex | **77%** Water Distribution Capex | **100%** Support Services Opex | **100%** Wastewater Collection Capex |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | | |

Band 5 Class:

| **Water Tariff** | |
|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex |
| **30%** Water Distribution Capex | **70%** Water Distribution Capex |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | |

## Stakeholder Feedback and CRU Observations

A number of respondents provided positive feedback to this proposal and generally supported Uisce Éireann's proposal to maintain a low fixed element (standing charge) across customer classes to incentivise conservation of water and to reduce water bill and incentivise a reduction of wastewater discharge volumes and allow customers the flexibility to lower their bills. However, two respondents commented on the level charges for smaller users, which they found high relative to those of larger users.

As set out in the CRU Consultation Paper, the CRU is of the view that Uisce Éireann proposed changes to the cost allocation rules that determine what proportion of costs are recovered by the standing charge and volumetric charge for each water and wastewater customer class, which are primarily driven by the need to reduce perverse incentives that exist at some tariff class boundaries, are sensible.

Uisce Éireann's proposed approach to recover a portion of water distribution and wastewater collection capex through the Standing Charge (of certain water and wastewater tariff classes respectively) is also conceptually sound. Also, it significantly reduces the incidence and magnitude of perverse incentives at a number of the tariff class boundaries. One respondent noted that the standing charge for Band 1 customers is relatively high, lowering the incentive to economise on reduced consumption for these customers. The respondent noted that this may be justified by the perceived need to address perverse incentives at the boundary with Band 2.

The CRU has also assessed the implications of the CRU's decision on Uisce Éireann's proposals to customers' bills. The following analysis assesses the net impact of the CRU's decision on Uisce Éireann's proposed changes to the allocation rules that determine the costs to be recovered via the Standing and Volumetric charges within each water and wastewater tariff customer class. These shares are calculated using the following selected annual water/wastewater volumes[93]:

**Table 4 - Standing Charge and Volumetric Charge Shares within a Water Bill[94]**

| Customer Class – Water Service | Selected Volume to Calculate Bill | Standing Charge Share of Total Bill | Volumetric Charge Share of Total Bill | Total % |
|---|---|---|---|---|
| Band 1 class (<1,000 $m^3$) | **100 $m^3$/annum** | 27% | 73% | 100% |
| Band 2 class (between 1,000 $m^3$ and 19,999 $m^3$) | **1,500 $m^3$/annum** | 8% | 92% | 100% |
| Band 3 class (between 20,000 $m^3$ and 249,999 $m^3$) | **25,000 $m^3$/annum** | 9% | 91% | 100% |
| Band 4 class (between 250,000 $m^3$ and 2,229,999 $m^3$) | **400,000 $m^3$/annum** | 7% | 93% | 100% |

[93] These standing charge and volumetric charge shares will vary depending on the volumes selected.
[94] The standing charge and volumetric 'shares' within a total water bill set out in this table are specific to the volume selected to calculate the bill. The bills calculated in this table are based on Uisce Éireann's water tariff rates which are set out in Section 7 of this paper.

| | | | | |
|---|---|---|---|---|
| Band 5 Class (equal to or greater than 2,300,000 $m^3$) | **2,500,000 $m^3$/annum** | 9% | 91% | 100% |

### Table 5 - Standing Charge and Volumetric Charge Shares within a Wastewater Bill[95]

| Customer Class – Wastewater Service | Selected Volume to Calculate Bill | Standing Charge share of Total Bill | Volumetric Charge share of Total Bill | Total % |
|---|---|---|---|---|
| Band 1 class (<1,000 $m^3$) | **100 $m^3$/annum** | 24% | 76% | 100% |
| Band 2 class (between 1,000 $m^3$ and 19,999 $m^3$) | **1,500 $m^3$/annum** | 7% | 93% | 100% |
| Band 3 class (between 20,000 $m^3$ and 249,999 $m^3$) | **25,000 $m^3$/annum** | 6% | 94% | 100% |
| Band 4 class (equal to or greater than 250,000 $m^3$) | **400,000 $m^3$/annum** | 4% | 96% | 100% |

Although Uisce Éireann is to recover a portion of the water distribution and wastewater collection capital costs from the Standing Charge of certain tariff classes, and thereby increase the Standing Charge levels as a result, the above tables demonstrate that the fixed element (Standing Charge) of a customer's bill remains relatively low across the water and wastewater customer classes.

Please note that the standing charge and volumetric charge shares depend on the annual volume selected to calculate the bills. The selected volumes for the Band 1, Band 2, and Band 3 customer classes above are at the lower end of each class's volume 'band' as this represents the distribution of connections by volume for these customer classes. For connections that consume or discharge more than the selected volumes above, the standing charge percentage 'share' of a total bill is lower.

As a result, the CRU's decision on Uisce Éireann's proposals continues to promote water conservation and the reduction of wastewater discharge volumes within the tariff structures by maintaining a relatively low fixed element (Standing Charge) across the customer classes. This places a strong incentive on customers to conserve water and reduce wastewater volumes. Importantly, it also provides more scope for customers to reduce their water and wastewater bills. One of the respondents found the allocation of costs between classes logical, well-founded and simple for customers to understand.

[95] The standing charge and volumetric 'shares' within a total wastewater bill set out in this table are specific to the volume selected to calculate the bill. The bills calculated in this table are based on Uisce Éireann's wastewater tariff rates which are set out in Section 7 of this paper.

The CRU is of the view that Uisce Éireann's proposed allocation of costs to be recovered through the standing and volumetric charges for each class are sensible and provides an appropriate balance across the CRU's tariff principles.

**CRU's Decision - Band 1 and Band 2 Customer Class - Water and Wastewater Tariff** – allocation of costs to be recovered through the Standing and Volumetric charges:

**The CRU's Decision: Band 1** Customer Class:

| **Water Tariff** | | **Wastewater Tariff** | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **44%** Water Distribution Capex | **56%** Water Distribution Capex | **48%** Wastewater Collection Capex | **52%** Wastewater Collection Capex |
| **0.5%** Operations & Maintenance Opex | **99.5%** Operations & Maintenance Opex | **0.5%** Operations & Maintenance Opex | **99.5%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | **100%** Support Services Opex | |

**The CRU's Decision: Band 2** Customer Class:

| **Water Tariff** | | **Wastewater Tariff** | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **15%** Water Distribution Capex | **85%** Water Distribution Capex | **0.6%** Operations & Maintenance Opex | **99.4%** Operations & Maintenance Opex |
| **0.6%** Operations & Maintenance Opex | **99.4%** Operations & Maintenance Opex | **100%** Non-Controllable Opex | **100%** Wastewater Collection Capex |
| **100%** Non-Controllable Opex | | **100%** Support Services Opex | |
| **100%** Support Services Opex | | | |

**CRU's Decision - Band 3, Band 4 and Band 5 Customer Classes - Water and Wastewater Tariff** – allocation of costs to be recovered through the Standing and Volumetric charges:

## The CRU's Decision: Band 3 Customer Class:

| Water Tariff | | Wastewater Tariff | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **15%** Water Distribution Capex | **85%** Water Distribution Capex | **10%** Wastewater Collection Capex | **90%** Wastewater Collection Capex |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | **100%** Support Services Opex | |

## The CRU's Decision: Band 4 Customer Class:

| Water Tariff | | Wastewater Tariff | |
|---|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex |
| **23%** Water Distribution Capex | **77%** Water Distribution Capex | **100%** Support Services Opex | **100%** Wastewater Collection Capex |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | | | |

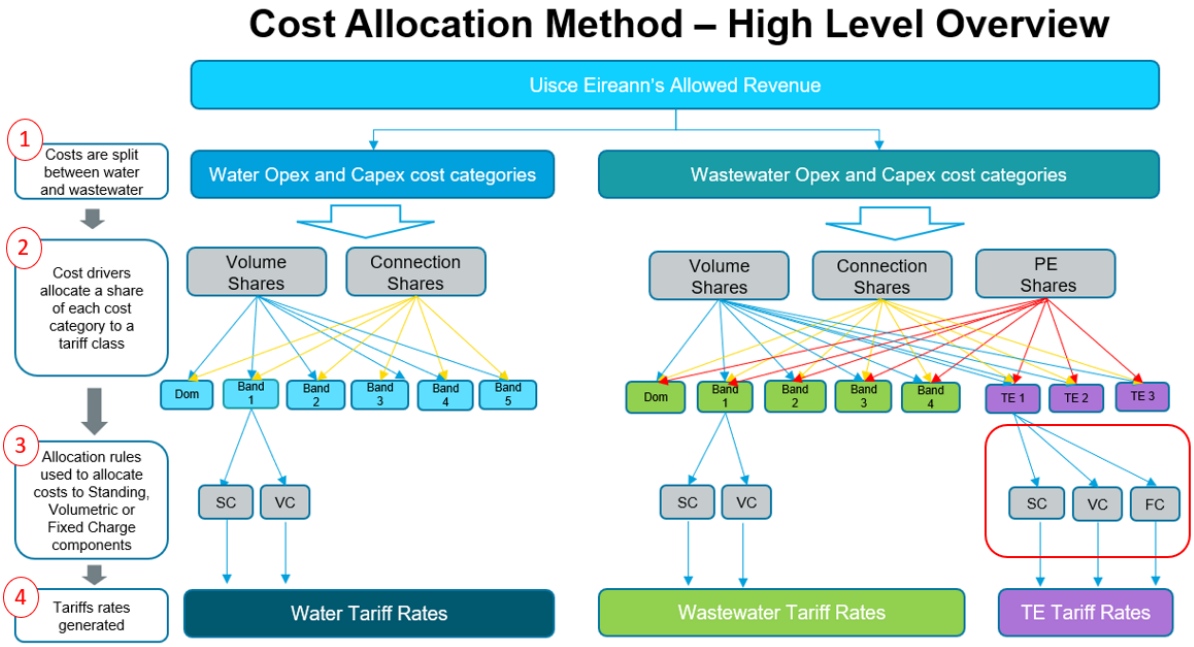
## The CRU's Decision: Band 5 Customer Class:

| Water Tariff | |
|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** |
| **100%** Customer Operations Opex | **100%** Water R&T Capex |
| **30%** Water Distribution Capex | **70%** Water Distribution Capex |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex |
| **100%** Non-Controllable Opex | |
| **100%** Support Services Opex | |

## 6.5.4 Tariff Components – Trade Effluent Tariff Customer Classes

For the trade effluent tariff categories, Uisce Éireann's considered a set of rules used to determine the costs to be recovered via the Standing, Volumetric and 'Compliance and Licensing' charges within each trade effluent tariff customer class.

Visually, this section considers the following step (highlighted in red) within the cost allocation methodology in respect of trade effluent services:




Costs to be recovered via the Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge – Trade Effluent Tariff Classes

The following table summarises the CRU's decision on Uisce Éireann's proposed rules to determine the costs to be recovered from each tariff component (Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge) within each of the Trade Effluent Customer classes:

| **CRU's Decision on Uisce Éireann's Proposals** | | |
|---|---|---|
| **Cost Allocated to be Recovered via the Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge – Trade Effluent** | | |
| **Trade Effluent Tariffs** | | |
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| Wastewater Collection Capex<br>• **17% -** TE Category 1<br>• **8% -** TE Category 2<br>• **0% -** TE Category 3 | Wastewater Collection Capex<br>• **83% -** TE Category 1<br>• **92% -** TE Category 2<br>• **100% -** TE Category 3 | **100%** TE Compliance Costs |

| CRU's Decision on Uisce Éireann's Proposals | | |
|---|---|---|
| Operations & Maintenance Opex<br>• **0.6%** - TE Category 1<br>• **0.7% -** TE Category 2<br>• **0.7%** - TE Category 3 | Operations & Maintenance Opex<br>• **99.4%** - TE Category 1<br>• **99.3% -** TE Category 2<br>• **99.3%** - TE Category 3 | |
| **100%** Non-Controllable Opex | **100%** TE Sampling Costs (TE Category 2 and TE Category 3) | **100%** TE Sampling Costs (TE Category 1) |
| **100%** Support Services Opex | | |

## Uisce Éireann's Considerations

Section 5.3.3 (Setting the Fixed and Variable Charge Components for each of its proposed Trade Effluent classes) of this paper summarises the CRU's decision on Uisce Éireann's proposals and considerations for the structure of its three proposed trade effluent categories, including the costs to be recovered from each tariff component (Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge). Please see Section 5.3.3 of this paper and Section 8.2 of Uisce Éireann's Trade Effluent Tariff Design Review proposals submission document for a more detailed discussion by Uisce Éireann of this proposal.

A detailed summary of the costs to be recovered through the Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge of each trade effluent tariff category are summarised in the table above. The CRU has collated the CRU's decision on Uisce Éireann's proposals into a table to help readers and stakeholders understand the CRU's decision on Uisce Éireann's proposals summarised below.

## Uisce Éireann's Proposal(s):

Trade Effluent Category 1:

| **Trade Effluent Tariff Category 1** | | |
|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| **17%** Wastewater Collection Capex | **83%** Wastewater Collection Capex | **100%** TE Compliance Costs |
| **0.6%** Operations & Maintenance Opex | **99.4%** Operations & Maintenance Opex | **100%** TE Sampling Costs |
| **100%** Non-Controllable Opex | | |
| **100%** Support Services Opex | | |

Trade Effluent Category 2:

| **Trade Effluent Tariff Category 2** | | |
|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| **8%** Wastewater Collection Capex | **92%** Wastewater Collection Capex | **100%** TE Compliance Costs |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | |
| **100%** Non-Controllable Opex | **100%** TE Sampling Costs | |
| **100%** Support Services Opex | | |

### Uisce Éireann's Proposal(s):

Trade Effluent Category 3:

| **Trade Effluent Tariff Category 3** | | |
|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| **0%** Wastewater Collection Capex | **100%** Wastewater Collection Capex | **100%** TE Compliance Costs |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | |
| **100%** Non-Controllable Opex | **100%** TE Sampling Costs | |
| **100%** Support Services Opex | | |

## Stakeholder Feedback and CRU Observations

The respondents who provided feedback on this design feature broadly supported the proposal for cost recovery reasons as cost recoveries are critical for the functioning of wastewater infrastructure.

As previously set out in Section 5.3 of the paper, the CRU is of the view that Uisce Éireann's proposals to determine the costs to be recovered from each component (i.e., the Standing Charge, Volumetric Charge and the 'Compliance & Licensing' Charge) of the trade effluent tariff classes are sensible, and meet the tariff principles of simplicity, transparency, and cost reflectivity. Please see the 'Stakeholder Feedback and CRU Observations' subsection in Section 5.3 of this paper for further discussion.

Further, similar to the wastewater tariff Bands 1 to 4, Uisce Éireann's proposed approach to recover a portion of wastewater collection capex through the Standing Charge of each Trade Effluent tariff category is also conceptually sound. This also reduces the incidence and magnitude of perverse incentives at a number of the tariff class boundaries.

The CRU has also assessed the implications of the CRU's decision on Uisce Éireann's proposals to customers' bills. Please note that these bill calculations use Uisce Éireann's indicative Trade Effluent tariff rates. The following analysis assesses the net impact of the CRU's decision on Uisce Éireann's proposed allocation rules that determine the costs to be recovered via the Standing, Volumetric and Compliance and licensing charges within each trade effluent tariff category.

Trade Effluent Category Threshold Volumes:

- Trade Effluent Category 1 (less than 1,000 $m^3$/annum)
- Trade Effluent Category 2 (between 1,000 $m^3$/annum and 249,999 $m^3$/annum)

- Trade Effluent Category 3 (greater than 250,000 $m^3$/annum)

### Table 6 - Standing Charge, Volumetric Charge & Compliance and Licensing Charge shares within a Trade Effluent Bill for Trade Effluent Category 1[96]

| Customer Class – TE | Selected Volume to Calculate Bill | Standing Charge Share of Total Bill | Compliance and Licensing Charge Share of Total Bill | Volumetric Charge Share of Total Bill | Total % |
|---|---|---|---|---|---|
| **TE Category 1** | **400 $m^3$/annum** | 6% | 24% | 70% | 100% |
| | **500 $m^3$/annum** | 5% | 21% | 74% | 100% |
| | **750 $m^3$/annum** | 3% | 15% | 81% | 100% |

Table 6 calculates the percentage share in revenue recovered from each tariff component of a connection's total trade effluent bill, for different annual discharge volumes in Trade Effluent Category 1. Connections that fall into this category are charged a non-domestic wastewater standing charge, a non-domestic wastewater volumetric rate and the Trade Effluent Category 1 Compliance and Licensing charge.

For Trade Effluent Category 1, Table 6 demonstrates that the standing charge of a connection's bill is relatively low across the various selected volumes within the category. The Compliance and Licensing percentage share of the total bill is higher (ranging from 15% to 24% for the selected annual discharge volumes above), but the majority of the charge is a volumetric component. Please note, that for trade effluent connections that discharge more than the selected volumes above, the Standing Charge percentage 'share' and the Compliance and Licensing 'share' of a total bill decreases.

[96] The bills calculated in this table are based on Uisce Éireann's indicative trade effluent charges which are set out in Section 10 of this paper.

### Table 7 - Standing Charge, Volumetric Charge & Compliance and Licensing Charge Shares within a Trade Effluent Bill for Trade Effluent Category 2 & 3[97]

| Customer Class – TE | Selected Volume to Calculate Bill | Assumed COD and SS value (to compute Mogden Volumetric Charge) | Standing Charge Share of Total Bill | Compliance and Licensing Charge Share of Total Bill | Volumetric Charge Share of Total Bill | Total % |
|---|---|---|---|---|---|---|
| **TE Category 2** | **5,000 $m^3$/annum** | COD: 482 mg/L<br>SS: 252 mg/L | 2% | 18% | 81% | 100% |
| **TE Category 2** | **50,000 $m^3$/annum** | COD: 482 mg/L<br>SS: 252 mg/L | 3% | 2% | 95% | 100% |
| **TE Category 3** | **300,000 $m^3$/annum** | COD: 482 mg/L<br>SS: 252 mg/L | 5% | 1% | 94% | 100% |

Table 7 calculates the percentage share in revenue recovered from each tariff component of a connection's total trade effluent bill across different annual discharge volumes (and assumed pollutant levels) in Trade Effluent Category 2 and 3. Connections that fall into these categories are charged a non-domestic wastewater standing charge, a volumetric charge calculated using a Mogden formula and either the Trade Effluent Category 2 or 3 Compliance and Licence charge. As noted above, these bill calculations use Uisce Éireann's indicative Trade Effluent tariff rates.

Given Uisce Éireann proposed to apply a Mogden formula to Trade Effluent Categories 2 and 3 connections, a connection's volumetric charge bill is based on both their annual volume of trade effluent discharged and the pollutant levels within their trade effluent discharge (that is, the level of Chemical Oxygen Demand ('COD') and Suspended Solids ('SS')). The Mogden volumetric charge calculations above assume a level of COD of 482 mg/L and SS of 252 mg/L[98] within a connection's discharge in order to calculate a connection's total trade effluent bill.

For Trade Effluent Category 2 and 3, Table 7 demonstrates that the standing charge of a connection's bill is also relatively low across the various selected volumes and pollutant levels within these categories. The Compliance and Licensing percentage share of the total bill ranges from less than 1% to 18% for the selected annual discharge volumes above.

**Please note the percentage shares for each of the tariff components for Trade Effluent Categories 2 and 3 will change based on the annual discharge volume selected, and also**

[97] The bills calculated in this table are based on Uisce Éireann's indicative trade effluent charges which are set out in Section 10 of this paper.
[98] These values represent average COD and SS values measured by Uisce Éireann across all its wastewater treatment plants over a three-year period from 2020 to 2022. Please see Section 5.3.4 for further detail.

**the assumed level of COD and SS within a connection's discharge. The higher the level of annual discharge volume, the greater percentage share of the Volumetric charge, and the lower the percentage share of the Standing and Compliance and Licensing charges of a connection's total trade effluent bill. Similarly, the higher the assumed level of COD and SS within a connection's discharge, the greater percentage share of the Volumetric charge, and the lower the percentage share of the Standing and Compliance and Licensing charges of a connection's total trade effluent bill.**

Similar to the wastewater tariff classes, the CRU's decision on Uisce Éireann's proposals for Trade Effluent categories 1, 2 and 3 incentivise trade effluent customers to reduce their trade effluent discharge volumes by maintaining a relatively low fixed element (standing charge) within the tariff structure across the customer classes. This places a strong incentive on customers to reduce trade effluent volumes. Importantly, it also provides more scope for customers to reduce their trade effluent bills.

**CRU's Decision[99] – Trade Effluent Category 1 and 2** – allocation of costs to be recovered through the Standing, Volumetric and Compliance and Licensing Charges

**CRU Decision:** Trade Effluent Category 1:

| **Trade Effluent Tariff Category 1** | | |
|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| **17%** Wastewater Collection Capex | **83%** Wastewater Collection Capex | **100%** TE Compliance Costs |
| **0.6%** Operations & Maintenance Opex | **99.4%** Operations & Maintenance Opex | **100%** TE Sampling Costs |
| **100%** Non-Controllable Opex | | |
| **100%** Support Services Opex | | |

**CRU Decision:** Trade Effluent Category 2:

| **Trade Effluent Tariff Category 2** | | |
|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| **8%** Wastewater Collection Capex | **92%** Wastewater Collection Capex | **100%** TE Compliance Costs |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | |
| **100%** Non-Controllable Opex | **100%** TE Sampling Costs | |
| **100%** Support Services Opex | | |

**CRU's Decision – Trade Effluent Category 3** – allocation of costs to be recovered through the Standing, Volumetric and Compliance and Licensing Charges

[99] The allocation of costs to be recovered through the standing and volumetric charges of Trade Effluent Categories 1-3 is based on Uisce Éireann's approach of recovering a portion of each cost category through the standing charge and(or) volumetric charge per Wastewater 'Band' according to the 'size' (annual discharge volume) of the trade effluent connections assigned to its Trade Effluent tariff categories.

**CRU Decision:** Trade Effluent Category 3:

| Trade Effluent Tariff Category 3 | | |
|---|---|---|
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| **0%** Wastewater Collection Capex | **100%** Wastewater Collection Capex | **100%** TE Compliance Costs |
| **0.7%** Operations & Maintenance Opex | **99.3%** Operations & Maintenance Opex | |
| **100%** Non-Controllable Opex | **100%** TE Sampling Costs | |
| **100%** Support Services Opex | | |

## 6.6 Changes to Capex Input Values

### 6.6.1 Change to the Capex Input Values Used in its Cost Allocation Exercise

Under the existing Framework Uisce Éireann's allowed revenue component breakdown (operational expenditure, return of capital ('depreciation') and return on capital ('rate of return / turn on assets')), as determined in Uisce Éireann's Allowed Revenue Decision, is used to weight the relative proportions of operational and capital costs to each customer group. Table 8 below shows a cost breakdown of 58.3% for operational expenditure and 41.7% for capital related expenditure (depreciation and return on assets) for 2024, which reflects the CRU's decision on Uisce Éireann's allowed revenue for 2024 (CRU/2022977).

**Table 8 - Uisce Éireann's Allowed Revenue Cost Structure (2024)**

| Cost Category | Allowed Revenue component | Percentage of total Allowed Revenue (2024) |
|---|---|---|
| Opex Costs | Operational expenditure | 58.3% |
| Capex Costs | Depreciation | 15.3% |
| | Return on Assets | 26.3% |
| **Total** | | **100%** |

Within the cost allocation exercise, the 41.7% for capital related expenditure (depreciation and return on assets) for further broken down by capex category. There are four capex categories:

- Water Above Ground Capex
- Water Below Ground Capex
- Wastewater Above Ground Capex
- Wastewater Below Ground Capex

The existing Framework methodology is designed to generate tariffs that reflect the most up-to-date operational and capital costs incurred by Uisce Éireann in providing services to customers. This involves reflecting a single year view of the four separate capital cost categories (that are aligned with the Allowed Revenue allowance).

The cost allocation methodology takes the percentage shares of each of these four cost capex categories (as input values) and allocates each cost based on the cost allocation rules (cost drivers and cost driver adjustments) outlined in the above sections of this paper to determine the portion of these capex costs to be allocated to each customer class. The CRU recognises that Uisce Éireann's cost component breakdown (operational and capital expenditure) will change over time as greater investment is made into improving the public water and wastewater assets in the coming years.

The cost allocation methodology underpinning the Framework aims to achieve a cost-reflective allocation of costs to each customer class, and thus it is sensitive to, and directly reflects, any changes to input values across each of the cost categories – both capital cost categories (where there are four separate categories) and operational cost categories (where there are ten separate cost categories). This means that the tariff rates have the potential to fluctuate from year to year in direct response to changes to the underlying cost categories.

For the purpose of achieving more stable enduring non-domestic tariffs into the future, Uisce Éireann has considered an amendment to how the input values for the four capital cost categories are calculated.

## Uisce Éireann's Considerations

Uisce Éireann considered the following two ways of calculating the split across the four capex categories to reflect in the cost allocation exercise:

- Take a single-year view of the projected capital spend across the four capex categories as an input.
- Calculate based on a (longer) rolling 10-year period from 2014 to 2020 using the actual capex spend from 2014 to 2020 and a forecasted spend from 2021 to 2024.

The capex splits are calculated below under the above two options:

| Service | Capex Cost Categories | Capex Split (based on single year's projected spend) | Uisce Éireann Proposal: Split (based on 10-year rolling average spend) |
|---|---|---|---|
| Water | Water – Above Ground | 26% | 29% |
| | Water – Below Ground | 26% | 30% |
| Wastewater & Trade Effluent | Wastewater – Above Ground | 29% | 27% |
| | Wastewater – Below Ground | 19% | 14% |
| **Total** | | **100%** | **100%** |

### Uisce Éireann's Proposal(s):

Uisce Éireann proposed calculating the split of capital spend based on the actual capex spend from 2014 to 2020 and forecasted spend from 2021 to 2024.

