

To: Jamie Burke,

Date: 29/11/13

Commission for Energy Regulation,

The Exchange, Belgard Square North,

Tallaght, Dublin 24.

From: Local Authorities' Water Services Transition Office,

11 Parnell Square, Dublin 1

RE: Submission on foot of the CER Consultation Paper on the "Economic regulatory framework for the public Irish water services sector"

Dear Mr Burke,

Outlined below are a number of observations which I believe should be considered by CER in the development of the regulatory framework for water services in Ireland.

1. Framework Focus:

In relation to the principles outlined for the Regulatory Framework the concern must be voiced that the focus is primarily on economic factors. While these are vital considerations, no less relevant and necessary is the need to support sustainable development for communities of all types.

2. National Sustainability

The CER's approach to regulation must be compatible with and further the government's policy on sustainable development as set out in its document 'Our Sustainable Future' published in June 2012. This paper outlines the policies that will guide Ireland's sustainable development to 2020. It therefore sets the framework within which CER should regulate water services in Ireland.

3. Delivering Sustainability Locally

As the bodies legally responsible for the proper planning and sustainable development of the areas Local Authorities are mandated to have regard to social and economic needs when planning for spatial development through City and County Development Plans, with oversight by Environment, Community and Local Government, through which government policy is planned for and implemented. It is important that the CER has regard to Local Authorities (LA) obligations to deliver sustainable development when regulating the new utility. The lowest economic cost solution to servicing land for growth may not always deliver the best return for the citizen in the long term. Local authorities seek to meet social needs of the citizens by facilitating development where other amenities such as schools, childcare exist. When significant new centres of population are being provided for in accordance with National Spatial Strategy and Regional Planning Guidelines, LAs will work with the various Government Departments to have the necessary social infrastructure developed in tandem with residential and commercial development. This "joined up" approach can only be delivered where local authorities have certainty on what land will be serviced and when.

4. The Rural Development Context

From a rural perspective it is important that rural towns and villages have the capacity to grow and to provide a vibrant community for people to live in. If capacity is not available they will stagnate and families will be forced to move, undermining the fabric of the local society. This sustainable rural development agenda must be included within the Regulatory Principles to balance the drive for efficiency and economies of scale. A possible approach to addressing this could be the creation of a specific fund within the Irish Water investment programme to meet a Public Service Obligation at local level.

5. Consultative Approach

It is recommended that CER should adopt as a principle a consultative approach involving engagement with all concerned stakeholders, particularly customers and local community groups, the intended beneficiaries of regulation. This principle underlies the development of priorities in respect of all statutory Plans for which Local Authorities are responsible.

Other stakeholders who should be consulted with on a regular basis would include

- Irish Water and its main service provider, the local authorities
- Regulatory bodies that have a responsibility within the Water Services industry and which have an impact on costs including the EPA and HSE.
- Development agencies including the IDA and enterprise Ireland and Local Authorities as the local Planning and Development Authority.
- Business groups including IBEC, ISMA and local Chambers of Commerce.

6. Treatment of Operational (maintenance and upkeep) and Capital Expenditure

In relation to the Regulated Asset Base, Treatment of Capital Expenditure and the Rate of Return, an important factor which should be considered is the under investment in the water services infrastructure over the past twenty years. In many areas the distribution and collection networks require substantial investment and further improvements in water and waste water treatment capacity is required to meet current and future demand and environmental standards. A rate of return which allows for the proactive replacement of obsolete infrastructure and an investment program which will encourage the development of new fit for purpose infrastructure will be critical if the country is to meet its economic development and environmental objectives.

7. Transition of Responsibility and Service Delivery

In setting up Irish Water as the new Water Utility the approach of establishing a twelve year Service Level Agreement with the Local Authorities will facilitate a smooth transition to the new utility and will build on the knowledge, expertise and values of the Local Authorities to deliver greater value for money for the consumer. Local Authorities have delivered an excellent service to customers for many years in very difficult financial constraints. Over the past five years there has been a constant efficiency drive within the Local Government Sector which has delivered a reduction of 24% in headcount and expenditure savings of €839m. This has involved the introduction of new work practices

and IT systems, restructuring the organisations, procurement savings, longer working hours and reductions in pay levels.

Under the SLA Local Authorities and IW are committed to a continuation of this efficiency agenda which, in conjunction with a targeted investment program in infrastructure and IT Systems will deliver improvements in service and greater value for money for the customer.

The local government sector would welcome an opportunity to meet with the CER as part of the consultation process to convey a better understanding of the role of local authorities in delivering effective services for our communities and ensuring the citizen gets the best service we as a country can afford.

Yours faithfully,

David O'Connor
Senior Responsible Officer