

CER Press Release – 30th September 2014

CER Publishes Decision on Water Charges

The Commission for Energy Regulation (CER) has today published its decision on water charges in Ireland. This decision sets out the charges which will apply to domestic (residential) customers from 1st October 2014 to 31st December 2016, covering water supply and wastewater disposal.

The CER decision follows a public consultation on the Irish Water Charges Plan which issued from the CER at the end of July. The CER received 345 responses and queries to this consultation. Having considered the comments received, the CER has made a number of changes in order to benefit water customers. The key changes are as follows:

Key Changes to the Water Charges Plan

- All customers will have their total water charges capped at the unmetered “assessed charge” (see page 2) for 9 months, extended from 6 months in the public consultation.
- Customers will receive a 100% discount on the water supply element of their charge where the water is unfit for human consumption, once the boil water notice is in place for at least 24 hours. In other words, there will be no water supply charge to customers in this case. This compares with the public consultation where a 50% reduction was proposed for up to 3 months and a 100% reduction only applied thereafter. These customers will continue to be charged for their wastewater where they are a customer of Irish Water.
- Where a customer’s metered water consumption is shown to be less than the assessed consumption used in the assessed charge, a rebate will be given to the customer after a period of 6 months. In the consultation a 12 month period was suggested.
- The annual minimum charge for a combined water supply and wastewater service at a non-primary residence has been reduced from €160 to €125 per annum, or €62.50 per service per annum.

The majority of the Water Charges Plan has not changed from the earlier consultation. The main aspects of the CER decision announced today are set out below.

Domestic Water Charges

- Unit water rates and assessed charges (see page 2) have not changed from the rates proposed in the consultation.
- A customer only pays for the water service he or she receives, i.e. water supply and/or wastewater disposal services. Charges will be shown separately on a customer’s bill.
- If a customer doesn’t have a water meter installed yet, the customer will be on an assessed charge. An assessed charge is the current best estimate of how much water a household with a certain number of adult occupants will consume. The charge is based on adult occupants only, as children are free.
- Assessed charges are based on the number of adults in a household. This equates to a charge of €176 for a household with one adult and approximately an extra €102 for every extra adult living in the household, for both water services. The assessed charge is

calculated on the basis 66,000 litres of consumption for a single adult household plus 21,000 litres for each additional adult. The charge is half for only one service. Please see the table below as an example.

Number of Adult Occupants	Annual Assessed Charge	
	For a Single Service: Water <u>or</u> Wastewater	For Combined Service: Water <u>and</u> Wastewater
1	€88	€176
2	€139	€278
3	€190	€381
4	€242	€483
5	€293	€586

- A children's free allowance of 21,000 litres per annum will be available per child. The CER will monitor consumption to ensure that the children's allowance adequately reflects the normal consumption of a child.
- Customers with water meters installed will have consumption-based charges, but their bill will be capped at the above assessed charges for 9 months. This means that during this time his or her charges will be no higher than the above charges and they may be lower. This measure is designed to ease the transition to consumption-based water charges.
- The metered rates are €2.44 per thousand litres for one service and €4.88 for both services.
- If Irish Water identifies a water leak in a customer's premises having installed the meter, the customer's charges will be capped at the assessed charge until the leak is fixed.
- Customers with medical conditions which require increased water consumption will be capped at the assessed charge if they have a meter installed. Any water consumed above the assessed charge level will be free of charge.
- Where water is unfit for human consumption, affected customers will receive a 100% discount on the water supply charge, as per page 1 above.
- A minimum water charge will apply to non-primary residences, as per page 1 above.

Irish Water's Costs

- Irish Water had proposed a revenue requirement of €2,263 million to cover the costs of providing water and wastewater services for the period from 1st October 2014 to the end of 2016.
- The CER has decided to impose a cut of 8.2% to ensure that only efficient costs are recovered from customers. This cut will result in an allowed revenue for Irish Water of €2,078 million.
- As per the calculation in the decision, when the total costs of providing water services are spread across all households, this results in an average annual cost of €594 for a household with both water supply and wastewater services.
- The Government is providing funding to Irish Water to cover the purchase of free allowances such that children are free and that the average charge does not exceed €240.
- Given the 8.2% cost cut made by the CER, the average annual average water and wastewater charge for all types of households is €238 as per the calculation in the decision. Not all households are the same size, or use water in the same way; some will use more, some less. This means that customers' bills will vary depending on the number of people in the household and how much water they actually use.
- The CER will monitor Irish Water's expenditure to ensure that it delivers value for money.

Non-Domestic Customers

Existing charges for non-domestic water and/or waste water customers will continue to apply for the foreseeable future until the CER is presented with the necessary information to consider the matter further. Mixed use customers will be charged for the domestic component of their consumption on the same basis as for all other domestic customers whose use is unmetered.

Commenting on today's publications, the CER's Commissioner, Paul McGowan, said:

"Having considered the public comments received to the CER's consultation on water charges, the CER is today bringing clarity to the matter and introducing a number of changes which we hope will benefit customers. These changes include an extension of capped water charges from 6 to 9 months, and a commitment to a zero charge for the water supply element of the bill for domestic customers on a boil water notice.

The CER has confirmed the 8.2% cut in Irish Water's allowed costs as set out in the public consultation. We will continue to monitor Irish Water closely in order to help ensure that the quality and efficiency of Ireland's water system improves in the years ahead".

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Notes to Editors:

- The CER is Ireland's independent energy regulator with a wide range of economic, customer and safety functions. The CER is also the economic regulator of Ireland's public water system. For further details please see www.cer.ie.
- The CER's role in relation to the economic regulation of Ireland's public water system is to review and approve the charges applied for the provision of water services to both domestic and non-domestic customers to ensure value for money for consumers. The CER also reviews and approves the codes of practice in place to protect customers of Irish Water.
- Irish Water is currently rolling-out water meters to the majority of Irish households, and approximately 80% of households are expected to have a meter by the end of 2016. If a customer doesn't have a meter yet, the customer will be on an assessed charge.
- The assessed water charges for households are based on the first adult in the household consuming 66,000 litres per year, and every additional adult occupant consuming another 21,000 litres.
- Irish Water is a newly established entity, formed from 34 independent Local Authorities, and as such there is a limited amount of consistent historic data available against which the CER can benchmark costs and expected levels of performance. This has meant that

the CER is implementing a shorter than normal interim review period of just over two years (1st October 2014 to end 2016), in order to establish the regulatory framework and collect the necessary data for the first full price control.

- The Government is providing subvention support to Irish Water for the period of the interim review and the Minister's Policy Direction addressed, *inter alia*, Government funded allowances, rules on tariff structures and assessed charges.
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