## Stakeholder Feedback and CRU Observations

All the respondents who commented on this design feature agreed the use of a 10-year rolling average of capex spends. No respondents proposed any alternative methods for reflecting Uisce Éireann's cost component breakdown that should be used in the cost allocation methodology.

As set out in the CRU's Consultation Paper, the CRU recognises that Uisce Éireann's proposed change of using a rolling 10-year average spend across the four capex cost categories can be argued to compromise on the principle of 'cost reflectivity', as the cost component breakdown does not reflect the prevailing or projected breakdown across the four capital cost categories expenditure. However, the CRU is of the view that Uisce Éireann's proposals will enhance the stability of tariff levels over time for customers. This approach would smooth out the impact of capital spend on large capital projects, where expenditure is lumpy, and thereby reduce the risk of fluctuations in tariff levels from year to year.

The CRU recognises that this will create a difference in approach to the treatment of Uisce Éireann's operational costs reflected within the tariffs, in that the tariff levels will be set to reflect the most-up-to date annual approved operational costs (and not a historic rolling average of these costs over a number of years). However, the CRU does not expect the operational costs to vary significantly (increase and decrease) from year to year in the same manner as capital costs. Therefore, there is not the same risk of fluctuations (up and down) in tariff levels from year to year.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposal to calculate the split of capital spend based on the actual capex spend from 2014 to 2020 and forecasted spend from 2021 to 2024.

## 6.7 Output of Cost Allocation Exercise

### 6.7.1 Output of Proposed Changes - Cost Allocation to the Domestic and Non-Domestic Sectors

Uisce Éireann has applied the CRU's decision on its proposed changes to the Framework's existing cost allocation methodology as described above to allocate costs to the domestic and non-domestic (which includes trade effluent) customer bases. The results are set out below.

**Uisce Éireann's Cost Allocation Results**

| Cost Allocation Exercise | Allocation Share of Total Allowed Revenue | |
|---|---|---|
| | Domestic Share | Non-Domestic Share |
| Existing Framework - Cost Allocation Output | 77.02% | 22.98% |
| Cost Allocation Output for October 2024 | 76.01% | 23.99% |

**Stakeholder Feedback and CRU's Observations**

As determined under the existing Framework, at present approximately 22.98% of Uisce Éireann's allowed revenue relates to the provision of services to its non-domestic customers. The development of the Framework in 2019 provided the first opportunity to evaluate the national costs of providing water and wastewater services to each of the domestic and non-domestic customer bases. The CRU's decision on Uisce Éireann's proposed updates to the Framework has the effect of increasing this non-domestic share to 23.99%.

As set out above and in the CRU Consultation Paper, there are two principal factors contributing to this increase:

- Using updated (2021) customer connection and volume data has the effect of increasing the share of total allowed revenue to be recovered from the non-domestic sector as the non-domestic sector's volume grew at a greater rate than the domestic volume between 2019 and 2021. This is primarily due to the inclusion of the 245 trade effluent connections' volume into the Framework who are currently charged 'specific' trade effluent charges.
- Additionally, Uisce Éireann amended a number of the cost allocation rules (for example, the introduction of PE as a cost driver to allocate wastewater treatment costs and allocating a portion of water distribution capex on a "volume" basis) which also have the effect of increasing the share of costs to be recovered from the non-domestic sector. These changes are aimed at ensuring that tariffs reflect the costs of providing services to customers, thereby achieving greater equity across water, wastewater and trade effluent customers.

### 6.7.2 Output of Changes- Cost Allocation to Non-Domestic Revenue Sources

Uisce Éireann's cost allocation exercise has accounted for revenues associated with the following:

- legacy agreements/contracts, and
- revenue collected from other[100] sources (not related to the provision of water and wastewater services).

A high-level breakdown of the revenue percentages associated with Uisce Éireann's services are shown below[101].

[100] Such as revenue from Additional Services which includes revenue Uisce Éireann receives from other services, such as tankered waste and leachate.
[101] 'Other' in the table captures revenue received from Legacy agreements and Additional Services revenue.

**Cost Breakdown Shares of Total Allowed Revenue**

| | Service | | | | Overall |
|---|---|---|---|---|---|
| | Water Supply | Wastewater | Trade Effluent | Other | Total |
| **Existing Framework – Cost Allocations** | **11.25%** | **8.76%** | **1.54%** | **1.43%** | **22.98%** |
| **Cost Allocations for October 2024** | **12.00%** | **5.92%** | **5.22%** | **0.84%** | **23.99%** |

The output of Uisce Éireann's cost allocation analysis indicates that non-domestic customers should contribute 23.99% of its total allowed revenue, which is a slight increase from the share of 22.98% determined in 2019.

The primary change to the percentage 'share' of total allowed revenue costs allocated across each non-domestic service is a reduction in the 'share' of costs to provide wastewater services (from 8.76% to 5.92%) and increase in the 'share' of costs to provide trade effluent services (from 1.54% to 5.22%). This is a consequence of the inclusion of trade effluent connections into the Framework as well as the application of the CRU's decision on Uisce Éireann's proposed cost allocation rules to reflect the costs of providing wastewater services and trade effluent services. Please also note that the 1.54% reflects the revenues received from 245 trade effluent connections on 'specific' trade effluent charges, while the 5.22% reflects the costs of providing services to all 6,868 trade effluent connections.

In respect of water supply, the percentage 'share' of costs to provide water services has increased from 11.25% to 12.00% which is primarily driven by the increase in water capex investment between 2019 and 2024 as well as the CRU's decision on Uisce Éireann's proposed change to the cost drivers used to allocate water distribution capex to water customer classes (from a 100% 'Connection's basis to a blended split of '60% Connections and 40% Consumption') for the purposes of reducing the negative effects of perverse incentives at tariff class boundaries.

Uisce Éireann's 'Other' cost percentage share of total costs has also decreased from 1.43% to 0.84%. This cost category captures revenues received from individual charging arrangements or contracts with customers that Uisce Éireann is legally obliged to uphold (as determined under the Legacy Arrangements process[102]) and revenue received from providing other additional services (not related to the provision of water, wastewater, or trade effluent services) by Uisce Éireann. This share has decreased primarily because the number of agreements Uisce Éireann is legally obliged to uphold has decreased. Throughout its cost allocation exercise, Uisce Éireann has sought to ensure that the new non-domestic water, wastewater tariffs and indicative trade effluent tariffs do not include the annual revenues from individual charging arrangements or contracts that have been upheld by Uisce Éireann or providing other additional services for which Uisce Éireann receives revenue.

[102] Please see Section 13.1 of this paper for more detail.

# PART C – TARIFF RATES & CUSTOMER BILL IMPACTS

# 7 CRU Decision - Uisce Éireann's Tariff Rates for Water and Wastewater Services – 01 October 2024

Uisce Éireann generated tariff rates to reflect the CRU's decision on the Framework, as well as updating the Framework's input data with 2024 allowed revenue values and 2021 customer connection, volume, and PE data. This is to ensure that tariffs charged to customers reflect the costs incurred by Uisce Éireann in providing water and wastewater services to customers.

Uisce Éireann's new water and wastewater tariff rates to apply on 01 October 2024 are based on the following:

**Remains Unchanged From Consultation:**

- CRU approved Uisce Éireann 2024 allowed revenue for the RC3 control period (€1.474m in 2024 prices);
- 2021 customer connection numbers, consumption or discharge volumes, and PE values.

**Changes Since Consultation:**

- CRU's decision on Uisce Éireann's proposed changes to the Framework tariff design elements – as detailed in Sections 4 to 6 of this paper:
    - Removing 'Treatment Plant Adjustment' to the allocation of treatment costs to industrial trade effluent connections (See Section 6.3.5 and Section 6.4.3);
    - Retaining 'Network Location' adjustment values that apply to wastewater collection opex and wastewater collection capex costs for Band 4 (See Section 6.4.2); and
    - Reducing cost allocation to Trade Effluent Compliance and Licensing Costs (See Section 2.1.3 and Section 5.3.3).

## 7.1 Metered and Unmetered Uisce Éireann's Tariff Rates for Water and Wastewater Services

The culmination of the above changes results in the suite of water and wastewater tariff rates presented in Tables 9 and 10 below. Both tables compare the approved 01 October 2024 tariff rates with the current Framework tariff rates.

### Table 9 - Uisce Éireann's Metered and Unmetered Tariff Rates for Water Service – 01 October 2024

| Tariff Element | Customer Class | Water Tariff Rates | | | |
|---|---|---|---|---|---|
| | | Current Tariffs | 01 Oct 2024 | Difference | |
| | | | | € | % |
| Standing charge (€/year) | Band 1 (<1,000m$^3$) | **€ 43.76** | **€83.02** | € 39.26 | 90% |
| | Band 2 (1,000 – 19,999m$^3$) | **€ 113.31** | **€218.11** | € 104.80 | 92% |
| | Band 3 (20,000 – 249,999m$^3$) | **€ 1,872.98** | **€3,708.61** | € 1,835.63 | 98% |
| | Band 4 (250,000m$^3$ – 2,299,999 m$^3$) | **€ 21,771.46** | **€41,332.17** | € 19,560.71 | 90% |
| | Band 5 (≥ 2,300,000 m$^3$) | - | **€295,967.72** | - | - |
| Volumetric charge (€/m$^3$) | Band 1 (<1,000 m$^3$) | **€ 1.87** | **€2.19** | € 0.32 | 17% |
| | Band 2 (1,000 – 19,999 m$^3$) | **€ 1.30** | **€1.68** | € 0.38 | 29% |
| | Band 3 (20,000 – 249,999 m$^3$) | **€ 1.21** | **€1.56** | € 0.35 | 29% |
| | Band 4 (250,000 – 2,299,999 m$^3$) | **€ 1.05** | **€1.38** | € 0.33 | 31% |
| | Band 5 (≥2,300,000 m$^3$) | | **€1.27** | - | - |
| Flat charge (€/year) | Unmetered Band 1 | **€ 260.35** | **€285.42** | € 25.07 | 10% |
| | Unmetered Band 2 | **€ 1,413.31** | **€1,805.85** | € 392.54 | 28% |

### Table 10 - Uisce Éireann's Metered and Unmetered Tariff Rates for Wastewater Service – 01 October 2024

| Tariff Element | Customer Class | Wastewater Tariff Rates | | | |
|---|---|---|---|---|---|
| | | Current Tariffs | 1st Oct 2024 | Difference | |
| | | | | € | % |
| Standing charge (€/year) | Band 1 (<1,000 m$^3$) | **€ 44.81** | **€75.43** | € 30.62 | 68% |
| | Band 2 (1,000 – 19,999 m$^3$) | **€ 135.79** | **€238.34** | € 102.55 | 76% |
| | Band 3 (20,000 – 249,999 m$^3$) | **€ 1,969.50** | **€3,849.75** | € 1,880.25 | 95% |
| | Band 4 (≥250,000 m$^3$) | **€ 25,266.78** | **€38,652.54** | € 13,385.76 | 53% |
| Volumetric charge (€/m$^3$) | Band 1 (<1,000 m$^3$) | **€ 1.92** | **€2.34** | € 0.42 | 22% |
| | Band 2 (1,000 – 19,999 m$^3$) | **€ 1.82** | **€2.28** | € 0.46 | 25% |
| | Band 3 (20,000 – 249,999 m$^3$) | **€ 1.81** | **€2.23** | € 0.42 | 23% |
| | Band 4 (≥250,000 m$^3$) | **€ 1.75** | **€2.19** | € 0.44 | 25% |
| Flat charge (€/year) | Unmetered Band 1 | **€ 243.14** | **€307.61** | € 64.47 | 27% |
| | Unmetered Band 2 | **€ 1,955.79** | **€2,347.47** | € 391.68 | 20% |

**Overall Changes – From Existing Framework:**

As illustrated in the tables above both the standing charge and volumetric charge rates for both water and wastewater services have increased. The principal reason for this is due to a

significant increase in Uisce Éireann's costs to provide water and wastewater services to customers between 2019 to 2024.

The existing non-domestic tariff rates recover Uisce Éireann's RC2 allowed revenue amount for 2019, which was used to compute an annualised figure of €1,103m (in nominal prices) for the 3-year transition period. The proposed tariffs to apply on 01 October 2024 reflect Uisce Éireann's RC3 allowed revenue amount for 2024 of €1.474m[103] (in 2024 prices), which represents an increase of €371m (or 34%) in nominal terms.

The 2024 allowed revenue also comprises a higher portion of capital expenditure relative to operational expenditure when compared to the RC2 allowed revenue for 2019, placing an upward pressure on the volumetric charge levels (as capex is recovered through the volumetric charges). However, Uisce Éireann allocated a portion of capital costs to be recovered through the standing charge component of some tariff classes to reduce the negative effect of perverse incentives at the class boundaries. As a result, the standing charge levels are increasing to a greater extent than volumetric charge levels.

## 7.2 Uisce Éireann's Plans to Communicate with Customers

Uisce Éireann is planning to use a number of communication channels to help customers understand how they may be individually impacted by the new enduring tariffs, including Uisce Éireann's contact centre, Uisce Éireann's website, key account management support[104] (available to non-domestic customers with annual consumption equal to or greater than 20,000 $m^3$) and directly engaging with business customer representative groups and other stakeholders:

- **Uisce Éireann's Online Business Calculator** - To help customers understand how they might be individually impacted by Uisce Éireann's new tariff proposals, Uisce Éireann will provide an online 'Business Tariff Calculator' which will be available on its website. This will assist affected customers to understand the CRU's decision on the Tariff Framework.
- **Uisce Éireann's Contact Centre** - Customers can also contact Uisce Éireann directly to understand how they might be impacted. Uisce Éireann's contact centre number is 1800 278 278 / International +353 1 707 2828.
- **Uisce Éireann's Engagement with Business Representative Groups –** Uisce Éireann to directly meet with business groups and customers as requested across the country in advance of the implementation of new non-domestic water and wastewater

[103] That is, Uisce Éireann's allowed revenue determination "*Irish Water Revenue Control 3 – Interim Review Decision Paper (CRU/2022977)"* - 23 November 2022, which was the most up-to-date approved revenue available to Uisce Éireann when its tariff proposals were developed (from the end of 2022 to Q3 2023)

[104] Uisce Éireann key account management team provides dedicated account management services to typically Band 3 and Band 4 customer accounts.

tariffs in October 2024 to help customers understand their charging proposals and explain how customers may be impacted.

- **Uisce Éireann Non-Domestic Tariff Update Letter (please see Uisce Éireann's *Customer Information Paper* for further information) –** As set out in its *Customer Information Paper*, Uisce Éireann will *"In advance of changes to enduring tariff levels on 1st October 2024, UÉ will write to all of its non-domestic customers informing them of the decision and providing information on the tariff changes. The letter will outline the bill changes and transition arrangements, if applicable, for each non-domestic connection. This letter will include:*
    - *Confirmation of the assigned Annual Quantity (AQ) and customer classification;*
    - *The process and deadline for querying the AQ calculation;*
    - *Confirmation of whether the connection will move immediately (i.e. from 1st October 2024) to the 2024/2025 tariffs or transition with a cap; and*
    - *Confirmation of the enduring tariffs and if a cap applies, the benefit of that cap."*

Please see Section 6 of Uisce Éireann's *Customer Information document* for a more detailed discussion by Uisce Éireann of its communication approaches to help customers understand how and when they will be impacted by the Framework.

The CRU notes that non-domestic customers availing of the current 10% cap[105] have been notified of their capped bill and cost-reflective bill in previous tariff letters issued before 01 October 2023. Uisce Eireann intends to do the same for the letters that Uisce Éireann is to issue to customers availing of the bill capping arrangements for 01 October 2024

***Customer Support***

The CRU is very mindful of non-domestic customers' affordability and has engaged with Uisce Éireann to ensure that there are measures in place when engaging with customers with financial difficulties. For customers in financial difficulty, the CRU urges any customer that is having difficulty with their bills to engage with Uisce Éireann and seek help with putting in place a payment plan. For customers who want to discuss their options with Uisce Éireann about payment plans, please see Section 7.8 (Arrears & Arrangements for identifying and dealing with customers in financial difficulty) and 7.9 (Payment plans) in the CRU's Non-Domestic Customer Handbook[106], which set out the minimum required levels of customer service and customer protection measures that Uisce Éireann must provide to its non-domestic customers. Please note that these requirements are also reflected in Section 2.0 Billing Code of Practice of Irish Water Business Customer Codes of Practice[107]. Uisce Éireann is required to assist customers in

[105] As per the CRU's 2019 decision, for connections that faced an annual bill increase of €750 or more, Uisce Éireann automatically applied a 10% cap (if required) to their annual bill increase each year, for three years.
[106] *"Irish Water Non-Domestic Customer Handbook (CRU/20/117b)"* – 13 October 2020 - available at the following link.
[107] *"Irish Water Business Customer Codes of Practice"* - available at the following link.

making a payment plan to assist customers who are experiencing financial difficulties in paying their bills. Uisce Éireann must take account of an individual customer's ability to pay when agreeing on any repayment arrangement, by credit or other method and confirm with account holders that arrangements are manageable.

The CRU's Customer Care Team provides a free complaint resolution service to registered Uisce Éireann customers who have an unresolved dispute with Uisce Éireann (https://www.cru.ie/make-a-complaint/). Please note that complaints relating to policy decisions the CRU has taken on Uisce Éireann Non-Domestic and Trade Effluent Tariff Framework (including the level tariffs are set at) are not within the remit of the CRU's dispute resolution function. As mentioned above, the Handbook covers a number of service areas. The CRU sets out below other sections of the Handbook that may be of interest to non-domestic customers:

- Section 5 of the Non-Domestic Customer Handbook outlines the minimum standards of service a non-domestic customer can expect when it comes to Uisce Éireann's customer communications. The Code aims to ensure that Uisce Éireann always communicates to its customers in a clear, accurate and customer-focused manner.

- Section 7 of the Handbook sets out the minimum requirements that Uisce Éireann must follow when it comes to billing its non-domestic customers. This Code outlines customer protection measures concerning the information provided on bills, the accuracy of bills, information on tariffs, how to close an account, payment options, payment plans and guidelines on dealing with billing errors (underpaying and overpaying).

- Section 10 - Code of Practice on Complaints Handling for Non-Domestic Customers: Section 10 of the Handbook sets out requirements Uisce Éireann must follow in relation to complaint handling for non-domestic customers. This Code requires Uisce Éireann to provide a complaint-handling process for its customers and outlines minimum requirements that this process must contain.

# 8 CRU Decision - Uisce Éireann's Bill Capping Arrangements – Water and Wastewater Services – 01 October 2024

## 8.1 Context

When implementing new tariff rates and/or introducing new tariffing arrangements to customers, a key consideration is to assess the impact that the new tariffs and arrangements will have on customers' bills. The CRU recognises that price, and hence bill changes are a key concern for customers.

A core principle of the Framework, when it was introduced in 2021, was that customer bill volatility should be kept to a minimum given the significant reform (and harmonisation) in tariff charging arrangements customers faced at the time. Where the application of a new non-domestic tariff resulted in bill increases, consideration was given to the need to put in place arrangements to protect customers from very large bill increases.

Under the existing Framework, due to the significant tariff changes facing customers, the CRU decided on the following transitional arrangements would apply from when the new Framework and new tariffs were implemented on 01 October 2021:

- Uisce Éireann to apply the new enduring tariffs to all connections that will face:
  - a decrease in their annual bill; or
  - an increase in their annual bill of less than €250[108].

- Uisce Éireann to transition all connections that will face an increase in their annual bill of €250 or greater.

- Connections eligible for a transition will be transitioned to their enduring tariff rates over 3 years.

- For connections that will face an annual bill increase of €750 or more, Uisce Éireann is to automatically apply a 10% cap (if required) to their annual bill increase in any one year. Customers can opt-out of receiving this cap.

As stated in the CRU Decision Paper (CRU/19/074) on the Framework, the CRU recognised at the time that due to the application of a 10% cap, there would be a number of connections at the end of the 3-year transition that will have yet to reach their enduring bill. The CRU committed to consulting on the need for any further transitional arrangements for these connections after the 3-year transitional period is completed, with a view to minimising the risk of a large step change in tariff levels for these connections when they move to their new enduring tariffs. Any new arrangements would be subject to a full public consultation.

[108] Based on their previous year's consumption.

Uisce Éireann has considered the need for further transitional arrangements (by calculating the impact of the new tariff rates on customers' bills) and how best to design such arrangements where necessary. Having carefully considered stakeholder feedback[109] and with an aim to reduce prolonged inequity across the customer base, this section sets out the CRU's decision on Uisce Éireann's proposal to apply bill capping arrangements to water and wastewater customers' bills on 01 October 2024 and sets the decision to unwind bill capping arrangements, to transition all water and wastewater connections to cost-reflective tariffs by 01 October 2026.

## 8.2 Bill Capping Arrangements Proposals - 01 October 2024

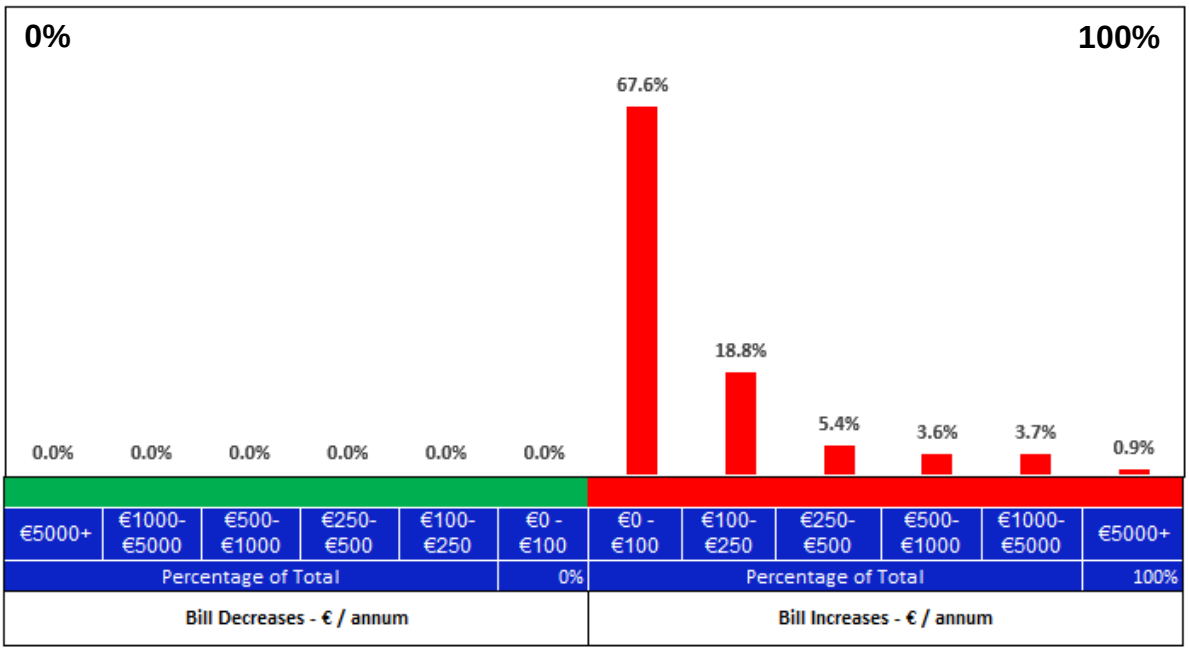
### 8.2.1 Customer Impact – Assessing the Need for Transitional Arrangements –Water and Wastewater

A key objective of this consultation process is to allow customers to understand the likely impact of Uisce Éireann's tariffs to their bills. The CRU's decision on Uisce Éireann's tariff design considerations (set out in Sections 4 to 6 of this paper) will result in a new suite of tariffs, which also reflect updated allowed revenue values and updated customer connection, volume, and PE data. The new tariffs will result in bill increases for all customers. To better evaluate the need for bill capping arrangements on 01 October 2024, Uisce Éireann has calculated the distribution of changes to customer bills if its new tariffs were applied to all customers.

The CRU presents the bill impact result in terms of the percentage of non-domestic connections estimated to face bill increases (of differing monetary amounts) as a result of applying the new tariffs on 01 October 2024 to all customers.

[109] This Section refers to the principal points raised by stakeholders to the consultation (published in December 2023). The full details of stakeholder feedback to Uisce Éireann's transitional arrangements proposals are summarised and discussed in the CRU's Response Paper (CRU202461).

**Figure 5 - Customer Bill Impact Distributional Analysis Based on Applying the New Tariffs to All Non-Domestic Customers (No Bill Capping Arrangements in Place)**




## SUMMARY BILL IMPACT OF APPLYING NEW TARIFFS TO ALL NON-DOMESTIC CUSTOMERS (NO BILL CAPPING ARRANGEMENTS IN PLACE)

The above bill impact summary results show that if the new tariff rates are applied to all **188,625** water and wastewater metered and unmetered connections (that is, there are no bill capping arrangements in place):

- **100% (188,625) connections would see bill increases**
  - **86.4%** (162,885 connections) would see annual bill increases of less than €250
  - **5.4%** (10,161 connections) would see annual bill increases of between €250 and €500
  - **7.4**% (13,939 connections) would see annual bill increases of between €500 and €5,000
  - **0.9**% (1,640 connections) would see annual bill increases of €5,000 or greater

A large portion of the non-domestic customer base (162,885 connections (86.4%) will see a small monetary change of up to a €250 increase in their annual bills (as illustrated in Figure 5 above). There are also customers that would see large increases (in both monetary and percentage terms) in their bills. This wide range in bill impacts is primarily due to the large variation in customer annual consumption/discharge volumes and whether the connection has benefited from a 10% cap each year of the three-year transition as allowed under the existing Framework (please see Section 9.1.3 for more information).

