



**Chambers Ireland Submission to Irish Water re
Consultation on the Draft Water Services Strategic Plan**

17 April 2015

Introduction

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses and represent their views.

This submission to the consultation on Irish Water's Draft Water Services Strategic Plan has been shaped on the basis of inputs from our Chamber Network and policy councils, which comprises representation from a variety of industry sectors.

We have structured our responses in line with the questions posed in the consultation document.

1. This Draft Water Services Strategic Plan is a roadmap for managing our water services for the next 25 years. Do you have any general views on the need for long range planning and our commitment to ensure that everyone has their say about water services?

The fundamental restructuring of national water services is a unique opportunity to effectively plan the long term development of Ireland's water infrastructure. In this regard, 25 years could be considered a relatively short time horizon for infrastructure developments of this scale and importance. While we acknowledge the commitment to ongoing reviews on a five yearly basis and the statutory requirement for a 25 year strategic investment plan under paragraph 33 (4) of the Water Services (No. 2) Act 2013, we believe that as long term a view as possible is taken when planning investments of this nature and scale.

There must also be a robust economic evaluation and prioritisation process for the identification of capital projects that are to be funded in the short to medium term.

Challenges and Strategic Priorities

2. Do you agree with our evaluation of the current state of water services in Ireland? Is there any further aspect of current water services that you think we should consider in identifying challenges and priorities in providing water services?

One aspect of strategic planning that must be considered in identifying challenges and priorities in the provision of water services is the spatial planning context that Irish Water will be operating within from 2016. The abolition of the National Spatial Strategy and the new Regional Assembly structure could challenge the underpinnings of previous iterations of Irish Water strategy. It is important that Water Services Strategic Priorities are cognisant with the new National Planning Framework currently being developed by the Department of the Environment, Community and Local Government.

3. Do you think the Draft Plan has identified the most important challenges in providing water services to serve current and future populations over the next 25 years (listed on page 8)? Has the Draft Plan missed any other challenges to the provision of water services that you would consider important?

Chambers Ireland supports the most important challenges identified in providing water services, and note that these are consistent with the requirements set out under the Water Services (No.2) Act 2013.

In order to increase transparency regarding future investment requirements, Chambers Ireland considers that Irish Water's approach to prioritisation of investments should be published. In making decisions on investment, we deem it necessary to balance investment across the country as well as the need for conservation, maintenance of existing assets and developing new infrastructure.

One of the major challenges facing Irish Water will be to ensure that efficiencies in the delivery of services based on Service Level Agreements (SLAs) with Local Authorities are delivered. The sooner efficiencies and cost savings can be demonstrably delivered, the sooner the merits of a single utility for water services will be appreciated. It will be a challenge to ensure that there is no ongoing duplication of costs and work into the medium term regardless of SLAs.

4. We have identified five proposed current priority areas (listed on pages 11 and 12) in order of importance. Do you agree with the order, and if not how would you rank them?

While Chambers Ireland supports all five areas listed as priorities, we consider the effective and reliable supply of water the most important task currently facing Irish Water.

The wording of Priority 1 suggests that Irish Water is primarily focused on the communications aspect surrounding the delivery of water services. While we recognise the importance of effective communications and customer relations, we would advise that this priority is rephrased so as to ensure that the primary focus remains on the actual delivery of quality services rather than demonstrating a commitment to delivery.

5. Are there any other priorities you feel should be considered and where would they rank in the list?

Chambers Ireland suggests that increasing headroom capacity is recognised as a current priority. In line with international best practice we recommend that spare headroom capacity is increased to 20% in large urban areas, and support the 15% and 10% targets proposed for regional gateways and towns, respectively.

The current low headroom capacity in the Greater Dublin Region bears a high risk of water shortages, which can result in high disruption costs for businesses and domestic water users. Recent water outages in Dublin in the period 2010- 2014 are estimated to have cost the Irish economy in excess of €78m per day. In order to protect the economic well-being of our businesses and the social needs of domestic users we therefore suggest that sustainable headroom levels and provision for peak demand is recognised as a key priority across the water supply network.

Meet our Customer Expectations

7. Do you agree that balancing the level of services to customers against the cost of those services is a key challenge for Irish Water? Do you think that service, quality and environmental standards should be met irrespective of cost?