## 8.2.2 Uisce Éireann's Bill Capping Considerations

In considering different approaches to transitioning connections to Uisce Éireann's new tariffs, Uisce Éireann identified 3 options on the transitional approach apply from 01 October 2024:

1. **Option 1** – "*No transition i.e., all customers move immediately to 2024/2025 tariff levels*[110]*"*;

2. **Option 2** – "*Apply a 15% cap on the maximum increase allowed in the 2024/2025 tariff year to non-domestic customers who face an expected annual bill increase of €250 or more based on their previous year's consumption".*

   Uisce Éireann estimates **25,900 (or 14%)** connections would qualify under this criterion; or

3. **Option 3** – "*Apply a 15% cap on the maximum increase allowed in the 2024/2025 tariff year to non-domestic customers who face an expected annual bill increase of €500 or more based on their previous year's consumption*".

   Uisce Éireann estimates **15,700 (or 8%)** connections would qualify under these criteria.

**Uisce Éireann Proposal:**

Uisce Éireann proposed applying a 15% cap on the maximum annual bill increase for the 2024/2025 tariff year for all connections facing an annual bill increase of €250 or more (based on their previous year's consumption).

## Stakeholder Feedback and CRU Observations

***Context - Customers Paying Below Cost-Reflective Tariffs***

The CRU recognises that steep increases to customer bills is a key concern for customers. When the Framework was introduced on 01 October 2021, it included transitional arrangements to gradually transition customers from their existing tariff structures and levels to the new non-domestic tariffs over a 3-year period. This was important as at the time there were over 500 different charges for the provision of water and wastewater across the country and the Framework (which rationalised these into 4 national tariff classes) represented a significant reform to tariff charging policy and how customers were charged for water and wastewater services. The Framework provided time for customers to get used to their new tariff structures and levels. The transitional arrangements also included the application of a 10% cap to a connection's annual bill increase (where the connection faced a bill increase of €750 or greater as a result of the new tariffs) over the 3-year period to protect customers from very large bill increases.

***Negative Implications of Bill Capping Arrangements***

While these capping arrangements were considered necessary at the time and helped customers to adjust to the new charging arrangements under the Framework, it has also created an undesirable situation where there are a small number of customers at the end of the 3-year

[110] Uisce Éireann use the term "2024/2025" tariff 'levels' to refer the tariff rates that will apply on 01 October 2024 for a 12-month period, and "2024/2025" tariff 'year' to a tariff year which commences on 01 October and runs to the following 30 September.

transition period (approximately 8,300 out of 188,625) that will not be paying cost-reflective tariffs for the services they receive (due to the application of the 10% bill capping arrangements). In the current bill capping arrangements, the majority of connections pay the enduring rates as determined in 2019, while a subset benefited from a 10% cap each year of the three-year transition, resulting in these facing less of an increase over the three-year period.

The CRU is actively exploring the most effective solution to address this inequity between customers paying prevailing cost-reflective charges and those availing of the bill capping arrangements. The CRU wishes to reduce this inequity between customers as soon as feasible.

Within the decision on the Framework in 2019, the CRU stated that it would consult on the need for further transitional arrangements for connections after the 3-year transitional period is completed, with a view to minimising the risk of a large step change in tariff levels for these connections. As set out above, Uisce Éireann has examined the case for further bill capping arrangements to accompany its proposals for new non-domestic tariffs to apply on 01 October 2024 and proposed to apply a cap of 15% cap on the maximum annual bill increase for all connections facing an annual bill increase of €250 or greater (based on their previous year's consumption).

Respondents did favour Uisce Éireann's proposals as they are of the view that applying a 15% cap on the maximum annual bill increase for all connections facing an annual bill increase of €250 or greater (based on their previous year's consumption) provides certainty and stability for non-domestic customers (respondents noted that it aligns with the CRU's tariff principles). Furthermore, some respondents are of the view that the CRU's objection to Uisce Éireann's proposal does not take into account the difficult cost environment in Ireland, and that there is a need for an appropriate transition arrangement to support businesses adapting to tariff changes, aligned with CRU's commitments in its 2019 decision on the non-domestic water tariff framework, to provide greater price certainty and price stability to customers. Another respondent supported Uisce Éireann's proposal but stressed the importance of eventually having all customers on an equal footing.

The CRU re-examined the bill capping arrangements and continues holds the view that Uisce Éireann's proposal would significantly increase the number of connections availing of a capped billing arrangement. Under Uisce Éireann's proposal for 01 October 2024 published in December 2023, approximately 25,900 connections would be eligible to receive a 15% cap to their bill increase and thus would not be charged cost-reflective tariffs. This approach would significantly worsen the inequity across the customer base as there will be a greater number of customers not paying cost-reflective charges than previously. It also has the potential to store up a problem over future years by growing the difference between what customers should be paying (i.e., cost-reflective tariffs) and what they are paying (capped tariffs), as those customers who receive yearly capping arrangements will move further and further away from paying the prevailing cost-reflective tariffs.

The CRU is of the view that bill capping arrangements should not be prolonged but should be unwound as early as feasible in order to avoid building up and worsening the inequities across customers in the future. The CRU recognises that customers will face bill increases, however the CRU is strongly of the view that bill capping arrangements should only be a temporary a measure, and the key objective of tariff reform is to have an equitable system of charges where all connections pay cost-reflective tariffs, and thus pay the same price for the same service.

Further, a situation where some businesses are paying cost-reflective charges, and other businesses are paying 'capped' charges has the potential to have detrimental impacts to competition across the country, especially new businesses that are not eligible for the bill cap compared to the existing businesses who can avail if they meet the eligibility criteria. Therefore, the CRU disagrees with Uisce Éireann's bill capping proposals.

### 8.2.3 CRU Decision to Unwind Capping Arrangements by 01 October 2026

To limit the growing scale and prevalence of inequity, the CRU examined in its Consultation Paper the impact of using alternative criteria on the number of connections that would qualify for bill capping arrangements. By increasing the monetary threshold and percentage bill cap level, the number of connections who would not be paying cost-reflective tariffs from 01 October 2024 is significantly reduced.

***The Need to Provide Certainty to Customers as to When Bill Caps will be Unwound***

The CRU has considered Uisce Éireann's three proposed options above. However, apart from Option 1 (where billing capping arrangements are not provided to customers from 01 October 2024), Uisce Éireann's proposals did not provide certainty to customers as to when bill capping arrangements will be unwound. The CRU is of the view, as also expressed by Uisce Éireann, that removing bill capping arrangements by 01 October 2024 would present steep bill increases for a very small number of customers and would fail the Framework's 'stability' tariff principle.

The CRU has received a number of responses to its proposals. While respondents have expressed their objections to this proposal, the CRU is of the view that it is necessary to proceed with the decision to transition all water and wastewater connections to cost-reflective tariffs by 01 October 2026. The CRU is of the view that the capping arrangements should be unwound as quickly as possible, and that there should be absolute clarity on that endpoint for customers. Therefore, the CRU has decided that all connections should pay the prevailing cost-reflective tariffs for water and wastewater services by **01 October 2026**. This provides two additional years for connections who are currently not paying their prevailing cost-reflective tariffs on 01 October 2024 and on 01 October 2025 (if the eligibility criteria are met**)** to transition to their cost-reflective tariffs. The CRU will monitor Uisce Éireann's application of bill capping arrangements over the next two years, with the objective of ensuring that all connections are transitioned to cost-reflective tariffs by 01 October 2026.

***Customer communication***

At present all connections currently receiving a 10% bill cap to their water and/or wastewater bill are individually notified by Uisce Éireann of their 'cost-reflective' bill. Prior to the tariff year commencing on 01 October 2023, Uisce Éireann has previously sent out an individual 'customer tariff letter' to notify every non-domestic customer of its annual quantity, customer classification, cost-reflective bill and capped bill if a cap applies. A similar letter will be issued to every customer at least 30 days prior to the introduction of any changes to the charges applied to their bills.

### 8.2.4 CRU Decision on Bill Capping Arrangements for 01 October 2024

As an alternative to Uisce Éireann's proposal, in the Consultation Paper, the CRU proposed a 100% cap on the maximum annual bill increase for all connections facing annual bill increases by at least €750 and that increase represents at least a 100% increase in their annual bills (based on previous year' consumption) on 01 October 2024. The CRU received a significant level of engagement from the public on the appropriate level to set the bill cap thresholds. Respondents expressed their disagreements with the CRU's alternative proposals and no respondents explicitly preferred CRU's proposal over Uisce Éireann's proposal. Acknowledging the feedback received, the CRU re-examined the level of capping and has decided to approve the application of a 75% cap on the maximum annual bill increase for all connections facing annual bill increases by at least €750 and that increase represents at least a 75% increase in their annual bills (with the similar arrangements for 01 October 2025[111]) for the following reasons:

- **Minimising negative impacts to businesses:** Implementing a 75% cap rather than a 100% cap on bill increases for customers facing a bill increase of €750 or greater strikes a balance between phasing out the inequities across the customer base and avoiding sudden steep bill increases for a cohort of customers. Reducing the cap provides greater relief to customers who will experience large bill increases as it allows for a more gradual adjustment to the new tariff rates, minimising the financial impact during the transition period. This approach will thereby alleviate some of the immediate financial pressures.

- **Balancing customer impact and tariff reform goals:** The €750 aligns with the monetary threshold to avail of a capping arrangement under the existing Framework. The €750 threshold and 75% cap strike a balance between the need for tariff reform and minimising the immediate financial impact on customers. It allows for a transition to cost-reflective tariffs while avoiding disproportionately large bill increases that could be detrimental to businesses and organisations. Additionally, the €750 aligns with the monetary threshold to avail of a capping arrangement under the existing Framework.

- **Ensuring clarity and predictability:** The CRU's decision provides clarity and predictability for customers by setting a clear monetary threshold and a specific cap percentage before 2026 when all the customers will pay cost-reflective tariffs. This approach allows affected customers to plan and budget effectively, knowing the maximum increase they would face under the new tariff regime for 2024, with similar arrangements to be applied on 01 October 2025.

- **Achieving equity across customer base as soon as feasible:** The CRU is committed to avoiding further inequity between customers paying cost-reflective charges and those availing of the bill capping arrangements as the CRU's decision will significantly reduce

[111] The 'similar' monetary and capping percentage thresholds for the capping arrangements to apply on 01 October 2025 will be consulted on in the 2nd phase of consultation. This phase will focus on setting tariffs for 01 October 2025. Please see Section 3.1.2 for more details.

the number of connections availing of a bill cap and thus lessen the inequity across customers. Further, no new connections would be placed onto a bill cap arrangement (having been previously paying cost-reflective tariffs), and therefore this will avoid moving more connections away from their cost-reflective tariffs and worsening the inequity across customers.

***Comparison between Bill Capping Arrangements Under CRU Decision and Uisce Éireann's proposal***

The following table compares the estimated number of connections who are eligible for bill-capping arrangements and the resulting revenue shortfall due to bill-capping arrangements under the CRU Decision and Uisce Éireann's proposal.

Under CRU's decision for determining eligibility for a bill cap, approximately 542 connections are estimated to avail of the approved bill cap. This number is slightly higher than the CRU's consultation proposal which would have captured 209 connections and therefore this increases the revenue shortfall due to the bill capping arrangements in comparison to the CRU consultation proposal. The revenue shortfall for the CRU's approved bill capping arrangements for water and wastewater services that will apply from 01 October 2024 to 30 September 2025 will be approximately €1,589,074.

Under Uisce Éireann's proposal in the consultation, approximately 25,900 connections are estimated to avail of its proposed bill capping arrangement. The resulting revenue shortfall for the bill capping arrangements for water and wastewater services that would apply from 01 October 2024 to 30 September 2025 would be approximately €33,959,751. The number of connections that would be eligible for bill-capping arrangements and the revenue shortfall due to bill-capping arrangements are significantly higher than the CRU decision, substantially failing to meet the tariff principles of equity, no undue discrimination, cost-recovery, and cost-reflectivity. The CRU is of the view that the revenue shortfall under Uisce Éireann's proposal poses higher risks to its capacity to invest in water infrastructure and business operations, posing risks to support businesses, the Irish economy and inward investment in the long term.

**Table 11 – Comparison of the Approximate Number of Connections Who Qualify for Bill Capping Arrangements and the Estimate Revenue Shortfall due to Bill Capping Arrangements Under CRU Decision and Uisce Éireann's Proposal**

| | Eligibility Threshold for Bill Capping<br><br>€ Bill increase & % Bill Increase (both criteria required) | | Approx. Number of Connections - Qualify for Bill Capping | Approx. Revenue Shortfall Due to Bill Capping Arrangements |
|---|---|---|---|---|
| **Uisce Éireann's Proposal** | € 250 | 15% | 25,900 | € 33,959,751 |
| **CRU Decision** | € 750 | 75% | 542 | € 1,589,074 |

| | | | | |
|---|---|---|---|---|
| **Difference** | **-** | **-** | **25,358** | **€32,370,677** |

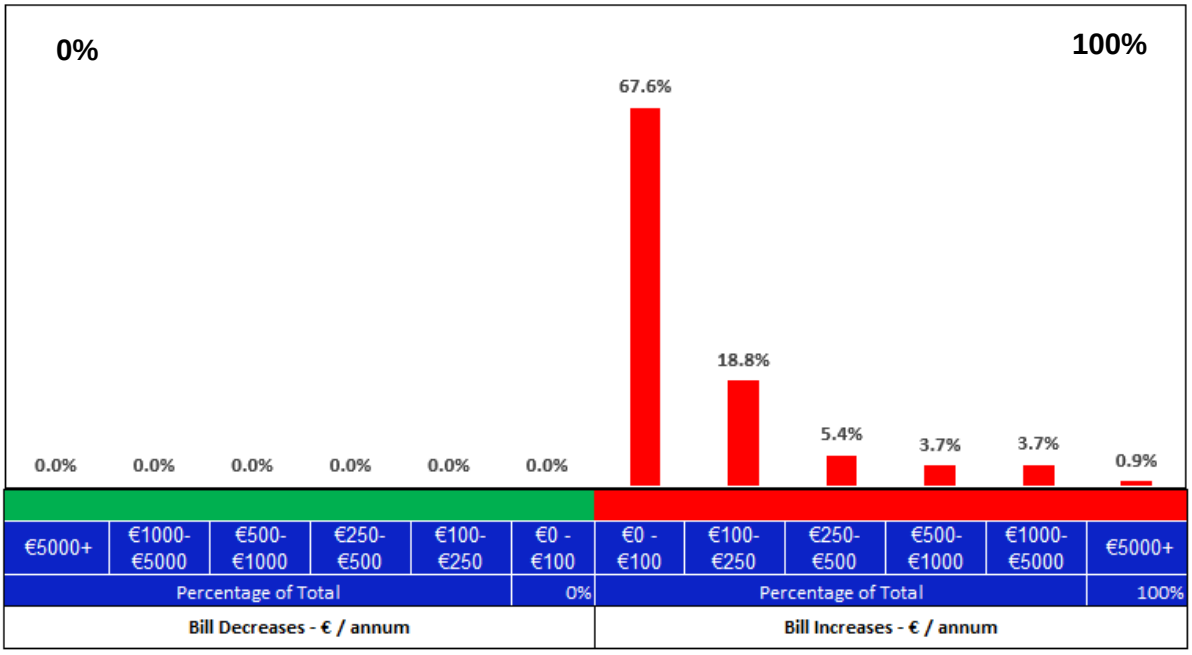
### Table 12 - Number of Connections Who Qualify for Bill Capping Arrangements and Those On Cost-reflective Tariffs under CRU Decision

| **Approx. Number of Connections that will Pay Cost Reflective Tariffs on 01 October 2024 and Approx. Number of Connections that will not (due to Bill Capping Arrangements (€750 & 75%))** | |
|---|---|
| **2024** | |
| **Connections Avail of Bill Cap** | 542 |
| **Connections on Cost-Reflective Tariffs** | 188,083 |

***Customer Bill Impact – Applying New Water and Wastewater Tariffs with Approved Bill Capping Arrangements***

The following bill impact summary results (Figure 6) show the impact on customer bills if the new tariff rates are applied to all 188,625 water and wastewater metered and unmetered connections on 01 October 2024 with the CRU's decision on bill capping arrangements in place). On a macro level, there is very little difference in the overall distribution analysis with or without the CRU approved bill capping arrangements as only 0.3% (542 connections) of non-domestic customers will avail of a cap on 01 October 2024:

### Figure 6 - Customer Bill Impact Distributional Analysis Based on Applying New Water and Wastewater Tariffs – WITH Approved Bill Capping Arrangements in Place




- **100% (188,625) connections would see bill increases**
  - **86.4%** (162,905 connections) would see annual bill increases of less than €250

- **5.4%** (10,167 connections) would see annual bill increases of between €250 and €500
- **7.4**% (13,943 connections) would see annual bill increases of between €500 and €5,000
- **0.9**% (1,610 connections) would see annual bill increases €5,000 or greater

### CRU's Decision

Uisce Éireann is to apply the following bill capping arrangements:

- **Tariff Year commencing on 01 October 2024:**
  - A 75% cap on the maximum annual bill increase for all connections facing annual bill increases by at least €750 and that increase represents at least a 75% increase in their annual bills (based on previous year's consumption) on 01 October 2024.
- **Tariff Year commencing on 01 October 2025:**
  - A similar monetary bill impact threshold and bill capping arrangement (to that applied on 01 October 2024) shall be applied to eligible water and wastewater connections bills on 01 October 2025.
- **Tariff Year commencing on 01 October 2026:**
  - All connections will pay the prevailing cost-reflective water and wastewater tariffs on 01 October 2026. The capping arrangements will be fully unwound, and the inequity between customers paying cost-reflective charges and those that are not will be eliminated by this date.

# 9 Overview of Bill Impacts Across the Non-Domestic Customer Base – Water and Wastewater Services – 01 October 2024

A key objective of this CRU Decision Paper is to allow customers to understand the likely impact of the CRU's decision on Uisce Éireann's proposed changes to the Framework and bill capping proposals. Uisce Éireann has presented the customer bill impacts of the CRU's decision on the Framework in Section 4 of its *Customer Information Paper*. Below the CRU has summarised the general bill impacts of applying Uisce Éireann's new water and wastewater tariff rates across the non-domestic customer base, as well as by tariff class (Band), to provide additional information to customers and interested parties.

The bill impact analysis and the new enduring rates are included to provide customers with an indication of how their bills may change on 01 October 2024. This will allow customers to understand the impact of the CRU's decision on Uisce Éireann's tariff design and transitional proposals.

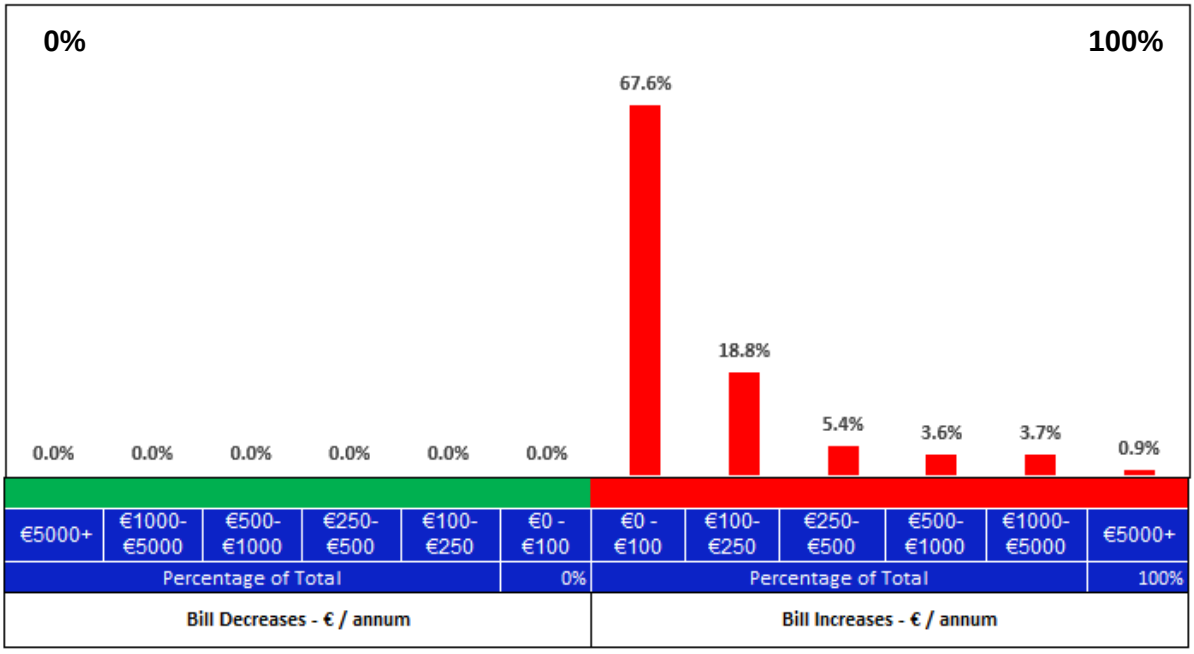
## 9.1 Overview of the Impact of the CRU's Decision on Uisce Éireann's Proposals across the Non-Domestic Customer Base

The estimated customer bill impacts are provided below with and without the application of the CRU's decision on Uisce Éireann's proposed bill capping arrangements to provide greater transparency for customers.

### 9.1.1 Customer Bill Impacts Without Bill Capping Arrangements

The following bar charts shows Uisce Éireann's bill impact analysis in terms of the percentage of non-domestic connections estimated to face bill increases (of differing monetary amounts) as a result of applying the new tariffs on 01 October 2024 to all customers (without bill capping arrangement in place).

### Figure 7 - Customer Bill Impact Distributional Analysis Based on Applying the New Tariffs to All Non-Domestic Customers (No Bill Capping Arrangements in Place)




The above bill impact summary results show that if the new tariff rates are applied to all **188,625** water and wastewater metered and unmetered connections (that is, there are no bill capping arrangements in place):

- **100% (188,625) connections would see bill increases**
  - **86.4%** (162,885 connections) would see annual bill increases of less than €250
  - **5.4%** (10,161 connections) would see annual bill increases of between €250 and €500
  - **7.4**% (13,939 connections) would see annual bill increases of between €500 and €5,000
  - **0.9**% (1,640 connections) would see annual bill increases of €5,000 or greater.