As with all public service provision, the challenge is to deliver a service to the highest possible standards within a sustainable budget. It is not a realistic proposition to suggest that there is a choice between meeting standards and a scale of costs. Service, quality and environmental standards, by law, must be met by Irish Water. Irish Water must commit to meet these standards in the most cost effective manner. The challenge for Irish Water is to become as cost effective and efficient a utility in as short a timeframe as possible.

In this context it is important that Irish Water bills 100% of its customer base and ensures an effective collection mechanism to reduce instances of non-collection or bad debts. This in turn will enable Irish Water to fund excellent service levels and increase investment in the network.

8. How do you think a utility like Irish Water should best communicate with its customers?

For non-domestic customers, we believe the most important aspect of Irish Water's communications strategy must be transparency. In the next number of years, many businesses will likely be moving to new tariffs for their water supply. It is important that both the reason that new tariffs are being charged to businesses and the methodology for calculating new tariffs by is clear and transparent. It is of paramount importance that value for money can be clearly demonstrated.

9. What are your views on how we propose to measure our performance in meeting customer expectations?

Chambers Ireland considers the inclusion of Key Performance Indicators as part of price control regulation the most efficient way of measuring Irish Water's performance.

Consequently, we believe there is a need for developing year-on-year targets as part of the price control period rather than five and 25 year targets as proposed.

Ensure a Safe and Reliable Water Supply

10. Irish Water has identified the top priority in terms of water supply as ensuring that water supplies meet Drinking Water Regulations (and removal of boil water notices from public supplies). Do you agree? Are there any other priorities in terms of water supply that you would see as more important?

As suggested under question 5 Chambers Ireland considers the achievement of sustainable levels of headroom capacity a key short-term priority for Irish Water.

11. Do you agree that we should plan to deal with the impact of climate change on our water supply sources and our networks for delivering water across the country? Is there anything missing from any aspect of these plans to deal with climate change?

Chambers Ireland supports the view that risks associated with climate change should be considered in the context of Irish Water delivering water services.

However, we do not consider it sufficient to only ensure that new sources are able to cope with the potential impact and risks from climate change. Irish Water should rather strive to achieve that

climate adaptation plans are implemented across the network – particularly in areas with high risks of floods – so as to guarantee the reliable operation of supply and abstraction services for all Irish Water customers.

In this context, we consider it appropriate for Irish Water to closely cooperate with Local Authorities to assess how climate adaptation and in particular flood defences can be integrated into Irish Water's planning and investment strategies.

12. To help ensure that customers can get a consistent and secure water supply, Irish Water would like to manage water services on a national basis, increasing the amount of connectivity in the network and strengthening the source of water to supply areas (in a similar way to how the electricity network is managed). Do you believe this is a good approach? Are there any issues in relation to this approach?

Yes, it is imperative that water services are managed on a national basis with national strategies for connectivity, source protection, investment and development. The primary reason for the establishment of an entity such as Irish Water is to allow Ireland's citizens to benefit from the dividends derived from economies of scale, coherent planning and a national vision for the delivery of water services. The focus on a national strategy for water service provision must remain at the core of Irish Water's development and planning.

13. We need to reduce leakage from our network through pipeline replacement and pressure management. Our approach is to reduce leakage wherever possible as long as it is cost effective to do so. There will always be some leakage that it will not be economic to fix. Do you have any comments on this approach?

Chambers Ireland supports the proposed approach of Irish Water seeking to reduce leakage to an economically sustainable level. However, we note that there may be a requirement for a communications exercise explaining the need for reducing leaks but highlighting that some leaks repairs are not economically viable and the diminishing returns to investment in leakage reduction. As suggested by international evidence, we consider the economic sustainable level of leakage to be around 20%.

In the context of reducing leakage, we welcome the consultation on the First Fix Leak Repair Scheme and suggest that the final scheme is implemented as soon as possible. As suggested by the pilot scheme informing Irish Water's first fix policy proposal, 63% of all leaks detected occurred within the house of a property owner. In other words, 530m³ water a day could be saved if property owners address internal leaks. We thus also consider it appropriate for Irish Water to effectively communicate to the public that internal leaks are the responsibility of property owners whereas the network is the responsibility of Irish Water. We acknowledge that efforts are currently underway to communicate this message.

14. While Irish Water fixes leaks in external pipes it remains the property owner's responsibility to fix leaks on their property. Would you be willing to fix internal leaks on your property?

We believe that Irish Water is adopting a prudent and logical approach in delineating between leaks in external pipes and leaks on private property. The risks and potential costs associated with a utility undertaking works on the private property of consumer would outweigh the benefits in terms of

water conservation at this stage in the project. We believe that homeowners and businesses would be willing to fix internal leaks on their property provided that there was an incentive to do so. This could be a demonstrable reduction in their future bills, or even a once off payment to offset the costs of the fix. In order to ensure that internal leaks are actually being addressed, incentives such as the water conservation grant should be based on evidence of some remedial works actually being undertaken.

15. Would you participate in or support initiatives that would reduce your water consumption in an effort to reduce waste and use of water? E.g. changing tap fittings, installing water butts etc?

As with Question 14, businesses and homeowners are far more likely to participate in initiatives to reduce consumption if there is a positive cost-benefit analysis. Information as to the benefits to the individual or firm should be clearly communicated. For the business community, if the financial savings attributable to water conservation measures can be quantified, they are very likely to invest in water conservation. For both citizens and businesses, if information on the positive externalities and the overall public good derived from private water conservation measures are also likely to encourage engagement with water conservation initiatives.

16. What are your views on how we propose to measure our performance in ensuring a safe and reliable water supply?

While we support the list of key indicators proposed to measure performance, Chambers Ireland considers the inclusion of Key Performance Indicators as part of price control period the most efficient way of measuring Irish Water's performance. Consequently, we believe there is a need for developing year-on-year targets as part of this process rather than five and 25 year targets as proposed.

Provide Effective Management of Wastewater

17. Significant investment is needed in wastewater infrastructure to ensure that human health is protected and that discharges from our treatment plants and collection networks comply with environmental legislation. This investment will take time to deliver. Do you agree with our short term priority as set out on page 12? How should we prioritise our investment in this area? For example; should we prioritise our investment to enhance bathing waters or shellfish waters or areas of nature conservation?

Chambers Ireland does not consider the Customer Handbook a sufficient method of monitoring Irish Water's performance in effectively managing wastewater. As mentioned on page 12, the Customer Handbook merely refers to customer obligations relating to billing, communication and protection rather investment in wastewater services. We also note that provisions contained under the Customer Handbook recognise Irish Water as a newly established utility and is likely to evolve over time.

Rather than merely adhering to the obligations set out in the Handbook, Chambers Ireland suggests that Irish Water sets ambitious targets for developing our wastewater infrastructure and collection network. We suggest that investment in prioritised to ensure compliance with the Urban

Wastewater Treatment Directive in order to avoid financial penalties imposed by the European Commission.

18. Do you agree with our strategies to reduce the risk of flooding from sewer overflows in light of the increasing impact of climate change?

We support the commitment to implement measures to reduce the probability of flooding, reduce the severity of flooding and improve the sewer network with the aim of ensuring that adopted measures are economically viable.

We also support the recognition that a collaborative response is needed to effectively address flooding events. Chambers Ireland proposes that ambitious community engagement programmes (in line with international best practice) are adopted at the pre-implementation stage to ensure local support.

In order for a community to best decide the optimal solution for a particular area to reduce the incidence of flooding, all viable options detailing cost, design and impact on the neighbourhood should be presented.

19. Do you agree with our proposals to actively manage discharges from industry and businesses to our wastewater collection networks through customer engagement and licensing of trade effluent discharged to our sewers?

We support the view that discharge into the public wastewater network should be managed better. Customer engagement should be central to this process.

In order to maximise industry support for this proposal, Chambers Ireland advocates that businesses which pre-treat effluent and thereby reduce the burden on the public treatment network are awarded through a reduction in their wastewater bills. In this way, we believe there is scope for integrating the management of effluent discharge into the forthcoming non-domestic tariff framework.

20. What are your views on how we propose to measure our performance in managing wastewater?

Chambers Ireland considers the inclusion of Key Performance Indicators as part of price control regulation the most efficient way of measuring Irish Water's performance.

Consequently, we believe there is a need for developing year-on-year targets as part of the price control rather than five and 25 year targets as proposed.

In relation to wastewater specifically, we note that there is an absence of information regarding Irish Water's current assets, the level of compliance with the Urban Wastewater Treatment Directive requirements and WFD objectives, the degree of sewer flooding and discharge into sewers. We therefore consider it imperative to gain a full understanding of the level of non-compliance with EPA and EU regulations before defining long-term performance targets.