A large portion of the non-domestic customer base (162,885 connections (86.4%) will see a small monetary change of up to a €250 increase in their annual bills (as illustrated in Figure 7). There are also customers that would see large increases (in both monetary and percentage terms) in their bills. This wide range in bill impacts is primarily due to the large variation in customer annual consumption/discharge volumes and if the connection benefited from a 10% cap each year of the three-year transition as allowed under the existing Framework (please see Section 9.2.3 for more information).

| Summary Bill Impacts of CRU Decision on Uisce Éireann's Tariff Design Proposals Without Bill Capping Arrangements in Place | | |
|---|---|---|
| **177,825** | **94.3%** | **Connections will see bill increases of less than €750** (and will be applied the new water and wastewater tariffs) |

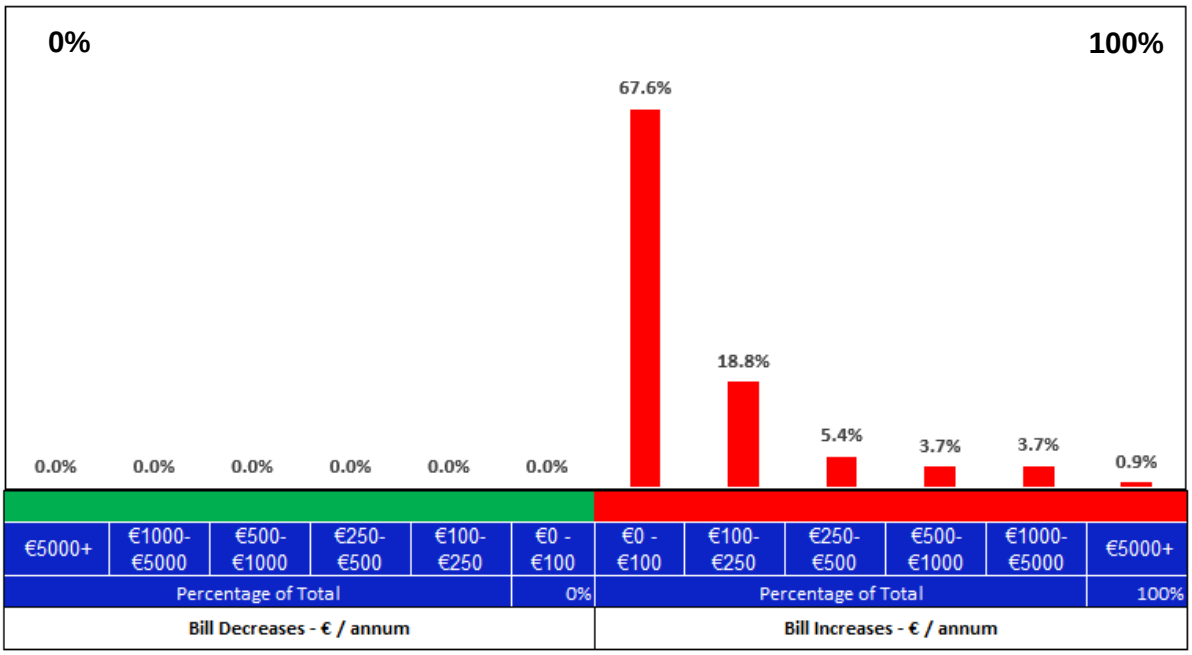
| | | |
|---|---|---|
| **10,258** | **5.4%** | **Connections will see bill increases of €750 or greater and annual bill increases are less than 75%**<br>(and will be applied the new water and wastewater tariffs) |
| **542** | **0.3%** | **Connections will see bill increases of €750 or greater and annual bill increases of 75% or greater**<br>(and will be eligible for a 75% cap on their annual bill increase) |

| | | |
|---|---|---|
| **188,625** | **100.0%** | Total number of non-domestic connections |

## 9.1.2 Customer Bill Impacts With Bill Capping Arrangements

As noted previously in this paper, approximately 0.3% (approx. 542) of connections will qualify for bill capping arrangements on 01 October 2024. The following bar charts shows bill impact analysis with the application of the bill capping arrangement proposals:

**Figure 8 - Uisce Éireann's Customer Bill Impact Distributional Analysis Based on Applying its New Water and Wastewater Tariffs – WITH Bill Capping Arrangements in Place**




The above bill impact summary results show that if the new tariff rates are applied to all **188,625** water and wastewater metered and unmetered connections with bill capping arrangements in place:

- **100% (188,625) connections would see bill increases**
  - **86.4%** (162,905 connections) would see annual bill increases of less than €250

- **5.4%** (10,167 connections) would see annual bill increases of between €250 and €500
- **7.4**% (13,943 connections) would see annual bill increases of between €500 and €5,000
- **0.9**% (1,610 connections) would see annual bill increases €5,000 or greater

| Summary Bill Impacts of CRU Decision on Uisce Éireann's Tariff Design Proposals with Bill Capping Arrangements in Place | | |
|---|---|---|
| **177,924** | **94%** | **Connections will see bill increases of less than €750** |
| **10,701** | **6%** | **Connections will see bill increases of €750 or greater** |

| | | |
|---|---|---|
| **188,625** | **100.0%** | Total number of non-domestic connections |

## 9.1.3 Understanding Bill Impacts Across the Customer Base

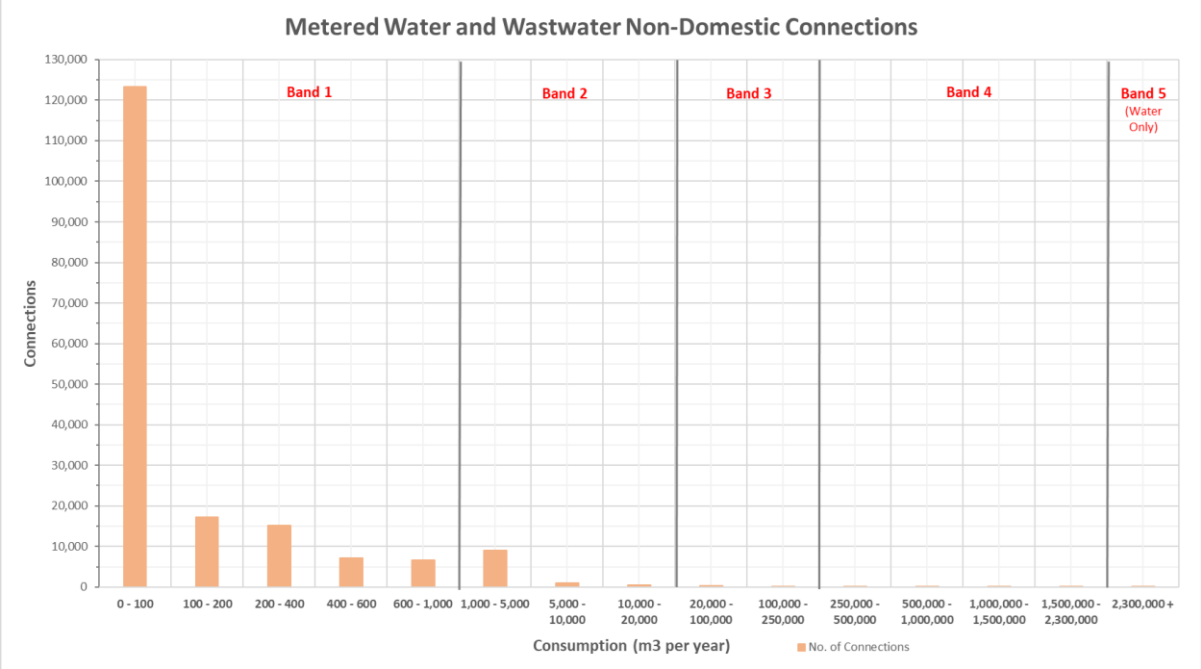
To understand the above bill impacts on an aggregate level across the customer base, it is necessary to look at the distribution of customers across the non-domestic customer base and what factors influence how customer bills are impacted. This is discussed below.

### Breakdown of the Non-Domestic Customer Base

The following Figure 9 shows the distribution of all metered (water and wastewater[112]) connections by size (volume). Each bar represents the total number of connections whose annual consumption or volume discharged falls within a particular consumption 'bracket' (this term can also be interpreted as a discharge volume 'bracket').

[112] It also includes trade effluent connections that are subject to Framework wastewater charges. There are 180,275 metered connections (excluding the two Band 5 connections) and 8,350 unmetered non-domestic connections based on 2021 customer connection data. As noted in the CRU's decision for the current Non-Domestic Tariff Framework (CRU/19/074), Uisce Éireann should meter these connections as a matter of priority, especially unmetered Band 2 customers.

### Figure 9 - Distribution by Volume – All Metered Non-Domestic Connections




There are approximately 188,625[113] non-domestic water and wastewater connections served by Uisce Éireann, which range from small retail outlets to large industrial connections. The majority of the non-domestic customer base of Uisce Éireann consume a very small amount of water, with 69% of all metered connections consuming less than the average demand for a domestic household (approx. 125 $m^3$/annum). This is most likely due to the fact that a very high proportion of Uisce Éireann's non-domestic customer base comprise small retail outlets or offices, where perhaps only one toilet and sink are required to carry out the business activity.

There is also a very small number of large volume connections. Less than 3%, or just under 5,000 connections, consume or discharge volumes in excess of 2,000 $m^3$/annum. These connections comprise large commercial and industrial water users and include business sectors such as manufacturing, pharmaceutical, drinks and food production and technology.

## Factors That May Influence How a Customer's Bill is Impacted

There are a number of factors that may influence how a customer's bill will be impacted by the CRU's decision on Uisce Éireann's proposed changes to the Non-Domestic Tariff Framework.

As set out in the previous section of this paper, Uisce Éireann's new tariff rates reflect a higher cost base determined in Uisce Éireann's 2024 allowed revenue, which has increased by 34% in nominal terms (when compared to the 2019 allowed revenue reflected in the current Framework tariff levels).

The 2024 allowed revenue also comprises a higher portion of capital expenditure relative to operational expenditure when compared to the RC2 allowed revenue for 2019, placing upward

[113] This number reflects 2021 consumption and billing data, as provided by Uisce Éireann.

pressure on the volumetric charge levels (as capex is recovered through the volumetric charges). However, the CRU has decided to approve Uisce Éireann's proposal to allocate a portion of capital costs to be recovered through the standing charge component of some tariff classes to reduce the negative effect of perverse incentives at the class boundaries. As a result, the standing charge levels are increasing by a greater extent than volumetric charge levels.

These changes have the following general impacts on customers:

- **Increase in the standing charge level.** Small volume (metered) customers will see a greater impact (increase) to their bills due to changes in the standing charge level relative to larger volume customers. This is because the standing charge makes up a larger portion of a bill for small volume customers.
- **Increase in the volumetric charge level.** Large volume (metered) customers will see a greater impact (increase) to their bills due to changes in the volumetric charge level relative to small volume customers. This is because the volumetric charge makes up a larger proportion of a bill for large volume customers.
- **Previous Capping Agreements:** Unlike the 180,325 connections that are on their full bills paying enduring tariffs as determined in 2019 (i.e. not eligible for the 10% cap on their yearly increase), the 8,300 connections that have benefited from the cap in the past three years will not have reached their enduring tariffs as determined in 2019 by 30 September 2024. Consequently, these connections are further away from their cost-reflective October 2024 tariffs compared to those who did not have the cap. Since the cap is less favourable for October 2024, the connections that previously availed of the 10% cap will face a higher increase than those who had already transitioned to their enduring tariffs as determined in 2019 by 30 September 2024. It is the net effect of the combination of the above factors (as relevant) that determines the final impact on a customer's bill.

To find out how your individual bill may be impacted, please contact Uisce Éireann directly. Uisce Éireann provides a series of case studies for water and wastewater services demonstrating how the tariffs will be applied to customer's bills, please see Section 5 of Uisce Éireann's *Customer Information Paper*.

## 9.2 Distribution of Customer Bill Impacts Across Customer Classes

The distribution of customer bill impacts differs across the customer classes. The figures below show the bill impacts in terms of the percentage of metered connections estimated to face bill increases (of differing monetary amounts) within each customer class as a result of applying the new water and wastewater tariffs (that is, without the application of Uisce Éireann's bill capping arrangements).

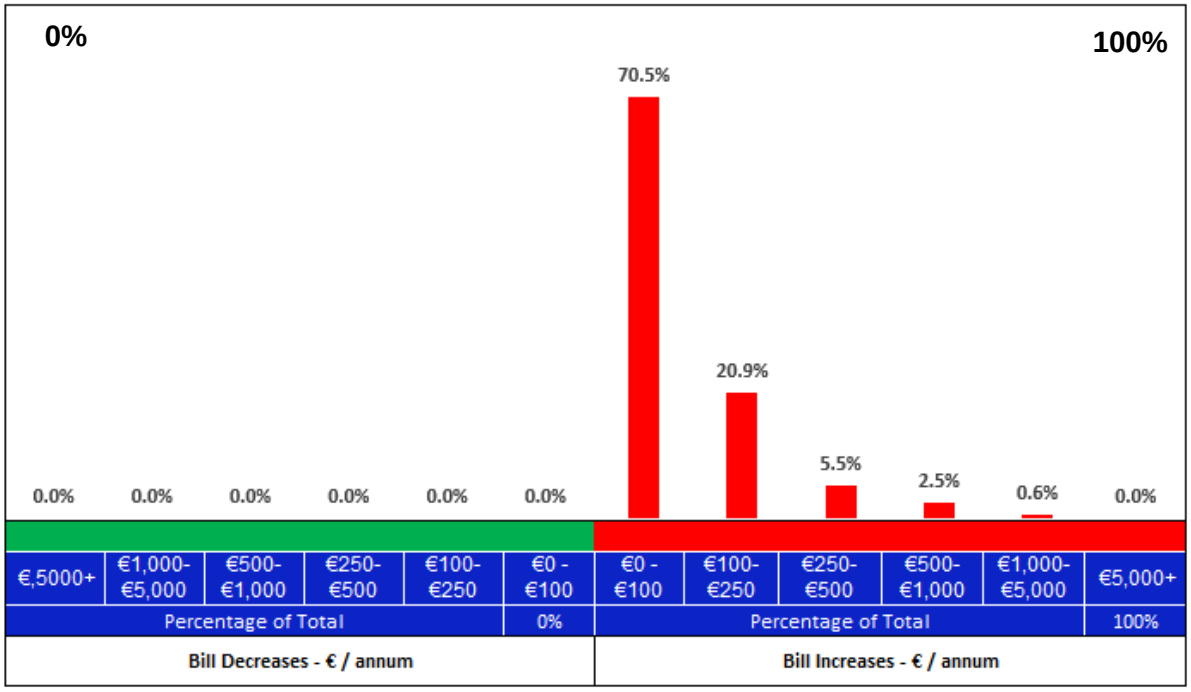
Uisce Éireann has undertaken a price comparison analysis to assist stakeholders and non-domestic customers to better understand how Uisce Éireann's tariffs compare with what is in place internationally. The analysis is conducted for eight different levels of annual consumption ranging from across customer classes in a selection of 20 international regions. Uisce Éireann's

international comparison shows the new tariffs are close to but slightly higher than the average tariffs internationally. Further details are included in Section 8 of Uisce Éireann's *Customer Information Paper*.

## Band 1 Customer Class (<1,000 $m^3$/year)

There are approximately 169,046 metered connections within the Band 1 Class (which equates to 90% of the non-domestic customer base). These connections consume and/or discharge below 1,000 $m^3$ per year. Figure 10 shows that all the metered connections in this customer class will face bill increases.

**Figure 10 – Distribution of Customer Bill Impacts Across 'Band 1' Class – No Bill Capping Arrangements Applied**



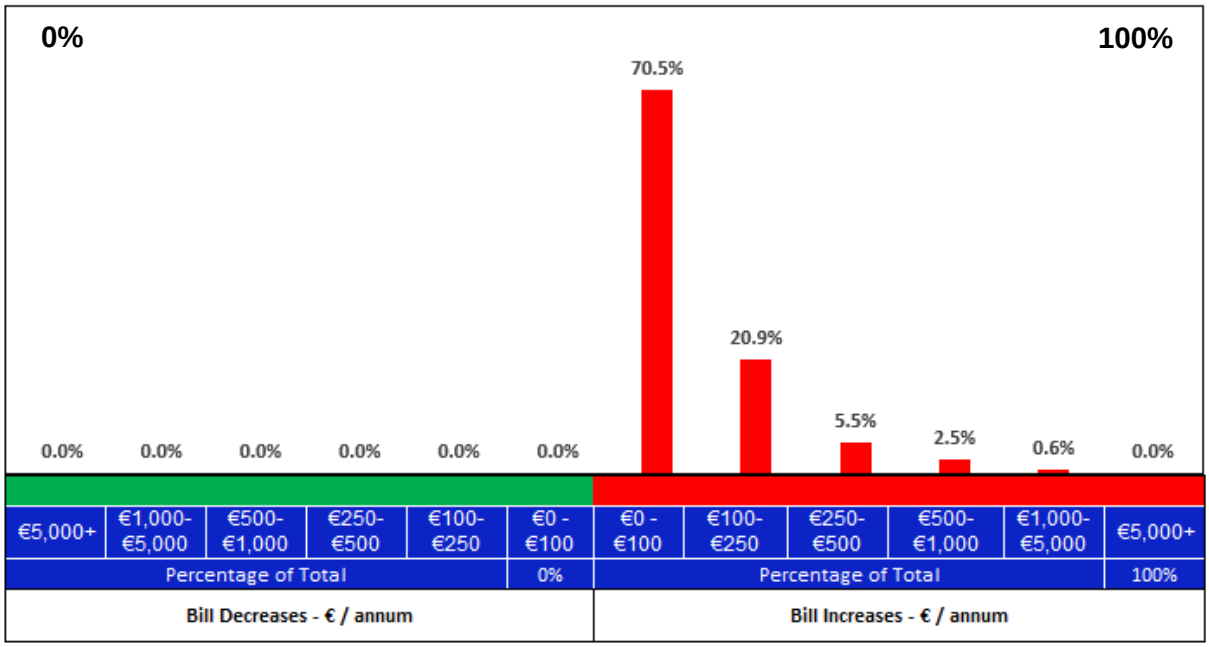

The vast majority of the connections within the Band 1 class consume/discharge very small volumes per year, with approximately 141,633 (or 83%) of the metered connections in the Band 1 class consume or discharge less than 200 $m^3$/annum.

It should be noted that the bill impacts shown in Figure 10 above do not reflect the application of the bill capping arrangements. Of the approximately 169,046 Band 1 metered connections:

- 99.8% (168,767 connections) will be applied the new water and/or wastewater tariffs.
- 0.2% (279 connections) will qualify for a 75% cap.

Figure 11 shows the estimated customer bill impacts across the Band 1 class when the bill capping arrangements are applied:

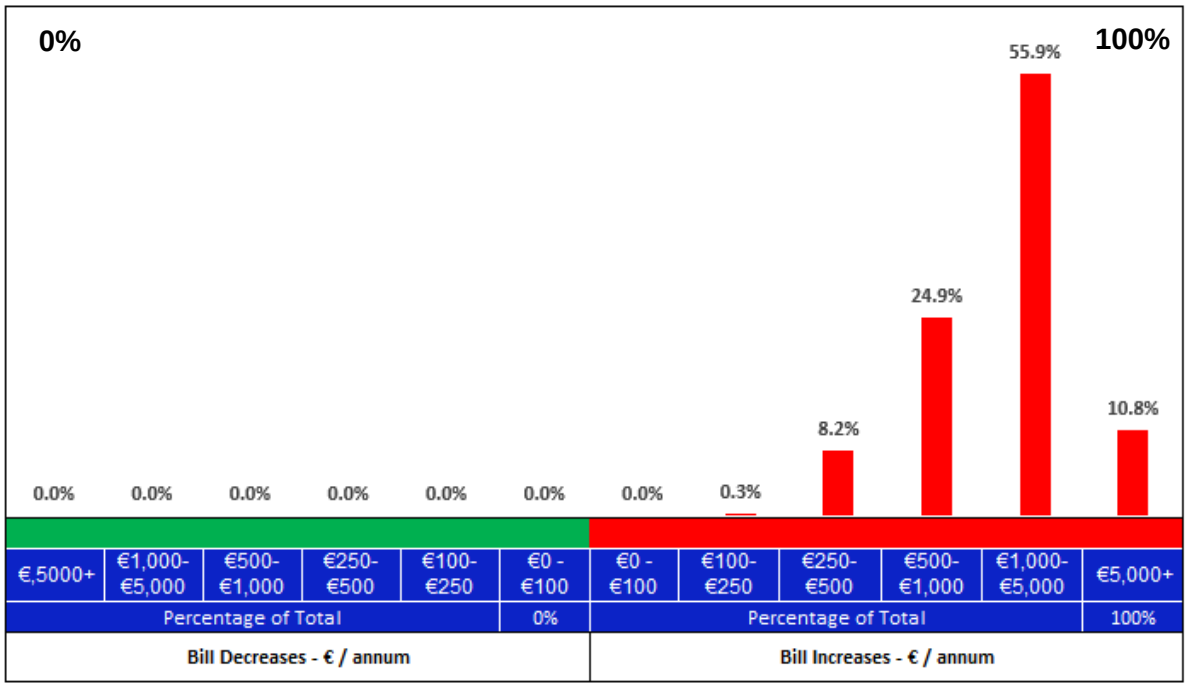
### Figure 11 – Distribution of Customer Bill Impacts Across 'Band 1' Class – With Bill Capping Arrangements Applied




## Band 2 Customer Class (between 1,000 $m^3$/year and 19,999 $m^3$/year)

There are approximately 10,748 metered connections within the Band 2 class (which equates to 6% of the non-domestic customer base). These connections consume and/or discharge between 1,000 $m^3$ and 19,999 $m^3$ per year. Figure 12 below shows that all the connections in this customer class will face bill increases.

### Figure 12 – Distribution of Customer Bill Impacts Across 'Band 2' Class - No Bill Capping Arrangements Applied

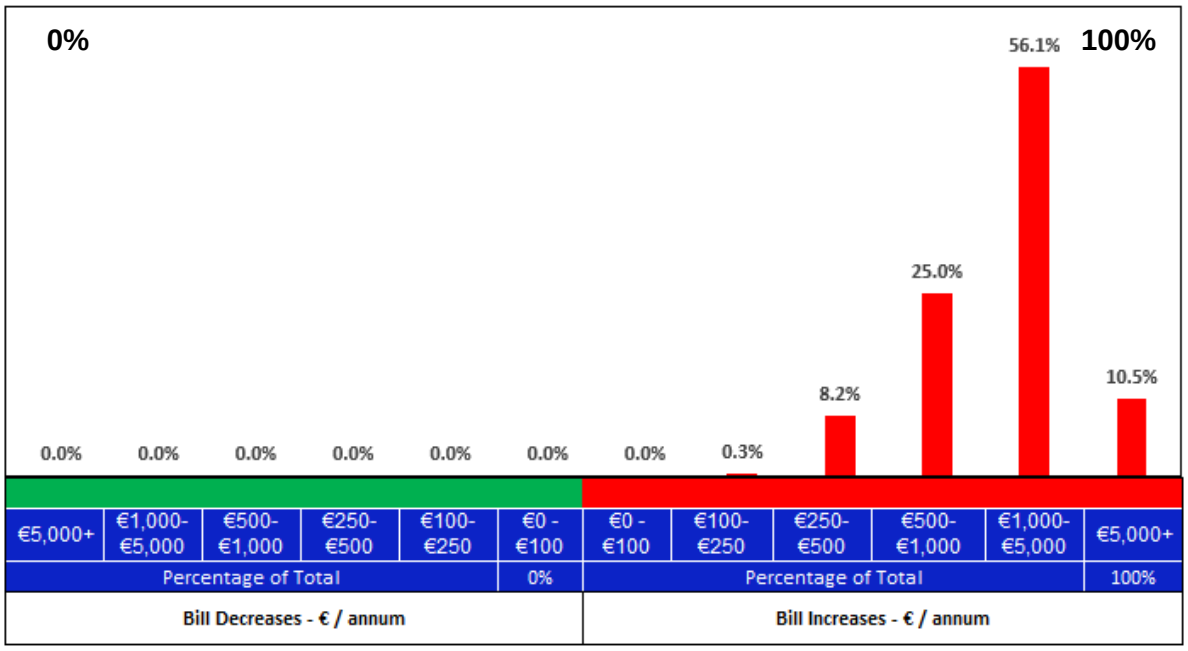



It should be noted that the bill impacts shown in Figure 12 above do not reflect the application of the bill capping arrangements. Of the 10,748 Band 2 metered connections:

- 97.8% (10,509 connections) will be applied the new water and/or wastewater tariffs.
- 2.2% (239 connections) will qualify for a 75% cap.

Figure 13 shows the estimated customer bill impacts across the Band 2 class when the bill capping arrangements are applied:

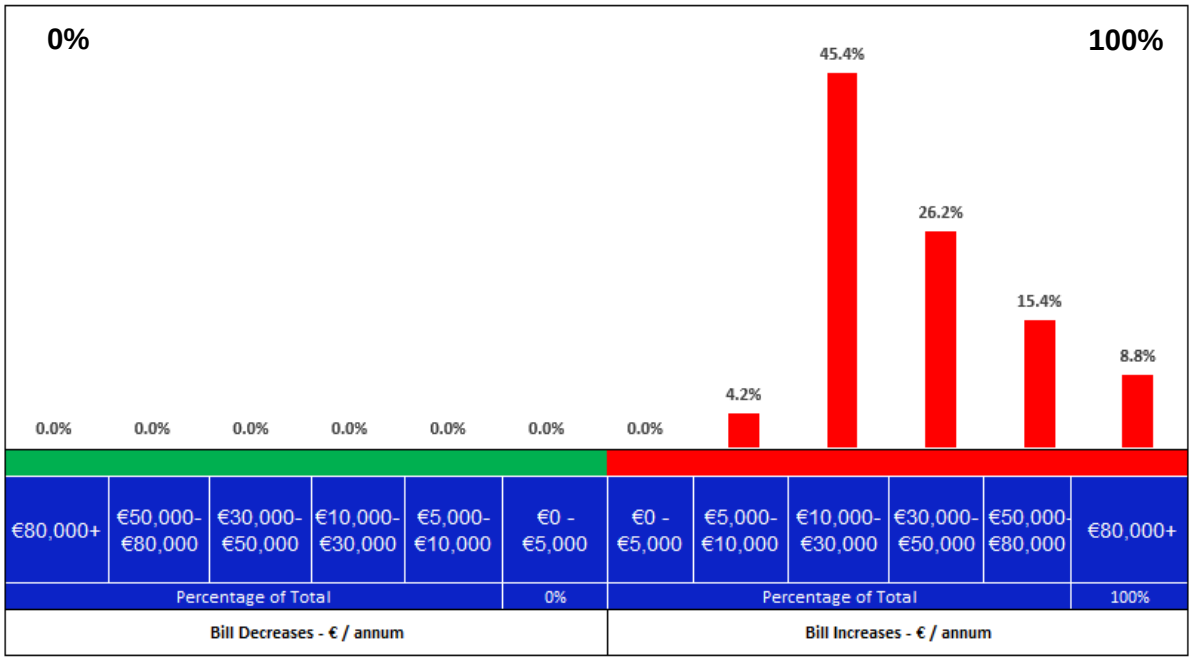
**Figure 13 – Distribution of Customer Bill Impacts Across 'Band 2' Class – With Bill Capping Arrangements Applied**




## Band 3 Customer Class (between 20,000 $m^3$/year and 249,999 $m^3$/year)

There are 454 connections within the Band 3 class (which equates to 0.2% of the non-domestic customer base). These connections consume or discharge between 20,000 $m^3$ and 249,999 $m^3$ per year. Figure 14 below shows that all the connections in this customer class will face bill increases.

### Figure 14 – Distribution of Customer Bill Impacts Across 'Band 3' Class – No Bill Capping Arrangements Applied

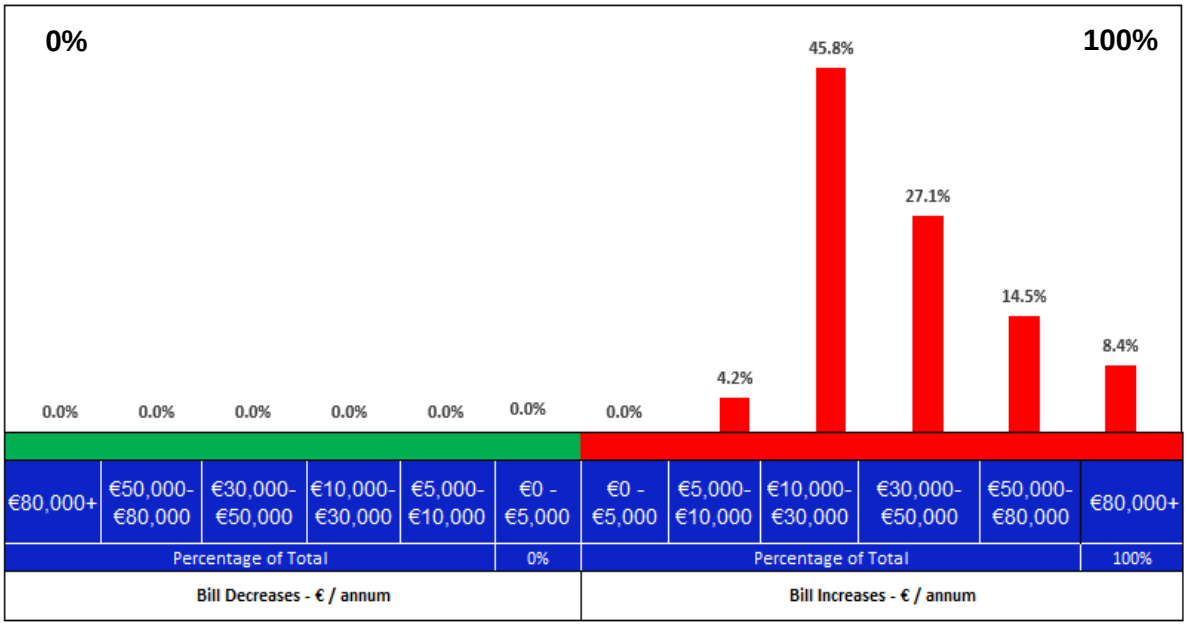



It should be noted that the bill impacts shown in Figure 14 above do not reflect the application of bill capping arrangements. Of the 454 Band 3 connections:

- 95.4% (433 connections) will be applied the new water and/or wastewater tariffs.
- 4.6% (21 connections) will qualify for a 75% cap.

Figure 15 shows the estimated customer bill impacts across the Band 3 class when the bill capping arrangements are applied:

**Figure 15 – Distribution of Customer Bill Impacts Across 'Band 3' Class – With Bill Capping Arrangements Applied**

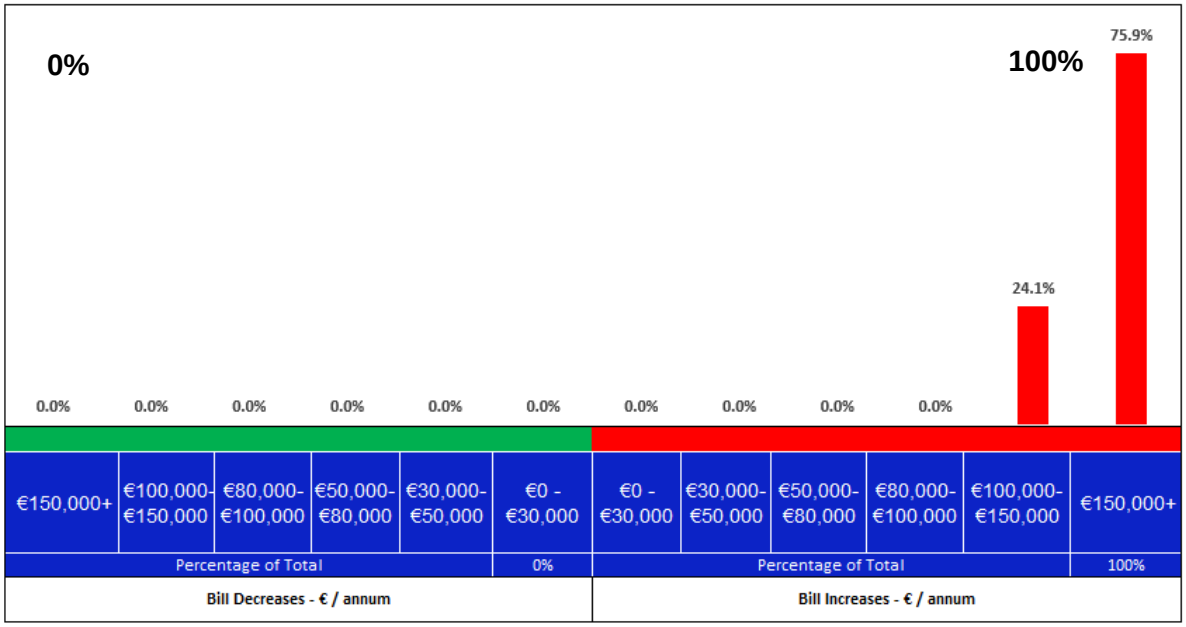



## Band 4 and Band 5 Customer Classes (250,000 $m^3$/year and greater $m^3$/year)[114]

There are 27 connections within the Band 4 class and 2 connections with Uisce Éireann's new Band 5 class (which equates to 0.01% of the non-domestic customer base). Band 4 connections consume and/or discharge 250,000 $m^3$ to 2,299,999 $m^3$ per year, while Band 5 connections consume a volume of water equal to or greater than 2,300,000 m3 per annum. Figure 16 below shows that all the connections in these customer classes will face bill increases.

[114] Please note that the two Band 5 connections will not be applied Uisce Éireann's proposed Band 5 tariff rates due to an existing legacy agreement, however the above bill impact graphs assume that the new Band 5 tariffs are applied to these two connections.

### Figure 16 Distribution of Customer Bill Impacts Across 'Band 4' and Band '5' Classes – No Bill Capping Arrangements Applied

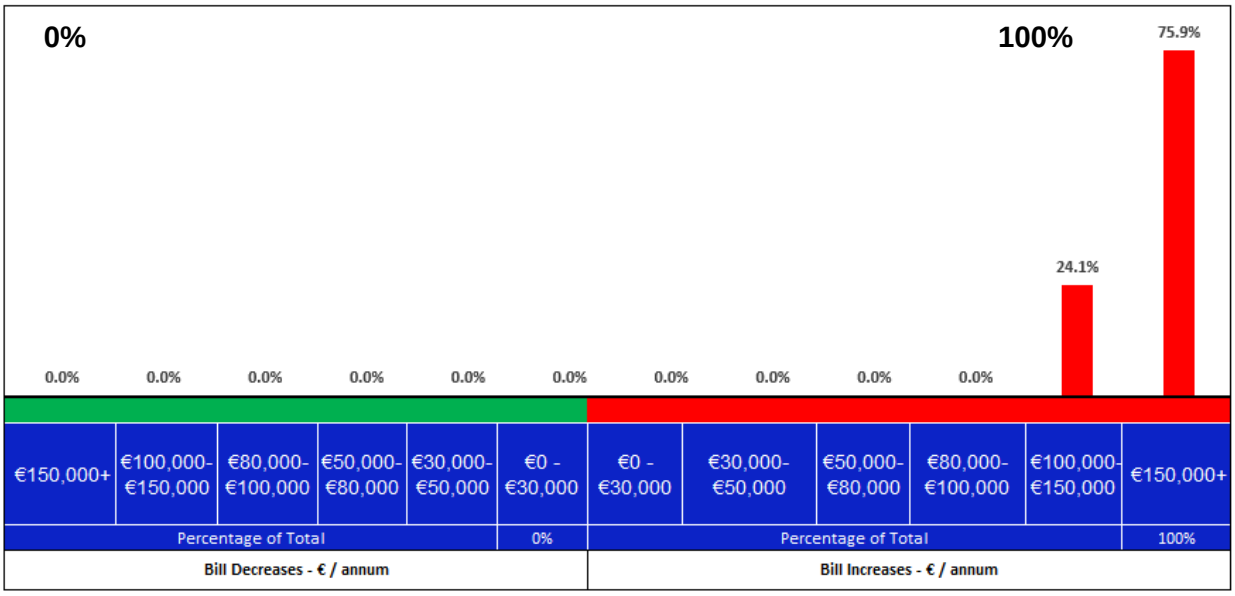



It should be noted that the bill impacts shown in Figure 16 above do not reflect the application of bill capping arrangements. Of the 29 Band 4 and Band 5 connections:

- 89.7% (26 connections) will be applied the new water and/or wastewater tariffs.
- 10.3% (3 connections) will qualify for a 75% cap.

Figure 17 shows the estimated customer bill impacts across the Band 4 and 5 classes when the bill capping arrangements are applied:

**Figure 17 – Distribution of Customer Bill Impacts Across 'Band 4' and Band '5' Classes – With Bill Capping Arrangements Applied**




## 9.3 Measures to Mitigate Increases to Customers' Bills

The CRU has engaged with Uisce Éireann to make sure there are measures in place to help customers mitigate bill increases. These measures include providing customers with information on how to conserve water and improve efficiency of water use and wastewater disposal. Uisce Éireann has set out the current measures that it has put in place in its *Customer Information Paper* document which is published on its website. Please see Section 6 of Uisce Éireann's *Customer Information Paper* for Uisce Éireann's detailed measures including:

- **General advice for all businesses on practical tips to conserve water**[115] - Conservation tips are provided by Uisce Éireann for a variety of specific industries, including utilising water-saving equipment, harvesting rainwater, or using grey water.

[115] Further details can be found here and here on Uisce Éireann's website.

- **A water stewardship training programme**[116] - This programme aims to support Irish businesses as they seek to improve their water stewardship practices and impacts on the environment.

## Stakeholder Feedback and CRU Observations

A number of respondents requested that Uisce Éireann provide information to help customers mitigate bill increases and adopt sustainable water practices. One respondent highlighted that there is the possibility for customers to learn from and adopt practices from businesses already reducing their water footprint in other jurisdictions.

The CRU has engaged further with Uisce Éireann to understand what additional measures can be implemented by Uisce Éireann to help customers mitigate future bill increases. Please see Section 3.8 of CRU Responses Paper (CRU202461) for more discussion. The CRU will continue to encourage Uisce Éireann to continue to take a collaborative approach with customers, and work with non-domestic users to promote and incentivise conservation and efficiency.

[116] Further details can be found here on Uisce Éireann's website.

# 10 Uisce Éireann's Indicative – Trade Effluent Tariff Rates

**The trade effluent tariff rates are 'indicative' and will not be applied to trade effluent connections' bills on 01 October 2024. They are provided here to illustrate the impact of the CRU decisions on Uisce Éireann's tariff design proposals only and provide a price signal to customers as to the likely level of trade effluent tariffs in the future. The CRU will consult in the future on the enduring trade effluent tariff rates that will be applied to trade effluent connections' bills on 01 October 2026.**

## 10.1 Uisce Éireann's Indicative Tariff Rates for Trade Effluent Services

As requested by the CRU, Uisce Éireann has generated indicative trade effluent tariff rates to reflect the CRU's decision on its proposals for new harmonised trade effluent charging arrangements.

The indicative trade effluent tariff rates set out in this paper are based on the following:

**Remain Unchanged from Consultation:**

- CRU approved Uisce Éireann 2024 allowed revenue for the RC3 control period (€1.474m in 2024 prices);
- 2021 customer connection numbers, consumption or discharge volumes, and PE values.

**Changes Since Consultation:**

- CRU's decision on Uisce Éireann's proposed changes to the Framework tariff design elements – as detailed in Sections 4 to 6 of this paper.
    - Removing 'Treatment Plant Adjustment' to the allocation of treatment costs to trade effluent industrial connections (please see Section 6.3.5 and Section 6.4.3);
    - Retaining 'Network Location' adjustment values that apply to wastewater collection opex and wastewater collection capex costs for Band 4 (please see Section 6.4.2); and
    - Reducing cost allocation to Trade Effluent Compliance and Licensing Costs (See Section 2.1.3 and Section 5.3.3).

The culmination of the above changes results in the suite of indicative trade effluent tariff rates presented in Tables 13 and 15 below for both metered and unmetered trade effluent customers.

### 10.1.1 Metered Trade Effluent Tariffs

Metered trade effluent connections will pay a 'Standing Charge', a 'Compliance and Licensing Charge' as well as a volumetric charge either based on the Non-Domestic Framework volumetric charges or the Mogden Formula, depending on the trade effluent tariff category. Charges for metered connections will be discussed in more detail in the following section.

**Table 13 - Uisce Éireann's Indicative Metered Trade Effluent Tariff Rates**

| TE customer class | Meter status | Standing charge (€/year) | | TE Compliance and Licensing charge (€/year) | Framework wastewater volumetric charge (€/m³) | | Mogden volumetric charge (€/m³) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | R | V | B | S |
| TE Category 1 | Metered | Band 1 | € 75.43 | € 326.29 | Band 1 | € 2.34 | | | | |
| | | Band 2 | € 238.34 | | Band 2 | € 2.28 | | | | |
| | | Band 3 | € 3,849.75 | | Band 3 | € 2.23 | | | | |
| | | Band 4 | € 38,652.54 | | Band 4 | € 2.19 | | | | |
| TE Category 2 | Metered | Band 2 | € 238.34 | € 2,661.47 | | | € 0.58 | € 0.93 | € 0.49 | € 0.41 |
| | | Band 3 | € 3,849.75 | | | | | | | |
| TE Category 3 | Metered | Band 4 | € 38,652.54 | € 7,215.55 | | | € 0.54 | € 0.93 | € 0.49 | € 0.41 |

For ease of reference, each Band's volume threshold is set out below:

| Wastewater Customer Classes | |
|---|---|
| **Tariff Class** | **Annual Volume (m³)** |
| **Band 1** | Less than 1,000 m³ |
| **Band 2** | Between 1,000 m³ and 19,999 m³ |
| **Band 3** | Between 20,000 m³ and 249,999 m³ |
| **Band 4** | Equal to or greater than 250,000 m³ |

As discussed in Section 5.3.4, the CRU has decided that Uisce Éireann is to apply the following Mogden volumetric charge structure:

$$\text{Unit Charge} = R + V + \left(\frac{Ot}{Os} \times B\right) + \left(\frac{St}{Ss} \times S\right)$$

Where the terms are defined by Uisce Éireann as follows[117]:

[117] Please note, the unit 'm³' should be read as €/m³.

| Component | Description | Unit |
|---|---|---|
| R | A fixed charge per cubic metre for reception and conveyance costs | $m^3$ |
| V | A fixed charge per cubic metre for volumetric and primary or preliminary treatment costs, | $m^3$ |
| Ot | The Chemical Oxygen Demand (COD) of the customer's settled trade effluent | mg/l |
| Os | The average national figure for COD of settled wastewater as determined by UÉ across all its wastewater treatment plants | mg/l |
| B | The biological oxidation cost per cubic metre of settled wastewater of average strength | $m^3$ |
| St | The total suspended solids content of the customer's trade effluent | mg/l |
| Ss | The average national figure for SS of wastewater as determined by UÉ across all its wastewater treatment plants | mg/l |
| S | The charge per cubic metre for treatment and disposal of primary sludge from a wastewater treatment plant | $m^3$ |

- The value of **$O_s$** – the average COD value measured by Uisce Éireann across all its wastewater treatment plants over a three-year period from 2020 to 2022 is 482 mg/l.
- The value of **$S_s$ –** the average SS value measured by Uisce Éireann across all its wastewater treatment plants over a three-year period from 2020 to 2022 is 252 mg/l.

### 10.1.2 Balance Between Indicative Mogden Tariffs & Non-Domestic Metered Wastewater Rates

It would be expected to see an equivalency between the level of the trade effluent Mogden volumetric charges (€/$m^3$) and the level of the non-domestic wastewater tariffs (Bands 2, 3 and 4) as the development of non-domestic tariffs and trade effluent tariffs are based on the same cost basis. If the charges for trade effluent services and non-domestic wastewater services broadly align, then a comparison between the non-domestic metered wastewater charge and a notional trade effluent charge for average pollutant strength effluent should compute similar 'indicative' bills. Therefore, for a given volume of effluent, it would be expected that any differences between non-domestic metered wastewater charge and trade effluent charge should only be related to differences in strength.

One respondent noted this point in its response to the Consultation Paper and stated that *"For a TE discharge with the same COD and suspended solids concentration as the national average,*

*the overall charge per cubic metre should equate to the harmonised wastewater charge paid by non-TE connections of similar size and network location."*

The CRU tasked Uisce Éireann to compare its indicative Mogden volumetric tariffs with non-domestic metered wastewater rates (Table 14) which reflects the CRU's decision on Uisce Éireann's non-domestic and trade effluent tariff Framework for 01 October 2024. The differences in the overall charge between indicative Mogden tariffs and non-domestic metered wastewater band rates range from 5.7% - 8.2%.

**Table 14 – Comparison Between Indicative Mogden and Non-Domestic Metered Wastewater Rates**

| Band | Wastewater Volumetric Rate (€/m³) | Mogden unit rate (€/m³) (Average Strength with COD: 482 mg/L & SS: 252 mg/L) | Difference Between Mogden and Wastewater Rates (€/m³) | Difference Between Mogden and Wastewater Rates |
|---|---|---|---|---|
| Band 1 | €2.34 | - | - | **-** |
| Band 2 | €2.28 | €2.41 | €0.13 | **5.70%** |
| Band 3 | €2.23 | €2.41 | €0.18 | **8.07%** |
| Band 4 | €2.19 | €2.37 | €0.18 | **8.22%** |

***Assessment of different options to achieve better balance***

In March 2024, the CRU requested Uisce Éireann to give its views and provide appropriate approaches to minimise the differences between the indicative Mogden volumetric tariffs and the non-domestic metered wastewater rates. Uisce Éireann provided the CRU with different options to ensure a better equivalency between indicative Mogden tariffs and non-domestic metered wastewater band rates as requested. To minimise the differences, such options considered included altering the weights in the Mogden charge (between the different Mogden components) or increasing the weight on standing charges. Uisce Éireann is of the view that the two options do not align with Uisce Éireann's proposals or Uisce Éireann's cost allocation analysis, nor does Uisce Éireann have a rationale to support these amendments. In Uisce Éireann's view, such changes would be arbitrary as they do not have an underlying cost basis to support them, and the changes would likely reduce incentives for customers to use water services efficiently.

The CRU acknowledges that a 'broad equivalency' should exist between the indicative Mogden volumetric tariffs and the non-domestic metered wastewater rates. If there is an assumption that trade effluent and non-domestic customers discharging the same average strength effluent impose the same costs on the network (notwithstanding compliance and licensing costs), then the principle that charges should be 'cost-reflective' would suggest that they should face the same charges.

After reviewing Uisce Éireann's analysis, while it is desirable for trade effluent and non-domestic customers to have similar volumetric charges for 'average' strength discharge, the CRU is of the view that the difference in volumetric rates is a consequence of the cost allocation rules. The CRU is of the view that both options outlined above are not attractive due to diverging from the

precedent of previous Mogden rates in Ireland and the UK, and the potential of a large knock-on effect for non-domestic customers' standing charges respectively. More broadly, both options would require that Uisce Éireann update these parameters every time it updates charges.

***Rational for broad equivalency***

The current charge-setting approach relies on a set of cost allocation rules which should not be expected to provide exact equivalency in all cases because the non-domestic and trade effluent customer bases are heterogenous. Even if non-domestic and trade effluent customers are similar on average, their cost allocations will reflect the number of connections, volumes, and PE (as a proxy for pollutant load) of actual customers – which change over time as individual customers enter/exit or change their processes.

Therefore, while it may be expected that trade effluent and non-domestic customers discharging the same average strength effluent will have similar charges, it is not expected that they will be exact. Strict alignment could be engineered through changes to allocation and charging parameters, though this may come at the expense of other principles and objectives. Hence, 'broad equivalence' is acceptable. The difference between Mogden tariffs and non-domestic metered wastewater band rates is explainable and tolerable when considered alongside competing charging objectives.

***Potential approach to achieve a better balance in the future***

To generate a Mogden charge in future which is equivalent to non-domestic rates at a standard discharge strength, the two groups would need to be merged for the sake of cost allocation. This represents a change to the Framework and would therefore need to be consulted on. This could be an attractive approach as it could lead to the main difference between trade effluent and non-domestic customers becoming the licensing regime (which is covered by a separate fixed charge for trade effluent compliance and licensing) rather than fundamental differences between the costs they impose for equivalent discharge. It would also reduce the degree of volatility if charges were set based on cost allocations between fewer bands with a larger number of customers in them. The CRU would ultimately like to move towards equivalency between the indicative Mogden volumetric tariffs and the non-domestic metered wastewater rates in the future.

In conclusion, it is reasonable to require that trade effluent and non-domestic charges for 'average' strength discharge are 'broadly equivalent', such that any mismatch between them is explainable and tolerable when considered alongside competing charging objectives. It is also worth noting that trade effluent customers have the ability to lower their charges by reducing the strength of their discharge.

## 10.1.3 How Metered Trade Effluent Customers Will Be Charged

Uisce Éireann's indicative metered trade effluent tariff rates for each trade effluent customer class are set out in Table 13. Trade effluent connections will be placed into one of the three trade effluent categories. A connection's business activity and the prior year's annual water consumption/discharge volume will determine which trade effluent category the connection is placed into and therefore which charges and charging arrangements will apply. Uisce Éireann is

to apply three separate tariff components for each trade effluent tariff class, comprising of fixed (standing charge and specific 'Compliance and Licensing' charge) and variable (volumetric or 'volumetric and strength') elements.

**For Trade Effluent Category 1 Customers** (6,382 connections):

- The Framework wastewater Standing and Volumetric charges will apply to metered trade effluent customers. The tariffs (of the relevant tariff class 'Band') to apply will be determined based on the connection's previous year's annual water consumption/discharge volume.
- A separate trade effluent fixed Compliance and Licensing charge will also apply.

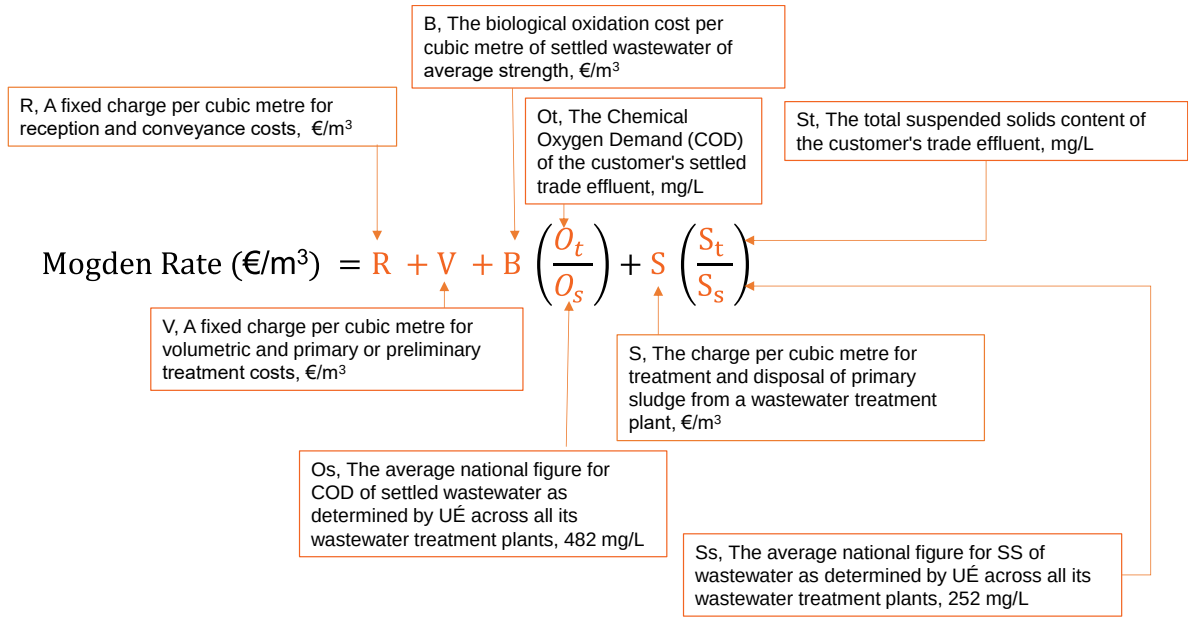
**For Trade Effluent Category 2 and 3 Customers** (486 connections):

- The Framework wastewater Standing Charge will apply to metered trade effluent customers. The standing charge (of the relevant tariff class 'Band') to apply will be determined based on your previous year's annual water consumption/discharge.
- A separate trade effluent fixed Compliance and Licensing charge which varies by trade effluent category will apply.
- A volumetric charge based on the Mogden formula will also apply.

**How the Mogden Formula charging structure is applied:**

The following graphic further explains how a customer's trade effluent bill is calculated using a Mogden formula. The formula is composed of four components and a customer's bill is calculated based on the volume as well as the 'strength' and composition of the effluent that a customer discharges from its property into the public sewer.

The formula's terms are broken down as follows:




Please note that a customer can reduce their trade effluent charges by reducing the volume of effluent discharged and/or reducing the level of Chemical Oxygen Demand (**$O_t$**) and Suspended Solids (**$S_t$**) of its trade effluent discharge.

The following sets out Uisce Éireann's Mogden formula structures, populated with the CRU's decision on Uisce Éireann's charges and values:

$$\text{TE 2 Mogden Rate} = \text{R } €0.58/m^3 + \text{V } €0.93/m^3 + \text{B } €0.49/m^3 \left(\frac{O_t \text{ customer COD value}}{O_s \text{ 482 mg/L}}\right) + \text{S } €0.41/m^3 \left(\frac{S_t \text{ customer SS value}}{S_s \text{ 252 mg/L}}\right) = €2.41/m^3$$

$$\text{TE 3 Mogden Rate} = \text{R } €0.54/m^3 + \text{V } €0.93/m^3 + \text{B } €0.49/m^3 \left(\frac{O_t \text{ customer COD value}}{O_s \text{ 482 mg/L}}\right) + \text{S } €0.41/m^3 \left(\frac{S_t \text{ customer SS value}}{S_s \text{ 252 mg/L}}\right) = €2.37/m^3$$

**Mogden Charge Example:**

For example, let's assume the effluent discharged from a trade effluent's connection's premises into the public sewer has the following characteristics:

- Discharge Volume: **2,000 m³ / annum**
- Value of the Chemical Oxygen Demand (COD) of the customers settled trade effluent: **500 mg/L.**
- Value of the total suspended solids content of the customer's trade effluent: **300 mg/L**.
- Business Activity: **Industrial**

As this customer discharges 2,000 m³/annum and undertakes an industrial business activity, they fall into the Trade Effluent Category 2.