Protect and Enhance the Environment

21. Do you agree with our strategies to deliver water services while protecting and minimising harm to the environment? Are there other strategies that you think we should consider to reduce impact on the environment?

We fully support and endorse Irish Water's goals to use information from their various needs analyses, EIAs, metering programmes and other research projects to inform and support the environmental programmes of other bodies and NGOs. Chambers Ireland believes that data of this nature will provide a wealth of information for the design and implementation of future environmental protection programmes and should be provided to as many research bodies and institutions as possible.

23. Our continuing demands as a nation for high quality water services that comply with environmental and quality standards will require significant investment, operational/running costs and energy use. What are your views on balancing the cost of water services that meet environmental objectives with affordability of supply?

Compliance with environmental and quality standards is a necessity; however achieving environmental objectives over and above the very high standards already enshrined in regulation and legislation must be balanced with affordability for the consumer. The fundamental aims of Irish Water must be to provide safe, clean water at a cost that is affordable to the consumer and exchequer.

24. Do you think that indirect benefits of water services investment should be considered in prioritising investment, such as tourism and people's enjoyment of the environment?

At this time, Chambers Ireland does not consider it viable for Irish Water to consider indirect benefits of water services in its investment decisions. Since Irish Water is an infant utility facing many legacy issues due to years of under-investment in the water network, we believe that only the direct benefits of investment should be considered when prioritising projects in the short to medium term.

Only when key priorities, key performance indicators, and an efficient economic cost of service delivery have been achieved by Irish Water should indirect benefits such as tourism and enjoyment of environment be considered during decision making on investments.

25. What are your views on how we propose to measure our performance in protecting and enhancing the environment?

Chambers Ireland considers the inclusion of Key Performance Indicators as part of price control regulation the most efficient way of measuring Irish Water's performance. Consequently, we believe there is a need for developing year-on-year targets as part of the price control rather than five and 25 year targets as proposed.

In relation to protecting the environment, we note that an absence of information exists regarding the level of compliance of treatment and disposal of sludge. We do not consider it appropriate to define short and long-term performance targets before this information is available.

Support Social and Economic Growth

26. Do you think it is important that Irish Water balances the requirement of future customers and current customers when planning our investment or should we concentrate on meeting our current challenges?

Capital and infrastructure projects must by their nature adopt a long term strategic view in terms of future needs assessment, service delivery, and funding. Irish Water as an entity must maintain long term planning horizons to ensure that investment and project planning is coherent. Nonetheless, as we are emerging from a long period of underinvestment in water infrastructure, investment in critical projects should be 'frontloaded' and undertaken as soon as possible with the capital cost spread over the longer term if necessary. A heavy upfront capital cost will be offset by the ongoing savings derived from the improved infrastructure and the potential for increasing economic growth supported by an enhanced water infrastructure.

27. Do you agree that we should work with national, regional and local planning authorities/policy makers to ensure that cost effective water services can be delivered to support social and economic growth?

Irish Water should engage with relevant planning authorities and policy makers to ensure that water services delivery is coherent with national development and planning strategies. Irish Water must be cognisant of regional and local planning and policy, but must ultimately adopt a national approach to supporting social and economic growth.

28. Do you agree with our strategies for supporting growth in a timely and cost effective manner? For example; building additional capacity in our systems to allow for growth based on the economic outlook in the medium term.

We recognise the need to balance the levels of investment with cost considerations. With this in mind we support initiatives to maximise the capacity of existing assets and optimising and streamlining existing operations. Improving the performance of existing assets is a necessary precursor to fully assessing new capital project requirements and associated costs. This maximising of existing capacity should take place in tandem with investment in new infrastructure where a critical need has already been identified.

Given the potential for lags between investment cycles, we support the proposal to build additional capacity into systems to facilitate future growth in the medium term and between investment periods. A robust needs assessment should determine the scale of additional capacity built into assets.

29. Do you agree that the cost of new customers and developments connecting to Irish Water networks should be borne by the new customer or developer and should not be a burden to existing customers?

Chambers Ireland agrees that new connections to the network should reflect the added economic cost imposed on the network due to a connection in a given area. The cost of new connections should thus not be spread across the entire customer base or burdened on existing customers.