Then the Mogden charge is calculated as follows:

$$\text{TE 2 Mogden Rate} = \text{R}\ €0.58/m^3 + \text{V}\ €0.93/m^3 + \text{B}\ €0.49/m^3 \left(\frac{O_t\ 500\ \text{mg/l/}}{O_S\ 482\ \text{mg/L}}\right) + \text{S}\ €0.41/m^3 \left(\frac{S_t 300\ \text{mg/L}}{S_S\ 252\ \text{mg/L}}\right) = €2.51\ /m^3$$

**Customer's total Bill:**

The following are components of the customer's total (annual) trade effluent bill:

| **Indicative Trade Effluent Bill for October 2024** | |
|---|---|
| Standing Charge | €238.34 (Standing charge for Band 2 Wastewater) |
| Volumetric Charge | 2,000 $m^3$ /annum × €2.51/$m^3$ = €5,020 |
| Compliance & Licensing Charge | €2,661.47 |
| **Total Annual Bill for TE service** | **€ 7,919.18** |

Please see Sections 4.2 and 5.2 of Uisce Éireann's *Customer Information Paper* for a more detailed discussion by Uisce Éireann of its indicative trade effluent tariff rates, application of the Mogden formula and customer bill impact case studies to help customers understand how they may be impacted.

## 10.2 Uisce Éireann's INDICATIVE Unmetered Trade Effluent Tariffs

Uisce Éireann's indicative unmetered trade effluent connections tariff rates for each customer class are set out in Table 15. Unmetered trade effluent connections will pay two fixed charges per year (a 'Flat Charge' and the Trade Effluent Category 1 'Compliance and Licensing' charge).

### Table 15 - Uisce Éireann's Indicative Unmetered Trade Effluent Tariff Rates

| TE Category | Flat Charge (€/year) | Compliance and Licensing Charge (€/year) |
|---|---|---|
| **TE Unmetered Category 1** | €307.61 | €326.29 |
| **TE Unmetered Category 2** | €2,347.47 | €326.29 |

# 11 CRU Decision on Uisce Éireann's Implementation Considerations – Trade Effluent Rates

## 11.1 Introduction

As stated in Uisce Éireann's submission documents, Uisce Éireann is not in a position to implement the trade effluent tariff rates on 01 October 2024. The trade effluent tariff rates are 'indicative' and will not apply to trade effluent connections' bills and are for the purposes of illustrating the impact of Uisce Éireann's trade effluent charging proposals only.

Therefore, transitional arrangements will not be considered for trade effluent in the 1st phase of consultation. The 2nd phase of consultation, which is planned to take place at the end of 2024, may address what transitional arrangements may be needed, how they would work for trade effluent customers, and how they would align with any bill capping arrangements that may be in place under the Non-Domestic Tariff Framework.

## 11.2 Grace Period – Trade Effluent

'Grace period' is a term used by utilities to describe a situation where customers are notified of their new tariff rates and are given a 'grace period' of time before these new tariff rates are applied to their bills. This allows customers to prepare and budget for the change in their tariffs and put in place measures to mitigate future bill increases.

### Uisce Éireann's Considerations

Uisce Éireann has considered the 'grace period' that would apply in advance of the implementation of the new trade effluent charges, and Uisce Éireann proposed an implementation date of 01 October 2026. Uisce Éireann has considered that there should be an approximate 18-month grace period, which Uisce Éireann defines as "*…the period of time between the CRU's decision on the second consultation (expected in Q1 2025) and proposed implementation go-live (01 October 2026)*".

**Uisce Éireann Proposal:**

Uisce Éireann proposed a grace period of c.18 months to conclude no later than 01 October 2026 to allow trade effluent customers plan for the tariff changes and to enable Uisce Éireann to make the necessary process and system changes.

## Stakeholder Feedback and CRU Observations

A number of respondents agreed with Uisce Éireann's proposal for an implementation date of 01 October 2026 to allow businesses time to prepare and budget for the tariff changes, and to put mitigation measures in place to lower their bills.

In Uisce Éireann's *Trade Effluent Tariff Design Review proposals* submission document (CRU/2023151), Uisce Éireann stated that a minimum of 12 months of sampling data from the previous year is required to ascertain a representative customer sample and determine accurate trade effluent charges. After consultation, the CRU requested Uisce Éireann to provide further justification for a minimum of 12 months of sampling data as being essential. Uisce Éireann provided the following rationale to explain the requirement of a minimum of 12 months of sampling data:

- *"Seasonality /variation of trade effluent discharges over a year requires sampling across the full year to capture the most representative characterisation of the trade effluent strength. (e.g., Ramp up of certain food production for Christmas period).*
- *A 6-month sampling period may not allow for enough samples to be taken to ensure a representative characterisation of the trade effluent strength.*
- *Using sample data from previous years may not give an accurate representation of trade effluent strength due to changes in onsite practices (washdowns/clean in practice) which lead to production of trade effluent, changes to raw material inputs to processes, changes to outputs i.e. volume and variety of products and changes to /introduction of pretreatment infrastructure. Each of these changes could increase or decrease the strength of trade effluent and hence affect trade effluent Customers bills significantly.*
- *Also, as we* [Uisce Éireann] *only have sampling available for c.50% of customers at present we could not charge all customer on a consistent and robust basis without UÉ's own sampling programme."*

The CRU is of the view that Uisce Éireann's requirement of a minimum of 12 months of sampling to account for seasonality seems reasonable to obtain high-quality data for charging. The CRU is also of the view that it is reasonable and sensible that Uisce Éireann should use its own high-quality customer data and trade effluent sampling data/site-specific data when transitioning all trade effluent customers to a uniform Trade Effluent Charging Framework.

The CRU acknowledges that providing a period of time for customers to prepare for the new trade effluent tariffs would be beneficial for customers and allow time for them to prepare for their new charging arrangements. The additional time can facilitate better customer understanding of the new charging Framework, implementation of necessary infrastructural changes and adjustment of business practices, potentially leading to reduced financial impact on businesses. Uisce Éireann's proposal to implement the new trade effluent tariffs on 01 October 2026 is approximately 27 months (nearly 2.25 years) after the CRU has issued a decision on the trade effluent charging arrangements (that is, how trade effluent connections are classified into trade effluent tariff classes, how trade effluent tariffs are structured, the geographic basis of

trade effluent charging and how costs are allocated to each trade effluent customer class[118]) in this Decision Paper which the CRU is of the view gives customers enough time to prepare for the implementation of the new trade effluent charging arrangements.

The CRU has decided that Uisce Éireann is to implement the new trade effluent tariffs on 01 October 2026. For the purpose of successful implementation of the new harmonised Trade Effluent Charging Framework, the CRU requests Uisce Éireann to proactively engage with customers before the implementation of the trade effluent tariffs.

The CRU was of the view at consultation that the new trade effluent charging arrangements and new trade effluent tariff rates should be implemented as soon as feasible and should not be delayed beyond 01 October 2025. Nevertheless, Uisce Éireann's rationale has led to the CRU decision to implement the new trade effluent tariffs on 01 October 2026. Specific trade effluent charges (as previously determined by their Local Authority) will not change until Uisce Éireann's new Trade Effluent Framework is implemented on 01 October 2026. This is discussed in Section 11.3 below.

The implementation of the new trade effluent tariffs offers several advantages, including:

- better alignment with the 'polluter pays principle' requirements set out within the EU Water Framework Directive;
- creating strong incentives to reduce the level of pollutants and volume of trade effluent discharged into the wastewater network;
- achieving greater cost reflectivity (at least on a national level);
- providing a transparent, simple, and equitable system of charges for customers; and
- better alignment with government environmental policy objectives.

Introducing charges that incentivise the reduction of volume and level of pollutants discharged in the public sewer will better align with the environmental objectives set out in the Government's Water Services Policy Statement and also Uisce Éireann's Water Services Strategic Plan. Further, under the Water Services No.2 Act of 2013, in carrying out its functions under this Act, the CRU shall have regard to the need to ensure "*…that Irish Water performs its functions in a manner that will enable the achievement by the State of the environmental objectives of that Directive*…".

[118] Please note the Wastewater Collection Capex cost allocated to each Trade Effluent Category may change on 01 October 2026. As these figures are based on the CRU decision on Uisce Éireann's proposed approach to recover a portion of Wastewater Collection Capex through the Standing Charge to reduce the incidence and magnitude of perverse incentives.

It should also be noted that, Uisce Éireann does not enter into 'Water In Not Equal to Water Out' agreements[119] with trade effluent customers at present. Uisce Éireann will only apply the 'Water In Not Equal to Water Out' agreement for trade effluent customers where it is agreed that the amount of water supplied to a customer's premises can vary from the amount of wastewater discharged to the public sewer when the enduring trade effluent charging policy is implemented. Therefore, the implementation of the new trade effluent charges also determines when the opportunity for trade effluent customers to apply for a 'Water In Not Equal to Water Out' agreement with Uisce Éireann is. Please see Section 13.2 below for more information.

Due to the importance of implementing the new Trade Effluent Tariff Framework, to ensure fair and equitable charges for all trade effluent customers, the CRU will closely monitor Uisce Éireann's progress to ensure that the implementation does not exceed 01 October 2026. The CRU requires that Uisce Éireann provide the CRU with regular progress reports on a monthly basis against its implementation plan to ensure that the new trade effluent tariffs are implemented on time.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposal to implement the new trade effluent charging arrangements and tariff rates on 01 October 2026.

Uisce Éireann is to submit monthly progress reports which set out the Uisce Éireann implementation plan and specific milestones with estimated completion dates, to keep the implementation of the Trade Effluent Charging Framework on track.

## 11.3 Existing 'Specific' Trade Effluent Charge Levels & the Case for an Inflationary Adjustment

There are currently approximately 188,625[120] non-domestic connections in total, of which 6,868 are trade effluent connections (that is, these connections are licensed to discharge trade effluent into the public wastewater network). Of the 6,868 trade effluent connections, 6,623 are currently charged the Non-Domestic Tariff Framework wastewater tariff rates and 245 continue to pay

[119] In accordance with legislation, for the purpose of calculating a charge the amount of wastewater discharged from a premises is deemed to be equal to the amount of water supplied to that premises. However, legislation also provides for Uisce Éireann and the customer to agree that the amount of wastewater removed differs from the amount of water supplied. This may occur, for example, if a non-domestic customer uses a proportion of the water supplied in a manufacturing or industrial process. Uisce Éireann has established a standardised process where customers can engage directly with Uisce Éireann to seek an agreement ('Water In Not Equal to Water Out' agreement) to amend the assumption that the wastewater discharged from a premises is deemed to be equal to the amount of water supplied to a premises. Further details can be found here on Uisce Éireann's website. Additionally, please see Section 13.2 of this paper.

[120] This figure does not include the 245 trade effluent connections who pay a 'specific' trade effluent charge that continue to pay tariffs for this service which were previously determined and charged by the 34 Local Authorities and 10 Town Councils.

specific trade effluent tariffs as previously determined and charged by the 34 Local Authorities and 10 Town Councils.

This is because when the Non-Domestic Tariff Framework was established, Uisce Éireann informed the CRU at that time that it did not have sufficient data on trade effluent discharges and costs to propose enduring trade effluent charging arrangements. As a result, there are 245 trade effluent connections that pay a 'specific' trade effluent charge that discharge into the public network and continue to pay tariffs for this service which were previously determined and charged by the 34 Local Authorities and 10 Town Councils.

Although in its decision on the Non-Domestic Tariff Framework[121] in 2019 the CRU required Uisce Éireann to maintain specific trade effluent tariffs in accordance with the structures and arrangements in place in each Local Authority area prior to 01 January 2014 until a new Uisce Éireann Trade Effluent tariff framework is implemented, the CRU is cognisant of the period of time that these specific trade effluent tariffs have not changed, while tariffs for all other non-domestic connections have changed to reflect underlying cost changes.

As these specific trade effluent charges have not changed for at least 10 years and would not change for another approximately 27 months (nearly 2.25 years) under Uisce Éireann's proposals, the CRU asked Uisce Éireann to consider the case for applying an inflationary adjustment to these tariffs in October 2024 to achieve greater equity across all customers in respect of tariff levels. The CRU is cognisant that the specific trade effluent tariff levels do not reflect up-to-date costs and also have reduced in real terms.

If the enduring harmonised system of trade effluent charges cannot be implemented in the short-term, the CRU was of the view at consultation that it is appropriate to consider an interim adjustment, to achieve greater equity across customers. This would also help to limit the degree of a step change in future tariff levels for these specific trade effluent connections.

Uisce Éireann responded to explain that while it doesn't disagree with the principle of applying an inflationary adjustment to the 'specific' trade effluent tariff levels it is not feasible to implement by 01 October 2024. The reasons put forward by Uisce Éireann for this include:

- Uisce Éireann pointed out that "*... in certain cases inflation is applied to some of these connections as their charging structure is already linked to the CPI*".
- Uisce Éireann also stated that *"…implementing this change would require a complex implementation process. It would require updating numerous different charging structures, and significant resources and extensive testing would be required prior to implementation*."
- Uisce Éireann further stated that if it was decided (by issuing a Decision Paper in Q2 2024) that Uisce Éireann was required to apply an inflationary adjustment *"…it only provides a c.5-month window to make this significant system change which is outside of scope of current NDTF annual updates.*" which presents significant implementation challenges by 01 October 2024.

[121] *"Irish Water's Non-Domestic Tariff Framework CRU Decision Paper (CRU/19/074)"* - 03 July 2023 - available at the following link.

**Stakeholder Feedback and CRU Observations**

The CRU was of the view that if it is not feasible to implement on 01 October 2024, Uisce Éireann should prepare to implement such an adjustment on 01 October 2025 (assuming the new trade effluent tariff framework is not implemented on this date). A number of respondents disagreed with CRU's proposal, while one respondent supported CRU's proposal. Two respondents sought additional information on what the interim adjustment would be.

The CRU requested Uisce Éireann to undertake a cost-benefit analysis for applying an inflationary adjustment to the 245 specific trade effluent connection's tariff levels for October 2025. Uisce Éireann's cost-benefit analysis of applying an inflationary adjustment[122] did not demonstrate a substantial benefit of applying an inflation adjustment. Additionally, Uisce Éireann noted that applying inflationary adjustment one year before the Trade Effluent Charging Framework implementation may increase the risks associated with the implementation of the Trade Effluent Charging Framework. Please see Section 3.9.2 in the CRU Responses Paper for detailed discussion.

Having reviewed Uisce Éireann's further analysis, the CRU has decided to retain the 245 existing 'specific' trade effluent charge levels unchanged until the Trade Effluent Framework is introduced on 01 October 2026.

**CRU's Decision**

The CRU's decision is that Uisce Éireann should retain 'specific' trade effluent tariff levels in advance of the implementation of the enduring trade effluent tariff framework.

[122] An inflationary uplift was calculated based on the HICP index included in the current revenue model published on the CRU's website: Irish Water Revenue Control 3 (2020-2024) | CRU.ie. Uisce Éireann has set 2021 as the base year and calculated the inflationary change between the start of 2021 and the end of 2024 to provide for increased equity with non-domestic customers whose charges will also reflect changes in the inflationary environment since October 2021. This was applied to 225 TE connections on a specific trade effluent charge as 20 connections on Model Form Agreement charges which are CPI linked and, therefore, already have an inflationary adjustment built into their charges.

# 12 Bill Impacts Across the Non-Domestic Customer Base – Trade Effluent Service

**Please note the CRU's decision is that Uisce Éireann is to implement the Trade Effluent Charging Framework on 01 October 2026.**

**The trade effluent tariff rates below are 'indicative' and will not be applied to trade effluent connections' bills. They are provided here to illustrate the impact of the CRU's decision on Uisce Éireann's tariff design proposals only and provide a price signal to customers as to the likely level of trade effluent tariffs that will be applied on 01 October 2026. The CRU will consult in the future on the enduring trade effluent tariff rates that will be applied to trade effluent connections' bills.**

Uisce Éireann's customer bill analysis presented in this section are indicative bill impacts for customers in each of the Trade Effluent Categories 1, 2 and 3 and unmetered trade effluent tariff categories. These bill impacts are included to allow trade effluent customers to understand the likely impact of the CRU's decision on Uisce Éireann's trade effluent tariff design and structure proposals.

Given the wide range of existing trade effluent tariffs, structures, and charging rules, moving to Uisce Éireann's proposed tariff design would likely result in tariff changes for most customers. The impact to trade effluent customers will vary individually and will depend on the strength and volume of wastewater discharged (if assigned to Trade Effluent Category 2 or 3 where a Mogden charge is proposed to apply), the current structure that is applied and the application of new tariff rate levels.

Please see Sections 3 and 5.2 of Uisce Éireann's *Customer Information Paper* for a more detailed discussion by Uisce Éireann of the CRU's decision on its proposed tariff charging arrangements and customer bill impact case studies to help customers understand how they may be impacted.

## 12.1 Overview of the Impact of CRU's Decision on Uisce Éireann's Proposals Across the Trade Effluent Customer Base

Table 16 shows how bills would be impacted by the CRU's decision on Uisce Éireann's trade effluent tariff design proposals on an aggregate level across the trade effluent customer base (metered and unmetered connections):

**Table 16 - Summary Indicative Bill Impacts of Uisce Éireann's Tariff Design**

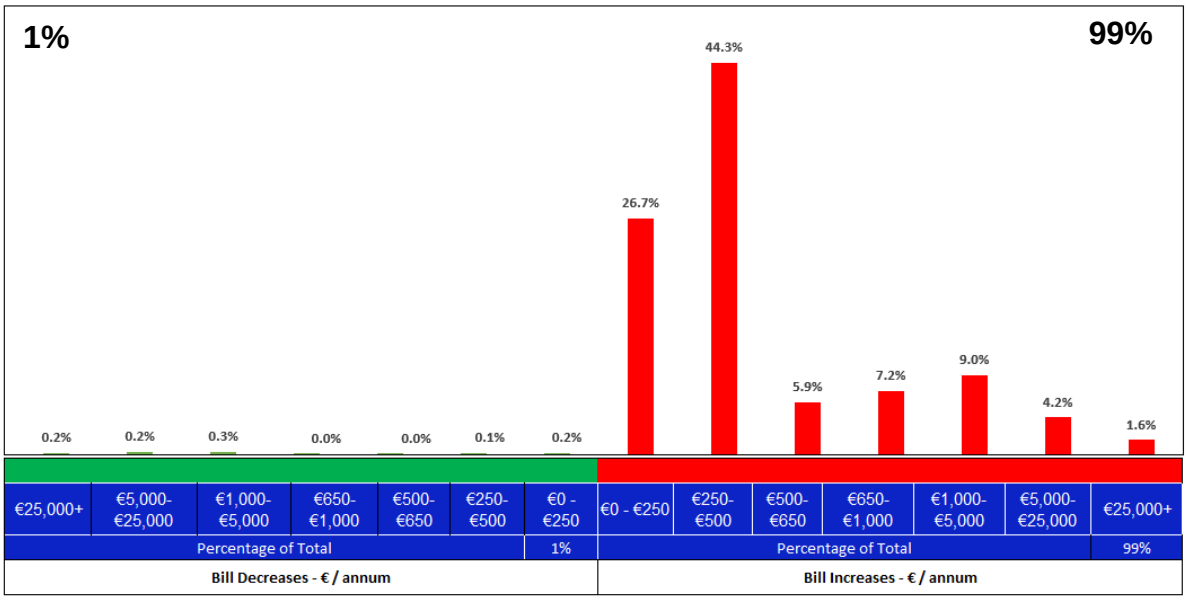
| Summary Indicative Bill Impacts of CRU's Decision on Uisce Éireann's Trade Effluent Tariff Design Proposals & Indicative Rates (No Transitional Arrangements in Place) |
|---|

| | | |
|---|---|---|
| **80** | **1.2%** | **Connections would see decreases to their bills** |
| **1,835** | **26.7%** | **Connections would see annual bill increases of less than €250** |
| **4,953** | **72.1%** | **Connections would see annual bill increases of €250 or greater** |

| | | |
|---|---|---|
| **6,868** | **100.0%** | Total Number of Trade Effluent Connections |

Uisce Éireann has presented its bill impact result (Figure 18) in terms of the percentage of trade effluent connections estimated to face bill decreases and increases (of differing monetary amounts) as a result of applying the indicative tariffs to all trade effluent customers. This bill impact analysis is indicative and is therefore, for illustration purposes only.

**Figure 18 – Distribution of Trade Effluent Customer Bill Impacts - Applying the Indicative Trade Effluent Tariffs to Trade Effluent Customers – No Transitional Arrangements in Place**




## SUMMARY BILL IMPACT OF APPLYING INDICATIVE TRADE EFFLUENT TARIFFS TO ALL TRADE EFFLUENT CUSTOMERS (NO TRANSITION ARRANGEMENTS IN PLACE)

The above bill impact summary results in Figure 18 show that if Uisce Éireann's indicative trade effluent tariff rates were applied to all **6,868** metered and unmetered trade effluent connections (that is, there are no transition arrangements in place):

- **1.16% (80) connections would see bill decreases**
  - 0.17% (12) would see annual bill decreases of less than €250
  - 0.15% (10) would see annual bill decreases of between €250 and €500
  - 0.41% (28) would see annual bill decreases of between €500 and €5,000
  - 0.44% (30) would see annual bill decreases of €5,000 or greater

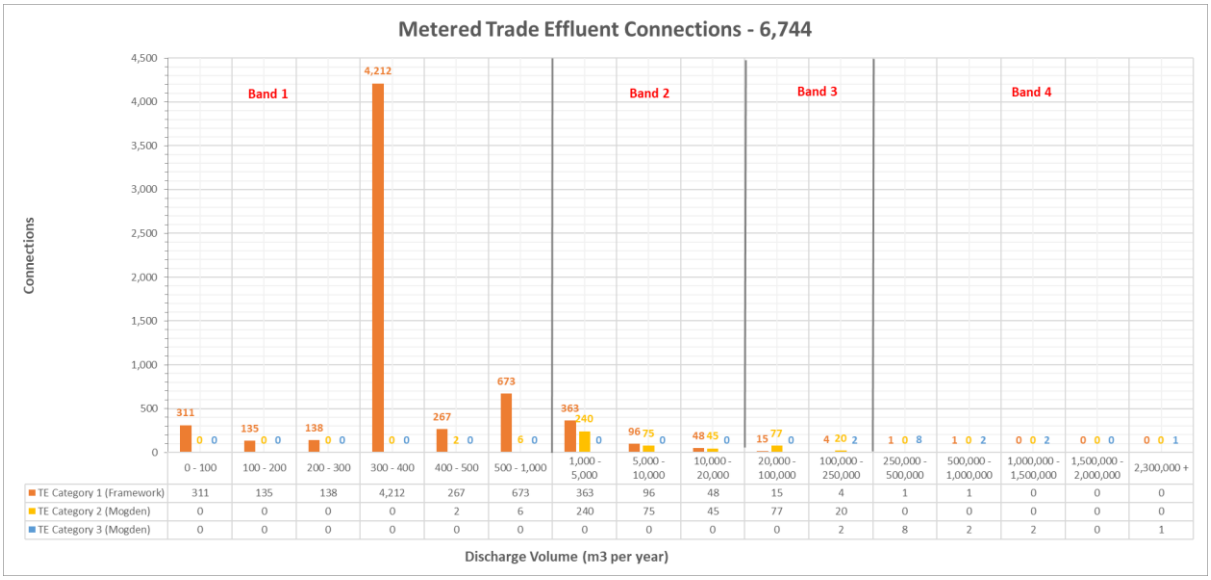
- **98.84% (6,788) connections would see bill increases**
  - 26.72% (1,835) would see annual bill increases of less than €250
  - 44.3% (3,041) would see annual bill increases of between €250 and €500
  - 22.0% (1,514) would see annual bill increases of between €500 and €5,000
  - 5.80% (398) would see annual bill increases of €5,000 or greater

### 12.1.1 Understanding Indicative Bill Impacts Across the Trade Effluent Customer Base

To understand the above indicative bill impacts on an aggregate level across the trade effluent customer base, it is necessary to look at the distribution of customers across the trade effluent customer base and what factors influence how customer bills are impacted. This is discussed below.

Figure 19 shows the distribution of all metered trade effluent connections by size (volume of wastewater discharged). Each bar represents the total number of connections whose annual volume discharged falls within a particular discharge volume 'bracket'. It presents the number of connections that would be placed in Trade Effluent Categories 1, 2 and 3.

### Figure 19 – Distribution by volume[123] – All Metered Trade Effluent Connections




This bar chart shows that across Ireland the majority of trade effluent connections discharge a relatively small amount of wastewater. Over 71% of all trade effluent metered connections (4,796) discharge 400m$^3$/annum or less. This is most likely due to the fact that a high proportion of Uisce Éireann's trade effluent customer base comprise, for example, food service establishments, car washes, café, small-scale laundering facilities and bakeries. There are a large number of trade effluent connections (4,212) estimated to discharge between 300 to 400 m$^3$/annum, these most likely represent small food server establishments who hold 'Fats, Oils and Grease" ('FOG') licences to discharge trade effluent into the public sewer.

It also shows that there are a very small number of connections (approximately 10% or 682 connections) that discharge large volumes of wastewater (in excess of 2,000 m$^3$/annum). These connections span across a number of sectors, including chemical and pharmaceutical manufacturing, technology manufacturing, transport, food and drinks processing and large leisure facilities.

## Factors that may influence how a customer's bill is impacted - Explaining the distribution of bill impacts across the Trade Effluent Customer Classes

There are a number of factors that may influence how trade effluent customer's bill would be impacted by the new Trade Effluent Charging Framework:

- **Reflecting up-to-date revenue allowance:** The indicative trade effluent tariff rates reflect up-to-date (2024 RC3)[124] allowed revenue, and therefore each of Uisce Éireann's

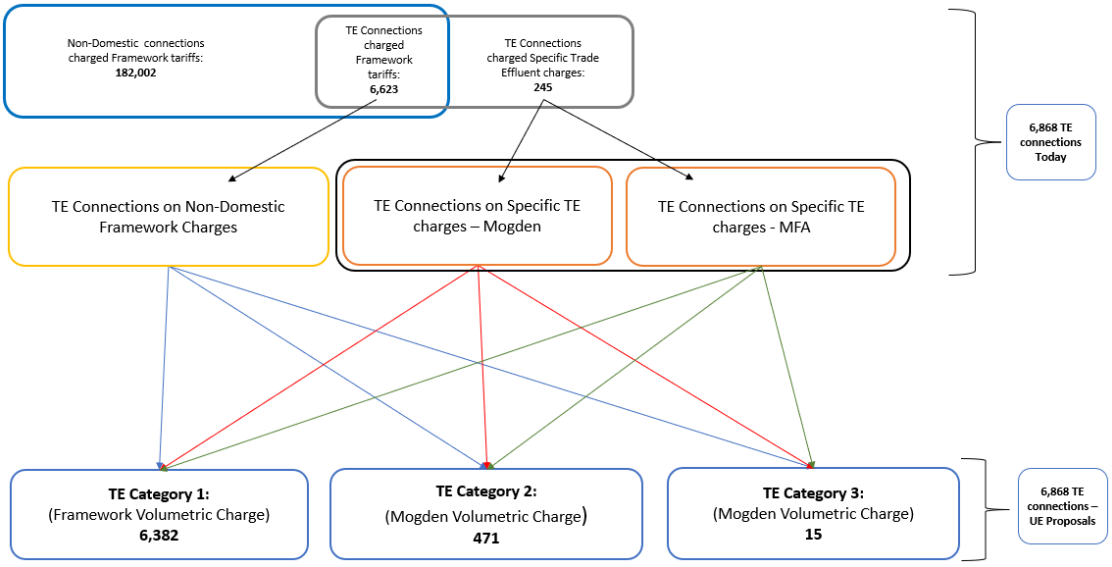
[123] Please note, the volumes are a combination of actual customer discharge volumes recorded by Uisce Éireann and estimated volumes generated by Uisce Éireann.

[124] That is, Uisce Éireann's allowed revenue determination "*Irish Water Revenue Control 3 – Interim Review Decision Paper (CRU/2022977)"* – 23 November 2022, which was the most up-to-date approved revenue available to Uisce Éireann when it developed its tariff proposals (from the end of 2022 to Q3 2023).

trade effluent fixed and variable charges have increased. This will mean the vast majority of trade effluent tariff connections will see bill increases.

- **Changes in charging structures:** Applying the new trade effluent framework and customer classes lead to changes in how customers are charged which inevitably comes with impacts to customers' bills. We discuss these changes below.

  The following graphic shows at a high level the impact of applying the CRU's decision on Uisce Éireann's trade effluent tariff classification proposals and the corresponding change in charging structures for trade effluent customers:




  - **Change to charging structure from a Framework volumetric only charge to a 'strength and volume' based charge.** Some trade effluent connections are currently on one of the Framework volumetric rates or on a specific volumetric rate which does not take into account the connection's pollutant strength. As per the CRU's decision on Uisce Éireann proposals, the Framework standing charge, a Mogden formula charge, and Compliance and Licensing charge will apply to connections that will be placed in Trade Effluent Category 2 and Trade Effluent Category 3.

  - Many connections will be charged based on 'volume and strength' for the first time through the Mogden Formula, taking the level of pollutants in their effluent into account. Connections placed to Trade Effluent Categories 2 and 3 are likely to have pollutant strengths that are higher than the average of the network because of the nature of their business activity. However, as the Mogden formula takes into account the level of treatment with the effluent discharged, customers will also be charged less if their wastewater is 'cleaner' than the average (i.e., contains low levels of pollutants). This is one of the reasons why a small number of trade effluent connections will see bill decreases. In summary, the application of the Mogden charging structure will result in a bill increase for some customers and a bill decrease for other customers.

- **Change to charging structure from an existing 'specific' trade effluent charge to a 'volumetric' charge:** There are currently a small number of connections charged a specific trade effluent charge (as previously determined by their Local Authority). By applying Uisce Éireann's new criteria to determine which Trade Effluent Category a customer is placed, the majority of the connections currently on a specific trade effluent charge will move to Uisce Éireann's Trade Effluent Category 1 and thus be charged a Framework volumetric band rate. In some cases, this will result in a bill increase and in others it will result in a bill decrease for customers.

- **Introduction of the fixed 'Compliance and Licensing Charge':** Small volume customers will see a larger percentage increase to their bills due to the introduction of the fixed Compliance and Licensing charge relative to larger volume customers. This is because the Compliance and Licensing charge makes up a larger portion of a bill for small volume customers. The Compliance and Licensing charge, which will apply to all trade effluent customers, and will replace the monitoring or FOG charges which currently apply to some trade effluent customers.

- **Change to Mogden formula parameter values.** There are a small number of connections that are currently charged a Mogden charging structure (please see Table 4.2 in Uisce Éireann's *Trade Effluent Design Review Proposals* submission document for further detail). Uisce Éireann's two Mogden formula parameter charge values are higher than the existing Mogden charges as their values have not been amended in at least 10 years. Additionally, the national denominator values for $O_s$ and $S_s$ used to determine the multiplier for the B and S elements are slightly lower than the majority of the existing Dublin Mogden formula and therefore, as it is a small multiplier it results in a higher charge.

It is the net effect of each of the above factors (as relevant) that determines the final impact on a customer's bill.

Please see Section 4.2 and Section 5.2 of Uisce Éireann's *Customer Information Paper* for a more detailed discussion by Uisce Éireann of its indicative tariff rates and customer bill impact case studies to help customers understand how they may be impacted.

## 12.2 Measures to Mitigate Increases to Customers' Bills

The new trade effluent charging arrangements, when implemented, will represent a significant change to the existing tariffing design and structure for some trade effluent customers and may result in customers facing bill increases through the application of the new regime. Uisce Éireann wishes to ensure measures are taken to help customers mitigate future bill increases.

In Uisce Éireann's Trade Effluent Tariff Design Review proposals (CRU/2023151), Uisce Éireann stated that it aims *"…to engage with trade effluent customers in advance of the implementation of the new tariffs to communicate the changes and how adjustments in business practices or pre-treatment can help reduce the impact on customers' bills."*

- **General advice for trade effluent customers** - Uisce Éireann, in advance of the implementation of the Trade Effluent Charging Framework, will *"…engage with trade*

*effluent customers to help them understand the impact of UÉ's tariff design and transitional arrangements proposals on bills. UÉ will highlight the importance of trade effluent management or reduction measures and how certain operational changes employed by customers could mitigate aspects of the new trade effluent charge. UÉ will also provide support for such customers wishing to develop onsite treatment to manage their trade effluent charges."*

The provision of advice and guidance to businesses is in line with the Government's Water Services Policy Statement 2024-2030 which states "*In relation to public water services, Uisce Éireann must continue to communicate the importance of water conservation to its customers. This work will be supported through the provision of demand data to domestic and non-domestic users, as well as communicating information to customers on ways to conserve water, reduce usage and minimise leakage*". Effective customer communication will promote conservation and help customers understand what measures they can put in place to help mitigate future bill increases.

- **A water stewardship training programme** - Water conservation has a direct and positive impact on the volume of wastewater or trade effluent discharged, and thus customers' bills. Uisce Éireann developed a water stewardship and conservation pilot training programme in 2019. The water stewardship programme aims to support Irish businesses as they seek to improve their water stewardship practices and impacts on the environment. Further details can be found on Uisce Éireann's website https://www.water.ie/conservation/business/water-stewardship/.

The CRU has engaged further with Uisce Éireann to understand what measures can be implemented by Uisce Éireann to help trade effluent customers mitigate future bill increases. Please see Section 3.10 of CRU Responses Paper (CRU202461) for more discussion. This could include providing customers with information on how to improve the efficiency of water use and pre-treat the levels of pollutants within a customer's trade effluent discharge.

# 13 Other Charging Rules & Processes

There are a number of other rules and processes that impact the application of charges to Uisce Éireann's non-domestic customers. For context and to aid clarity, these are set out below. These rules and processes relate to the following scenarios:

a. **Legacy Individual Agreements or Contracts:** Customers who are of the view that they hold a legacy agreement or contract for the provision of wastewater/trade effluent services.

b. **'Water In Not Equal to Water Out':** Non-domestic customers who are of the view that the assumption that the volume of water supplied to a property is equal to the volume of wastewater discharged from the property is not appropriate.

c. **Rules related to perverse incentives:** Non-domestic customers who reduce or increase their volume to such an extent that they are assigned a different tariff class band the following tariff year. There are a set of rules that determine how Uisce Éireann assigns non-domestic connections to a tariff class (as determined under the CRU's Tariff Application Rules Decision Paper (CRU/20/072)[125]). Two of these rules relates to addressing perverse incentives issue inherent in the existing tariff design for some connections whose volume is close to a tariff class boundary.

d. **Customers who should have a trade effluent licence:** Non-domestic customers who discharge trade effluent into the public wastewater system, but do not hold a licence to discharge trade effluent. In these cases, the CRU made a decision as outlined in the Consultation Paper (CRU/2023149) on Uisce Éireann's proposal to apply trade effluent charges where it has indicated to these customers that the trade effluent discharge into the public sewer should be licensed.

These are further discussed below. Please note that:

- Sections 13.1 (Legacy Agreements) & 13.2 ('Water In Not Equal to Water Out' Applications) below are provided for information;
- Sections 13.3 (Removing Perverse Incentives) & 13.5 (Applying Trade Effluent Tariffs to Customers who do not have a Trade Effluent Licence) contain the CRU's decision on Uisce Éireann's proposals; and
- Section 13.4 (Tariff Application Rules) contains the CRU's decision on the amendments to the existing Tariff Application Rules regarding what rules should apply when assigning non-domestic connections to a tariff class.

[125] *"Irish Water's Non-Domestic Tariff Framework Tariff Application Rules CRU Decision Paper (CRU/20/072)"* - 13 July 2020 - available at the following link.

## 13.1 Legacy Individual Agreements or Contracts

There may be a small number of trade effluent legacy arrangements that currently exist. These legacy arrangements may include historical agreements or contracts entered into by a customer with a Local Authority, which may include legally binding bespoke provisions relating to the provision of trade effluent services.

As noted in the CRU's Decision on Uisce Éireann's Non-Domestic Tariff Framework (CRU/19/074)[126], the CRU does not have legal powers to assess or approve legacy legal agreements or contracts made between Local Authorities and non-domestic customers. Uisce Éireann will need to make a determination as to whether it is legally bound to honour an individual agreement or contract.

**Non-Domestic Water and Wastewater Services:** However, to ensure that Uisce Éireann carries out its functions in an open and transparent manner, and to protect the interests of all non-domestic customers, the CRU required Uisce Éireann to set up a process for dealing with customers who claim to have an existing agreement or contract for the provision of water and wastewater services. The CRU requested that Uisce Éireann's process should clearly set out how a customer can submit an application to Uisce Éireann and what is required to be included in such an application. It should also set out a reasonable timeframe within which Uisce Éireann will assess an application and provide its determination to a customer. Uisce Éireann implemented this process and further details can be found on Uisce Éireann's website here. Uisce Éireann noted the process for legacy non-domestic tariff arrangements is now closed.

**Trade Effluent Service:** The CRU now invites Uisce Éireann to update the existing process to facilitate a review of legacy trade effluent charging arrangements prior to the introduction of trade effluent charging arrangements. This process will allow Uisce Éireann to make a determination as to whether it is legally bound to honour an individual agreement or contract and communicate this to customers. Any disputes that may arise between the customer and Uisce Éireann will be a matter for both parties to resolve. This process should clearly set out how a customer can submit an application to Uisce Éireann and what is required. It should also set out a reasonable timeframe within which Uisce Éireann will assess an application and provide its determination to a customer. Please see Section 3.5 of Uisce Éireann's *Customer Information Paper* for a more detailed discussion by Uisce Éireann.

## 13.2 'Water In Not Equal to Water Out' Applications

Under Section 22.9 of the Water Services (No.2) Act 2013, there is a provision that states, "*For the purpose of calculating a charge under Section 21, the amount of waste water discharged from a premises is deemed to be equal to the amount of water supplied to that premises, unless Irish Water and the customer agree otherwise*".

[126] *"Irish Water's Non-Domestic Tariff Framework CRU Decision Paper (CRU/19/074)"* - 03 July 2023 - available at the following link.

There may be non-domestic customers who are of the view that the assumption that the volume of water supplied to a property is equal to the volume of wastewater discharged from the property is not appropriate.

The CRU asked Uisce Éireann to establish a standardised process for customers making applications under Section 22(9) of the Water Services (No.2) Act 2013. Although the CRU has no explicit legislative role in approving applications made under Section 22(9), the CRU is of the view that a standardised process that will benefit customers in terms of transparency and equity. Such an application process is a common practice with water utilities in other jurisdictions.

Uisce Éireann's has standardised process[127] and it is the CRU's understanding that customers can engage directly with Uisce Éireann to seek an agreement to amend the assumption that the wastewater discharged from a premises is deemed to be equal to the amount of water supplied to a premises. When engaging with customers on this matter, the CRU asked that Uisce Éireann:

1. Assesses and treats all customer applications in a fair and equal manner with no undue discrimination between customers;
2. Provides the applicant with all the required details (submission requirements, criteria etc.) necessary to make an application;
3. Processes applications in a reasonable timeframe;
4. Maintains a register of all applications made under Section 22(9);
5. Informs the applicant of Uisce Éireann's decision on an application in writing, and sets out the reasons for same; and
6. Provides each applicant with details on how they may raise a dispute to the CRU if they wish to challenge Uisce Éireann's decision[128].

This is aimed at ensuring that customers are treated fairly and equally until a standardised process is implemented.

***'Water In Not Equal to Water Out' agreements – trade effluent services***

Please note that Uisce Éireann does not enter into 'Water In Not Equal to Water Out' agreements with trade effluent customers at present. Uisce Éireann stated in its *"Non-Domestic Tariff Design Review and Alignment proposals"* (CRU/2023150) document that "*The current process excludes UÉ from entering into a WIWO [Water In Not Equal to Water Out] agreement with a customer who has, or whom UÉ considers ought to have, a trade effluent discharge authorisation until the Trade Effluent Charging Framework is implemented*."

Uisce Éireann explained that "*This is justified on the basis that, if trade effluent is being discharged, UÉ must be satisfied that appropriate trade effluent charges are being applied before entering into a reduced wastewater agreement with the customer. There are currently 13 LA areas where all trade effluent customers are subject to a volumetric wastewater charge only,*

[127] More details on Uisce Éireann's process can be found on its website.
[128] The CRU's role with regard to disputes in relation to 'Water In Not Equal to Water Out' applications will be further clarified in the next phase of consultation.

*with no account taken of trade effluent strength components i.e., UÉ considers that appropriate trade effluent charges are not yet in place in these LA areas*."

Therefore, Uisce Éireann proposed to apply 'Water In Not Equal to Water Out' agreements for trade effluent services when the Trade Effluent Charging Framework is implemented on 01 October 2026. Please see Section 3.5 of Uisce Éireann's *Customer Information Paper* for a more detailed discussion by Uisce Éireann.

## 13.3 Removing Perverse Incentives Inherent in Tariff Design

As mentioned in this paper, across the existing non-domestic tariff classes there are 'perverse incentives' to consume inefficiently for a small number of customers who are close to certain tariff boundaries. That is, at certain tariff boundaries customers are incentivised to either use more water or avoid reducing water use in order to avoid moving to a new tariff class the following tariff year which would be less beneficial financially.

***Perverse incentives existing in the current tariff design***

For example, a customer could reduce its water use either because of a change in business conditions, or because it changed its business processes to be more water efficient. In this case, it would normally expect to see its annual bill decrease the following tariff year. However, it is possible that it could actually face an increase in its annual bill in the next tariff year if the reduction in its consumption means that it moves tariff class in the following tariff year, and the standing and volumetric charge rates of its 'new' tariff class are less financially beneficial at its new lower consumption volume. This can happen when the net impact of a higher volumetric charge rate and lower standing charge (associated with the Band 'below') results in a higher annual bill (at the connection's new lower consumption volume) compared to the annual bill calculated using the lower volumetric charge rate and higher standing charge associated with the connection's 'current' Band.

It is also possible for customers to increase their water use (or wastewater discharge for wastewater only connections), move up a tariff class the following tariff year and see a decrease in its annual bill. Similarly, this leads to a perverse incentive for a connection close to a tariff class boundary to avoid reducing its water use (or wastewater discharge for wastewater only connections).

***Why does it exist?***

The perverse incentive exists due to the method by which the Framework tariffs are generated. That is, costs are allocated to different tariff classes and tariff class components in a systematic and transparent way in accordance with the cost allocation methodology and use of 'connection' and 'volume' cost drivers. The standing charges and volumetric charges of the different tariff classes are calculated based on estimates of the number of connections and volumes in each tariff class, and the costs of serving each group of connections. Because all costs do not change directly with the number of connections or volume, there is not a smooth transition of a bill when consumption increases or decreases by a small amount at the tariff boundaries.

It should be noted that this perverse incentive exists at certain tariff boundaries and only impacts customers if they actually 'cross' at tariff boundaries. Uisce Éireann has reported that only a small number of connections crossed the tariff boundary between year 1 and year 2 of the Framework that were impacted by this issue. Please note also that it will always be the case that customers who reduce their consumption during the tariff year will see reductions in their bills during that year.

In July 2020, to address the perverse incentives in the existing non-domestic tariffs the CRU in its decision on the 'Tariff Application Rules' introduced a number of rules to mitigate the impact of the perverse incentives and decided that "*The CRU will review the tariffs under the Non-Domestic Tariff Framework at the end of this period* [3-year transition period] *with a view to preventing this issue* [Perverse Incentive] *from arising in the future.*" These rules are further discussed in the subsection below.

***Uisce Éireann has not fully removed perverse incentives in its new tariffs***

As a result, in 2022 the CRU requested that Uisce Éireann seek to eliminate the occurrence of perverse incentives across all tariff classes when updating the Framework to generate new non-domestic water and wastewater tariffs to apply 01 October 2024. Uisce Éireann has reduced the occurrence and magnitude of perverse incentives within its new tariff proposals, which is expected to impact only a very small number of connections who are close to certain tariff boundaries. Uisce Éireann considered several different mechanisms within its proposals to reduce the existence and magnitude of perverse incentive. It proposed to reduce the perverse incentives by amending cost allocation rules, that is, how water distribution capex is recovered through the standing charge and volumetric charge of each class and how wastewater collection capex is recovered through the standing charge and volumetric charge for each class. Perverse incentives are reduced because this proposed allocation rule change lessens the difference in the volumetric charge rate levels of adjacent tariff Bands, and thus lessens the incentive to consume inefficiently for connections close to a tariff boundary.

***Negative consequences of full removal***

Uisce Éireann has not fully removed the perverse incentives within its proposals. Uisce Éireann is of the view that completely removing the perverse incentives would result in larger standing charge increases (which would increase by an additional 25% to 125% for most water bands compared to Uisce Éireann's proposed tariff rates) for all customer tariff bands, which has the negative consequence of dampening the incentive to conserve water for all customers within each band.

## Stakeholder Feedback and CRU Observations

A number of respondents who responded to this proposal supported Uisce Éireann's proposal of partially reducing perverse incentives as it avoids large standing charge increases for all customer tariff bands.

As set out in the CRU's Consultation Paper, the CRU acknowledges this important point and wishes to strike the appropriate balance between maintaining strong incentives to use water efficiently for all customers and reducing inefficient consumption signals at some tariff boundaries for a small number of customers. Although perverse incentives exist at certain tariff boundaries within Uisce Éireann's new proposed non-domestic water and wastewater tariffs, the CRU is cognisant of the need to balance this against the requirement for the new non-domestic tariffs to also meet multiple objectives of promoting efficiency in water use, cost reflectivity, cost recovery, equity, stability, and simplicity. However, the CRU will request that Uisce Éireann seek to fully remove these perverse incentives from all tariff class boundaries in future reviews of the tariffs.

**CRU's Decision**

The CRU's decision is to approve Uisce Éireann's proposal to partially reduce perverse incentives within its new proposed water and wastewater tariff rates to apply on 01 October 2024.

## 13.4 Tariff Application Rules and Perverse Incentives

The CRU's Tariff Application Rules Decision Paper (CRU/20/072)[129] sets out the CRU's decisions regarding what rules should apply when assigning non-domestic connections to a tariff class. Some of these rules relate to addressing and mitigating the impact of perverse incentives inherent in the existing tariff design for some connections whose volume is close to a tariff class boundary.

**Stakeholder Feedback and CRU's Decision on Amendments to the Tariff Application Rules regarding assigning non-domestic connections to a tariff class on 01 October 2024**

One respondent commented on the CRU's proposed amendments and noted that this is a pragmatic option to solve the perverse incentive issue rather than further increases in the standing charge further. The CRU acknowledges this is an important point. No respondent commented on the detailed tariff application rules.

As per the CRU's decision, perverse incentives exist within the final water and wastewater tariffs to apply on 01 October 2024. To mitigate the negative impact of perverse incentives and to provide clarity to customers, the CRU has decided to approve the following amendments (noted in green text) to the existing rules in respect of assigning customers to a tariff class from 01 October 2024 set out in the table below.

[129] *"Irish Water's Non-Domestic Tariff Framework Tariff Application Rules CRU Decision Paper (CRU/20/072)"* - 13 July 2020 - available at the following link.

### Table 17– CRU's Decision on the Amendments to Existing Tariff Application Rules

| Rule Number | Existing Rule (Tariff Application Rules Decision Paper (CRU/20/072)) | The CRU's Decision |
|---|---|---|
| **1** | AQ[130] is the only basis for assigning a connection to a tariff class (with some limited exceptions). All connections should pay the tariff rates associated with their assigned tariff class as a general rule. | No change |
| **2** | Any connections may challenge their AQ and their assigned tariff class for the next tariff year but must provide supporting evidence that the assigned AQ is not reflective of the connection's expected water usage (or wastewater discharge for wastewater only connections) in the next tariff year and must be open to site visits by Uisce Éireann. | No change |
| **3** | If Uisce Éireann denies a connection's request to change tariff class, it will provide written reasoning to the connection to explain its decision. Where a customer and Uisce Éireann cannot agree on the customer's disputed assigned AQ, the customer can raise a complaint regarding the dispute to the CRU under the CRU's non-domestic complaints process. | No change |
| **4** | Uisce Éireann will inform customers that they have the right to challenge their AQ and their assigned tariff class and will provide a reasonable timeframe for customers to submit a challenge. | No change |

[130] Under the Non-Domestic Tariff Framework metered non-domestic connections will be assigned to a tariff class based on their Annual Quantity (AQ), which is the volume of water used (or wastewater discharged for wastewater only connections) by the connection over a 12-month period. An AQ will be calculated by Uisce Éireann once a year for every connection, and this determines the connection's tariff class for the next tariff year.

| Rule Number | Existing Rule (Tariff Application Rules Decision Paper (CRU/20/072)) | The CRU's Decision |
|---|---|---|
| **5** | Any connection that reduces its annual water use (or wastewater discharge for wastewater only connections) to the extent that it should move tariff class but would see a higher annual bill in the new tariff class (at the newly assigned AQ) can request to stay on its old tariff rates (i.e. its old standing charge and volumetric charge) for the next tariff year, and Uisce Éireann will automatically accept such requests.<br><br>Uisce Éireann shall inform connections that are moving to a lower tariff class and facing a higher annual bill as a result, that they have the right to request to stay on the tariff rates of their old tariff class.<br><br>This will apply until the end of the transition period. | **Approve Proposal**<br><br>Any connection that reduces its annual water use (or wastewater discharge for wastewater only connections) to the extent that it should move tariff class, but would see a higher annual bill in the new assigned tariff class (at the newly assigned AQ) than it would if it continued to be assigned to its current tariff class, can request to stay on its current tariff class for the next tariff year, and Uisce Éireann will automatically accept such requests.<br><br>For clarity, all connections will be charged the tariff rates that are applicable on 01 October **of the prevailing tariff year.**<br><br>Uisce Éireann shall inform connections that are moving to a lower tariff class and would see a higher annual bill in the new assigned tariff class (at the newly assigned AQ) than it would if it continued to be assigned to its current tariff class, that they have the right to request to stay assigned to their current tariff class. |
| **6** | Any connection on a transition tariff that increases its water use (or wastewater discharge for wastewater only connections) to the extent that it moves tariff class, and would see a higher annual bill at the tariff rates of the new tariff class (at the newly assigned AQ) compared to its original transition tariff rates (at the same AQ) shall have new transition tariff rates calculated by Uisce Éireann in order to transition the connection to its new enduring tariff | **Approve Proposal**<br><br>No longer applicable.<br><br>(The transitional rules and transition tariffs under the existing Framework will cease to exist on 30 September 2024 (the end of the 3-year transition period).<br><br>In advance of a tariff year, Uisce Éireann will assess every connection on the same basis to determine if it is eligible for any bill capping arrangements that may be applicable.) |

| Rule Number | Existing Rule (Tariff Application Rules Decision Paper (CRU/20/072)) | The CRU's Decision |
|---|---|---|
| | rates over the remaining years of the transition period. | |

Each of these rules are discussed below.

***Rules CRU has decided to retain***:

- **Rules 1 to 4**: The CRU has decided that these rules should be retained, and don't require amendment. Rules 1 to 4 provide clarity as to how customers are assigned to a tariff class, how this should be communicated with customers and that customers have an opportunity to challenge their assigned tariff class.

***Rule CRU has decided to amend:***

**Rule 5**: To ensure that customers are not financially disadvantaged and thereby remove the incentivise to consume inefficiently, under this rule the CRU has decided that customers will be able to retain their current tariff class on 01 October 2024 (albeit at the new tariff rates that apply for that Band on 01 October 2024). This rule would apply in circumstances where the customer would see a higher annual bill in the newly assigned tariff class (at the newly assigned AQ) than it would if it continued to be assigned to its current tariff class. Customers can request to stay on their current tariff class for the next tariff year, and Uisce Éireann will automatically accept such requests.
Similar to the existing tariff application rule, Uisce Éireann shall inform connections that are moving to a lower tariff class and would see a higher annual bill in the newly assigned tariff class (at the newly assigned AQ) than it would if it continued to be assigned to its current tariff class, that they have the right to request to stay assigned to their current tariff class.