However, we note that any proposals for connection charges must be subject to public consultation and will refrain from further comments until presented with Irish Water's detailed proposals.

Invest in Our Future

31. Do you agree that a national approach to managing water service infrastructure such as standardisation and centralised procurement has both cost and operational benefits and is a correct strategy for Irish Water to pursue?

We agree that the cost savings and operational efficiencies that can be derived from a national system of standardisation and centralised procurement within utility make this the correct strategy for Irish Water. However, it is very important that a centralised procurement system has the capacity to recognise value for money in a broad fashion. A programme of investment and development of the scale that Irish Water will oversee over the next several years has the potential to generate significant economic activity throughout the economy. Irish Water's procurement processes must facilitate equitable access for SMEs and be responsive enough to make decisions based on criteria above and beyond basic upfront cost.

There is also an opportunity for Irish Water to use their procurement processes to support the development of innovative new products and services by Irish entrepreneurs. The restructuring of Ireland's water services system provides an opportunity for Irish companies to become leaders and innovators in water services technology and support the expansion of an indigenous water services technology sector.

32. Do you have any comments on the model for funding outlined in our strategy on Page 68?

Chambers Ireland supports the view that a new national connection policy should be developed.

However, we note that any proposals for charges under such a framework must be subject to public consultation and will refrain from further comments until presented with Irish Water's detailed proposals.

33. Do you agree with our proposal to raise public awareness of the value of water and the complexity of the system in bringing water and removing wastewater to our homes and businesses? What is the best way to do this in your view?

Chambers Ireland strongly supports the need for raising public awareness about the value of water. Overall, public messages should be kept simple and avoid technical complications.

As suggested under question 13 we believe that there, among others, is a need for clearer communication around leakage and the responsibility of property owners.

In order to increase public awareness, Chambers Ireland also advocates that all domestic customers are transferred to volumetric tariffs as soon as possible and that water meters are continually installed where economically viable. In the interim, we support the decision to display metered consumption and metered cost on capped bills. This, we believe, will assist bill payers better understanding the cost of supplying water. In order to assist customers reducing their bills we also recommend Irish Water to clearly communicate methods to save water in all engagement with its customers.

In addition, we suggest Irish Water to develop workshops and education programmes targeted at primary and secondary schools to install an awareness of the value at an early age. By doing so, Irish Water will support the gradual development of a cultural appreciation of the cost associated with effectively supplying water services.

In the context of raising public awareness, Chambers Ireland considers it beneficial for Irish Water to develop a Corporate Social Responsibility (CSR) programme. CSR is now a key business activity and larger companies cannot afford to ignore it. For Irish Water in particular, which relies on a collaborative and harmonised relationship with the local community, a CSR strategy would be hugely beneficial. The company must be seen to be going above and beyond their remit by take an interest in and supporting the local community.

However, given the importance of Irish Water becoming a self-sustainable utility which does not rely on public funding, we also believe the Government should focus on raising public awareness about the value of water. This, we believe, will speed the transition of all customers to volumetric charges and will increase acceptability around paying for water.

34. What are your views on how we propose to measure our performance in this strategic objective?

Chambers Ireland considers Key Performance Indicators for each price control period the most effective way of measuring Irish Water's performance against its strategic objectives.

Overall

35. Do you think that the Draft Water Services Strategic Plan has identified the correct strategic objectives? If not, what other strategic objectives would you add, and why?

As a general point, we note that the achievement of a self-sufficient funding model is not recognised as a strategic objective. Chambers Ireland considers the achievement hereof central to the long-term operability of Irish Water as a utility and would therefore advocate that this is listed among the strategic objectives.

36. Do you have any other comments on the Draft Plan?

Chambers Ireland believes that the role that water services plays in supporting economic development should be made more explicit and separated out as a distinct strand within the final strategy document. The business community and industry has been a significant funder of water services in the past, and will continue to be major funder of water infrastructure and services into the future. Industry and business will also generate the economic growth needed to provide employment and tax revenues to support the development of water services. In this context consideration should be given to involving the Department of Jobs, Enterprise and Innovation and the IDA at every investment step of major investment prioritisation decisions. Finally, it is of vital importance that Irish Water becomes self-sustaining as soon as possible and can operate without Government subvention to allow for the private capital necessary for short and medium term investment.