**AMENDMENT:** The CRU has made a slight amendment to this rule to enhance its durability. Specifically, the CRU has chosen to remove reference to a particular year and instead now include reference to *"...of the prevailing tariff year."* This small adjustment ensures that the rule remains relevant without requiring annual updates, therefore increasing its endurance.

***Rule CRU has decided to remove:***

**Rule 6:** The CRU has decided to remove this rule as it is no longer applicable as the transitional rules and transition tariffs under the existing Framework will cease to exist on 30 September 2024 (the end of the 3-year transition period). Please note that Uisce Éireann will assess every connection on the same basis to determine if it is eligible for any bill capping arrangements that may be applicable in advance of the tariff year commencing on 01

October 2024. Please note that these rules will be reviewed in the future to ensure it remains appropriate.

## CRU's Decision

The CRU's decision is to approve:

- **Rule 1:** Annual Quantity is the only basis for assigning a connection to a tariff class (with some limited exceptions). All connections should pay the tariff rates associated with their assigned tariff class as a general rule.
- **Rule 2:** Any connections may challenge their Annual Quantity and their assigned tariff class for the next tariff year but must provide supporting evidence that the assigned Annual Quantity is not reflective of the connection's expected water usage (or wastewater discharge for wastewater only connections) in the next tariff year and must be open to site visits by Uisce Éireann.
- **Rule 3:** If Uisce Éireann denies a connection's request to change tariff class, it will provide written reasoning to the connection to explain its decision. Where a customer and Uisce Éireann cannot agree on the customer's disputed assigned Annual Quantity, the customer can raise a complaint regarding the dispute to the CRU under the CRU's non-domestic complaints process.
- **Rule 4:** Uisce Éireann will inform customers that they have the right to challenge their AQ and their assigned tariff class and will provide a reasonable timeframe for customers to submit a challenge.
- **Rule 5:** Any connection that reduces its annual water use (or wastewater discharge for wastewater only connections) to the extent that it should move tariff class, but would see a higher annual bill in the new assigned tariff class (at the newly assigned Annual Quantity) than it would if it continued to be assigned to its current tariff class, can request to stay on its current tariff class for the next tariff year, and Uisce Éireann will automatically accept such requests.

  For clarity, all connections will be charged the tariff rates that are applicable on 01 October of the prevailing tariff year.

  Uisce Éireann shall inform connections that are moving to a lower tariff class and would see a higher annual bill in the new assigned tariff class (at the newly assigned Annual Quantity) than it would if it continued to be assigned to its current tariff class, that they have the right to request to stay assigned to their current tariff class.
- **Rule 6:** Remove the rule.

## 13.5 Applying Trade Effluent Charges to Customers Who do not Have a Trade Effluent Licence but Where Uisce Éireann has Indicated to a Customer that it Should Have a Licence

Uisce Éireann has informed the CRU that there are a number of connections that discharge trade effluent into the public wastewater system that do not hold a licence to discharge trade effluent. Uisce Éireann is of the view that these customers should be charged a trade effluent tariff and proposed to apply trade effluent charges where Uisce Éireann has indicated to the customer that the trade effluent discharge into the public sewer should be licensed.

As set out in the CRU's Consultation Paper, while the CRU acknowledges that connections should be charged a trade effluent tariff if trade effluent is discharged in the public wastewater system, there also needs to be clear criteria as to the liability of charges (as approved under the Water Charges Plan) for customers. The indicative trade effluent charges generated by Uisce Éireann are based on the costs of collecting and treating effluent discharged by connections who hold a licence to discharge trade effluent into the public wastewater system.

The CRU is also concerned that approval of Uisce Éireann's proposal to apply trade effluent charges to a connection that is discharging trade effluent but does not have a licence would in effect be sanctioning unlicensed behaviour given that a licence is required by legislation. Additionally, the CRU is of the view that clear and objective criteria needs to be in place to determine charging liability for customers. The presence of a licence is a clear determinant for both the allocation of costs to trade effluent tariffs and the application of trade effluent tariffs to customer connections. Therefore, the CRU has decided that the new trade effluent tariffs should only apply to Uisce Éireann's customers who are licensed to discharge trade effluent into Uisce Éireann's wastewater network.

The CRU expects Uisce Éireann to continue to proactively engage with connections to seek out a licence to discharge trade effluent where it is warranted (in accordance with their legislative responsibilities and powers), to ensure that customers are appropriately charged for the service they receive from Uisce Éireann.

**CRU's Decision**

Uisce Éireann is to apply new trade effluent tariffs to trade effluent customers who are licensed to discharge trade effluent into the public sewer.

# 14 Next Steps

**Implementation of Non-Domestic Water and Wastewater Tariffs on 01 October 2024**

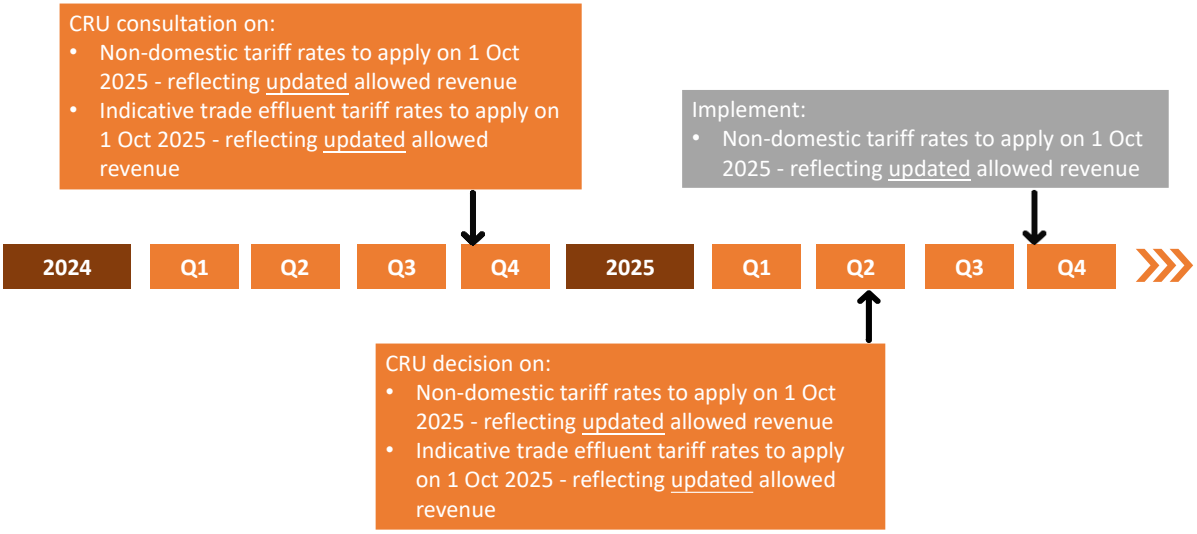
Uisce Éireann is to now implement the new non-domestic water and wastewater tariffs to apply to its non-domestic customers on 01 October 2024 as outlined in this Decision Paper.

**Implementation of Trade Effluent Charging Framework on 01 October 2026**

Uisce Éireann is to submit monthly progress reports, which clearly set out its implementation plan and specific milestones with estimated dates for the implementation of the Trade Effluent Tariff Framework and tariffs on time. The CRU will engage with Uisce Éireann on a regular basis to ensure trade effluent tariffs are implemented on time.

**2nd Phase of Consultation – Setting Tariffs for 01 October 2025**

The second phase of consultation mainly concerns updating the non-domestic water, wastewater tariffs and setting the new trade effluent tariff tariffs to reflect Uisce Éireann's up-to-date allowable revenue for 01 October 2025.




**Stakeholder Engagement**

The CRU will host workshops with key stakeholders in Q3 2024 to support their understanding of the CRU's decision on Uisce Éireann's Non-domestic and Trade Effluent Tariff Framework. The details of these workshops will be shared through the CRU's Non-Domestic Water User Group. Additionally, please see Section 6 of Uisce Éireann's *Customer Information Paper* for a more detailed discussion by Uisce Éireann of its communication approaches to help customers understand how and when they will be impacted by the Framework.

# 15 Appendix 1 - Design Element 4 - Cost Allocation to Domestic, Non-Domestic and Trade Effluent Customer Classes

The CRU received valuable feedback to the consultation (published in December 2023). The CRU has considered and incorporated a significant amount of respondents' suggestions in arriving at the CRU's decision on the tariff design aspects of the Framework.

This Section summarises the principal changes to Uisce Éireann's proposals for a new Non-Domestic Tariff Framework, which were published on 21 December 2023 for design element 4, the cost allocation exercise.

**Design Element 4: Cost Allocation**

The 'Cost Allocation' design element concerns how Uisce Éireann's costs are allocated to the different customer classes. This section summarises the CRU's decision on Uisce Éireann's proposed changes to the existing Framework cost allocation rules.

**Cost Drivers & 'Cost Driver Adjustments' – Water Services**

The following table summarises the cost allocation rules used to allocate water operational and capital costs to water customer tariff classes under the existing Framework. The table also sets out CRU's decision on Uisce Éireann's proposals, with approved rules in green text. Please see Section 6.1 for further details.

| Existing Tariff Framework | | | Uisce Éireann's Proposals | | The CRU's Decision | |
|---|---|---|---|---|---|---|
| Cost Drivers and Adjustments – Allocation of Operational Costs (Water Service) | | | | | | |
| Allocation of Operational Costs – Water Service | | | | | | |
| Cost Category | Cost Driver | Adjustment(s) | Cost Driver | Adjustment(s) | Cost Driver | Adjustment(s) |
| Operations & Maintenance (distribution related costs) | Consumption | Network Location | No change | | | |
| Operations & Maintenance (resource and treatment related costs) | Consumption | Network Leakage | No change | | | |
| Work and Asset Management (distribution related costs) | Consumption | Network Location | No change | | | |

| Existing Tariff Framework | | | Uisce Éireann's Proposals | | The CRU's Decision | |
|---|---|---|---|---|---|---|
| Work and Asset Management (resource and treatment related costs) | Consumption | Network Leakage | No change | | | |
| Customer Operations | Connections | No Adjustment | No change | | | |
| Support Services | 10% Consumption & 90% Connections | No Adjustment | No change | | | |
| Non-controllable costs | 10% Consumption & 90% Connections | No Adjustment | No change | | | |
| **Cost Drivers and Adjustments – Allocation of Capital Costs (Water Service)** | | | | | | |
| **Allocation of Capital Costs – Water Service** | | | | | | |
| **Cost Category** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** |
| Water Capex – Resource & Treatment | Consumption | Contribution to Peak Demand | No change | | | |
| Water Capex – Distribution | Connections | Network Location | 60% Connections | Network Location | Approve Proposal | |
| | | | 40% Consumption | Contribution to Peak Demand | | |

## 'Cost Driver Adjustment' Values Per Customer Class – Water Services

The following table summarises the CRU's decision on Uisce Éireann's proposed changes to existing Framework's cost driver adjustment levels used in the allocation of costs to water tariff customer classes. The table below sets out the CRU's decision on Uisce Éireann's proposals, indicating what has approved (noted in green text). Please see Section 6.2 for further details.

| Existing Tariff Framework | | | | | | | Uisce Éireann's Proposals | | | | | The CRU's Decision |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost Allocation – Adjustments (to Cost Drivers) – Water Service** | | | | | | | | | | | | |
| **Service** | **Adjustment** | **Cost Category** | **Tariff Class – Water Services** | | | | **Tariff Class – Water Services** | | | | | |
| | | | **Band 1** | **Band 2** | **Band 3** | **Band 4** | **Band 1** | **Band 2** | **Band 3** | **Band 4** | **Band 5** | |
| **Water** | Contribution to Peak Demand | Water Capex – Resource & Treatment | 0.90 | 0.85 | 0.80 | 0.80 | 0.90 | 0.85 | 0.80 | 0.80 | 0.80 | Approve Proposal |

| Existing Tariff Framework | | | | | | | Uisce Éireann's Proposals | | | | | The CRU's Decision |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Water** | Network Location | Water Opex - O&M (distribution related costs)[131] | 1.00 | 1.00 | 0.95 | 0.70 | 1.00 | 1.00 | 0.95 | 0.70 | 0.50 | Approve Proposal |
| **Water** | Network Location | Water Capex – Distribution-driven by connection | 1.00 | 1.00 | 0.95 | 0.70 | 1.00 | 1.00 | 0.95 | 0.70 | 0.50 | Approve Proposal |
| **Water** | Contribution to Peak Demand | Water Capex – Distribution – driven by consumption[132] | N/A | | | | 0.90 | 0.85 | 0.80 | 0.80 | 0.80 | Approve Proposal |
| **Water** | Network Leakage | Water Opex – O&M (treatment related costs)[133] | 1.00 | 0.95 | 0.90 | 0.80 | 1.00 | 0.95 | 0.90 | 0.80 | 0.80 | Approve Proposal |

## Cost Drivers & 'Cost Driver Adjustments' – Wastewater and Trade Effluent Services

The following table summarises the changes to Framework's existing cost driver and cost driver adjustments used in the allocation of wastewater operational and capital costs to the wastewater and proposed trade effluent customer classes. It sets out the CRU's decision regarding Uisce Éireann's proposals, showing what has approved (noted in green text) and which cost allocation rules have been rejected (noted in red text). Please see Section 6.3 for further details.

| Existing Tariff Framework | | | Uisce Éireann's Proposals | | The CRU's Decision | |
|---|---|---|---|---|---|---|
| **Cost Drivers and Adjustments – Allocation of Operational Costs (Wastewater & TE Services)** | | | | | | |
| **Allocation of Operational Costs – Wastewater Services** | | | **Allocation of Operational Costs – Wastewater & TE Services** | | | |
| **Cost Category** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** |

[131] Specifically, this cost category is Water Opex - Operations & Maintenance & Work and Asset Management (distribution related costs).

[132] **Applying peak demand adjustments to water distribution capex cost allocated by consumption:** Uisce Éireann proposal to apply the peak demand adjustments to water distribution capex allocated by volume/consumption was not reflected in Uisce Éireann's Non-Domestic Tariff Design Review and Alignment proposals (CRU/2023150) and CRU's Consultation Paper (CRU/2023149). The update has now been added to the CRU Decision Paper to reflect the CRU's decision to approve this tariff design proposal.

[133] Specifically, this cost category is Water Opex - Operations & Maintenance & Work and Asset Management (resource and treatment related costs).

| Existing Tariff Framework | | | Uisce Éireann's Proposals | | The CRU's Decision | |
|---|---|---|---|---|---|---|
| Operations & Maintenance (collection related costs) | Wastewater Volume | Network Location | Wastewater Volume | Network Location | Approve Proposal | |
| Operations & Maintenance (treatment related costs) | Wastewater Volume | No Adjustment | 30% Wastewater Volume & 70% PE | Treatment Plant | Approve | Reject Treatment Plant Adjustment - No Adjustment |
| Work and Asset Management (collection related costs) | Wastewater Volume | Network Location | Wastewater Volume | Network Location | Approve Proposal | |
| Work and Asset Management (treatment related costs) | Wastewater Volume | No Adjustment | 30% Wastewater Volume & 70% PE | Treatment Plant | Approve Proposal | Reject Treatment Plant Adjustment - No Adjustment |
| Customer Operations | Connections | No Adjustment | Connections | No Adjustment | Approve Proposal | |
| Support Services | 10% Wastewater Volume & 90% Connections | No Adjustment | 5% Wastewater Volume & 5% PE & 90% Connections | No Adjustment | Approve Proposal | |
| Non-controllable costs | 10% Wastewater Volume & 90% Connections | No Adjustment | 5% Wastewater Volume & 5% PE & 90% Connections | No Adjustment | Approve Proposal | |
| **Cost Drivers and Adjustments – Allocation of Capital Costs (Wastewater Service & TE Services)** | | | | | | |
| **Allocation of Capital Costs – Wastewater Service** | | | **Allocation of Capital Costs – Wastewater Service** | | | |
| **Cost Category** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** | **Cost Driver** | **Adjustment(s)** |
| Wastewater Capex – Treatment | Wastewater Volume | No Adjustment | 69% Wastewater Volume & 31% PE | Treatment Plant | Approve Proposal | Reject Treatment Plant Adjustment - No Adjustment |
| Wastewater Capex – Collection | Wastewater Volume | Network Location | Wastewater Volume | Network Location | Approve Proposal | |

## ‘Cost Driver Adjustment’ Values Per Customer Class – Wastewater and Trade Effluent Services

The following table summarises the CRU’s decision on Uisce Éireann’s proposed changes to existing Framework’s adjustments and adjustment levels used in the allocation of costs to wastewater and trade effluent tariff customer classes. The table sets out the proposals, the CRU has approved (noted in green text) and which adjustments and adjustment values has rejected (noted in red text).

| Existing Tariff Framework | | | | | | | Uisce Éireann’s Proposals | | | | | | | CRU Decision |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost Allocation – Adjustments (to Cost Drivers) – Wastewater and Trade Effluent Services | | | | | | | | | | | | | | |
| Service | Adjustment | Cost Category | Tariff Class – Wastewater Services | | | | Tariff Class – Wastewater Services | | | | Tariff Class – TE Services | | | |
| | | | Band 1 | Band 2 | Band 3 | Band 4 | Band 1 | Band 2 | Band 3 | Band 4 | TE 1 | TE 2 | TE 3 | |
| **Waste Water / TE** | Network Location | Wastewater Opex – O&M (collection related costs)[134] | 1.00 | 1.00 | 1.00 | 0.90 | 1.00 | 1.00 | 1.00 | 0.80 | 0.97 | 1.00 | 0.80 | Approval network location adjustments for Bands 1-3. Reject Proposal for Band 4 (Retain the existing network location adjustment values for Band 4-0.9) |
| **Waste Water / TE** | Network Location | Wastewater Capex – Collection | 1.00 | 1.00 | 1.00 | 0.90 | 1.00 | 1.00 | 1.00 | 0.80 | 0.97 | 1.00 | 0.80 | |
| **Waste Water / TE** | Treatment plant | Wastewater Opex – O&M (treatment related costs)[135] | | | | | 1.00 | 1.00 | 1.00 | 1.00 | 0.99 | 0.85 | 0.85 | No adjustment |
| **Waste Water / TE** | Treatment plant | Wastewater Capex - Treatment | | | | | 1.00 | 1.00 | 1.00 | 1.00 | 0.99 | 0.85 | 0.85 | |

[134] Specifically, this cost is ‘Wastewater Opex - Operations & Maintenance & Work and Asset Management (collection related costs)’.
[135] Specifically, this cost is ‘Wastewater Opex - Operations & Maintenance & Work and Asset Management (treatment related costs)’.

### Costs to be recovered via the Standing Charge and Volumetric Charges – Water Tariffs

The following table summarises the CRU's decision on Uisce Éireann's proposed changes to the rules used to determine the costs to be recovered via the Standing and Volumetric charges within each water tariff customer class. The CRU has approved all of Uisce Éireann's proposed changes under this tariff design feature (noted in green text). Please see Section 6.5.2 for further details.

| Existing Tariff Framework | | Uisce Éireann's Proposals | | CRU Decision |
|---|---|---|---|---|
| **Cost Allocated to be Recovered via the Standing Charge and Volumetric Charges - Water** | | | | |
| **Water Tariff** | | **Water Tariff** | | |
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** | |
| **100%** Customer Operations Opex | **100%** Water R&T Capex | **100%** Customer Operations Opex | **100%** Water R&T Capex | Approve Proposal |
| **0%** Water Distribution Capex | **100%** Water Distribution Capex | Water Distribution Capex<br>• **44%** - Band 1<br>• **15%** - Band 2<br>• **15%** - Band 3<br>• **23%** - Band 4<br>• **30%** - Band 5 | Water Distribution Capex<br>• **56%** - Band 1<br>• **85%** - Band 2<br>• **85%** - Band 3<br>• **77%** - Band 4<br>• **70%** - Band 5 | Approve Proposal |
| Operations & Maintenance Opex:<br>• **0.5%** - Band 1<br>• **0.6%** - Band 2<br>• **0.7%** - Band 3<br>• **0.7%** - Band 4 | Operations & Maintenance Opex<br>• **99.5%** - Band 1<br>• **99.4%** - Band 2<br>• **99.3%** - Band 3<br>• **99.3%** - Band 4 | Operations & Maintenance Opex:<br>• **0.5%** - Band 1<br>• **0.6%** - Band 2<br>• **0.7%** - Band 3<br>• **0.7%** - Band 4<br>• **0.7%** - **Band 5** | Operations & Maintenance Opex:<br>• **99.5%** - Band 1<br>• **99.4%** - Band 2<br>• **99.3%** - Band 3<br>• **99.3%** - Band 4<br>• **99.3%** - Band 5 | Approve Proposal |
| **100%** Non-Controllable Opex[136] | | **100%** Non-Controllable Opex | | Approve Proposal |
| **100%** Support Services Opex | | **100%** Support Services Opex | | Approve Proposal |

[136] Non-controllable opex costs also include innovation opex. Uisce Éireann stated *"…the purpose of this allowance (innovation fund) is to allow UÉ to promote new technologies and improved ways of delivering water and wastewater service for customers within an incentive base regime where cost efficiency is the focus. For UÉ to draw down its innovation fund allowance it must first receive approval from the CRU for individual innovation projects.".* Please see page 97 of Uisce Éireann's Non-Domestic Tariff Design Review and Alignment Proposals submission document for this information.

| Existing Tariff Framework | | Uisce Éireann's Proposals | | CRU Decision |
|---|---|---|---|---|
| **100%** Group and Shared Opex | | | | |

## Costs to be recovered via the Standing Charge and Volumetric Charges – Wastewater Tariffs

The following table summarises the CRU's decision on Uisce Éireann's proposed changes to the rules used to determine the costs to be recovered via the Standing and Volumetric charges within each wastewater tariff customer class. The table sets out the Uisce Éireann proposals that the CRU has approved (noted in green text). Please see Section 6.5.3 for further details.

| Existing Tariff Framework | | Uisce Éireann's Proposals | | CRU Decision |
|---|---|---|---|---|
| **Cost Allocated to be Recovered via the Standing Charge and Volumetric Charges - Wastewater** | | | | |
| **Wastewater Tariff** | | **Wastewater Tariff** | | |
| ***Standing Charge*** | ***Volumetric Charge*** | ***Standing Charge*** | ***Volumetric Charge*** | |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | Approve Proposal |
| **0%** Wastewater Collection Capex | **100%** Wastewater Collection Capex | Wastewater Collection Capex<br>• **48% -** Band 1<br>• **0% -** Band 2<br>• **10% -** Band 3<br>• **0% -** Band 4 | Wastewater Collection Capex<br>• **52% -** Band 1<br>• **100% -** Band 2<br>• **90% -** Band 3<br>• **100% -** Band 4 | Approve Proposal |
| Operations & Maintenance Opex:<br>• **0.5% -** Band 1<br>• **0.6% -** Band 2<br>• **0.7% -** Band 3<br>• **0.7% -** Band 4 | Operations & Maintenance Opex<br>• **99.5%** - Band 1<br>• **99.4% -** Band 2<br>• **99.3%** - Band 3<br>• **99.3% -** Band 4 | Operations & Maintenance Opex<br>• **0.5% -** Band 1<br>• **0.6% -** Band 2<br>• **0.7% -** Band 3<br>• **0.7% -** Band 4 | Operations & Maintenance Opex<br>• **99.5% -** Band 1<br>• **99.4% -** Band 2<br>• **99.3% -** Band 3<br>• **99.3% -** Band 4 | Approve Proposal |
| **100%** Non-Controllable Opex | | **100%** Non-Controllable Opex | | Approve Proposal |
| **100%** Support Services Opex | | **100%** Support Services Opex | | Approve Proposal |
| **100%** Group and Shared Opex | | | | Approve Proposal |

**Costs to be recovered via the Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge – Trade Effluent Tariff Classes**

The following table summarises the CRU's decision on Uisce Éireann's proposed rules to determine the costs to be recovered from each tariff component (Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge) within each of the Trade Effluent Customer classes[137]. The table sets out the Uisce Éireann proposals that the CRU has approved (noted in green text). Please see Section 6.5.4 for further details.

| **CRU's Decision on Uisce Éireann's Proposals** | | |
|---|---|---|
| **Cost Allocated to be Recovered via the Standing Charge, Volumetric Charge and 'Compliance and Licensing' Charge – Trade Effluent** | | |
| **Trade Effluent Tariffs** | | |
| ***Standing Charge*** | ***Volumetric Charge*** | ***Compliance and Licensing Charge*** |
| **100%** Customer Operations Opex | **100%** Wastewater Treatment Capex | **100%** TE Licensing Costs |
| Wastewater Collection Capex<br>• **17% -** TE Category 1<br>• **8% -** TE Category 2<br>• **0% -** TE Category 3 | Wastewater Collection Capex<br>• **83% -** TE Category 1<br>• **92% -** TE Category 2<br>• **100% -** TE Category 3 | **100%** TE Compliance Costs |
| Operations & Maintenance Opex<br>• **0.6%** - TE Category 1<br>• **0.7% -** TE Category 2<br>• **0.7%** - TE Category 3 | Operations & Maintenance Opex<br>• **99.4%** - TE Category 1<br>• **99.3% -** TE Category 2<br>• **99.3%** - TE Category 3 | |
| **100%** Non-Controllable Opex | **100%** TE Sampling Costs (TE Category 2 and TE Category 3) | **100%** TE Sampling Costs (TE Category 1) |
| **100%** Support Services Opex | | |

[137] Please note the Wastewater Collection Capex cost allocated to each Trade Effluent Category may change on 01 October 2026. As these figures are based on the CRU decision on Uisce Éireann's proposed approach to recover a portion of Wastewater Collection Capex through the Standing Charge to reduce the incidence and magnitude of perverse incentives.