

December, 2005

Circular Number: WSP7/05

To each Sanitary Authority

**WATER SERVICES PRICING POLICY IMPLEMENTATION
Management Information Questionnaire 2005 (and 2004 review)**

A Chara,

This is the sixth year of the Management Information Questionnaire (MIQ). The data supplied provides an overview of national water services pricing policy implementation and is an annual measure of progress in this area. The questionnaire also assists local authorities in implementing and progressing water services pricing and in developing precise water services pricing data. This is especially relevant as little over a year remains for full implementation of the Government's water pricing policy.

The purpose of this Circular is to:

- Provide authorities with a summary of information from the 2005 (2004 data) Management Information Questionnaire (MIQ),
- Advise authorities of any concerns regarding water services pricing policy implementation, and
- Request the completion of the 2005 MIQ.

Summary of the 2004 Return

The 100% response to the MIQ is acknowledged and appreciated.

The 2004 data is summarised at Annex 3 (attached). This information demonstrates the need for continuing urgency in implementing the Government's water pricing policy. It is however considered much improved over the 2003 data.

The combined 2004 summary information indicates that:

- The total cost of public water services was €510m.
- Non-domestic water services costs are estimated/extrapolated at €214m or 42% of total costs with domestic costs amounting to €296m or 58%.
- The volume of treated water supplied to the non-domestic sector was 164 million cubic meters.
- There was an average increase of use in the per cubic meter charge in 2004.

- ❑ This charge was 15% below the average necessary charge to achieve full cost recovery on a water in/water out basis.
- ❑ There were 205,901 non-domestic customers of which 33% are metered.
- ❑ There were 61,283 non-domestic customers not charged for water services.

Comparisons With the 2003 MIQ Return

1. The cost of water services provision at €510m has increased by 12.5% since 2003. This is a 16% cost increase for water and 8% increase for waste water.

2. The numbers of non-domestic customers paying a flat or metered charge have declined only marginally (2%) while those not charged for water services have risen significantly (46%) as a result of the rolling out of metering programmes by authorities. Specifically:

- The number of metered customers increased to 67,746
- The number of flat charge customers declined to 76,877, and
- The number of customers not charged increased to 61,283.

3. While the number of non-domestic customers increased by 12% overall, the non-domestic customer base fell in some authorities and by over 17% in one authority.

5. Surprisingly, the numbers of non-domestic customers subject to a metered charge fell in some areas.

Charging All Non-Domestic Customers

The 2004 MIQ continues to show that the number of non-domestic customers in most local authority areas has risen significantly, while the number not charged remained exceptionally high. Some 61,000 of non-domestic customers are not directly charged for their water services. (The figure is estimated at 73,713 in the most recent metering questionnaire.)

At the end of 2004 the majority of authorities were not in a position to conclusively identify all of their non-domestic customers. The figures given for customers “not charged” therefore represents current and prospective customers. Although most authorities are charging their “identified” non-domestic customers, some 73,700 “potential” customers (generally based on extrapolations from pilot customer reviews) are marked as not charged. This is a disappointing and worrying feature of recent returns. The continuation of this situation is inconsistent with national water services pricing policy that requires full and direct cost recovery from all non-domestic customers.

We have previously asked local authorities to directly charge all non-domestic water services users for their water services. It is necessary that authorities directly recover relevant capital and operational costs from all such customers at an early date. Arrangements should be introduced as a priority to charge all such non-domestic water services customers using a fixed tariff where

necessary. Authorities should act immediately and not await delivery on the universal metering requirement or the 2006 implementation deadline.

National Non-Domestic Metering Programme

You are again reminded that the deadline for universal non-domestic metering is 2006. There is little more than a year left to fully achieve this Government target. Authorities should make all necessary arrangements to ensure that this requirement is fulfilled on time.

Management Information Questionnaire 2005

The 2005 MIQ and guidance notes are attached at Annex 2. The Questionnaire is substantially the same as last year, although certain questions have been revised to aid clarity in the returns. The Guidance notes have also modified. Those completing the Questionnaire are asked to refer to and make greater use of the guidance notes when completing the return. Please ensure the accuracy of the data used, complete all of the questionnaire (leaving no blanks) and **return the MIQ to the undersigned by the 28th February 2006.** An electronic version of the questionnaire is available from Mr. Joe McMahon Phone: 01 8882165 or e-mail: joe_mcmahon@environ.ie

Mise le meas,

Liam Gleeson
Water Services Policy Section

To - Each County and City Manager and Director of Services (Water Services)
Copy to - GCCC, CCMA , AMAI, Ombudsman's Office and Regional Authority.

ANNEX 2

MANAGEMENT INFORMATION QUESTIONNAIRE 2005

- GUIDANCE NOTES -

Note : Authorities should grade the data set for each question in the (second) column of the MIQ titled "Data Grade" as follows:

Insert "A" - where the data is considered robust.

Insert "B" - where the authority is reasonably confident of the data

Insert "C" - where there is little confidence in the data.

A **Operational Cost of Water Services Provision**

Figures to be broken down into domestic and non-domestic

A.1.1 Total cost of water treatment and supply

Figures should reflect the full cost of public water treatment and supply i.e. domestic & non-domestic and include all relevant capital, operational and administrative costs (including metering, non-domestic capital cost recovery etc.) in 2005.

Authorities should insert figures for domestic and non-domestic water and waste water costs.

A.1.2 Total cost of waste water collection and treatment

Figures should reflect the full cost of public waste water treatment and collection (i.e. domestic & non-domestic) and include all relevant capital, operational and administrative costs (including non-domestic capital cost recovery etc.) in 2005.

A.1.3 Total cost of water services provision in 2005

Total of A.1.1 and A.1.2

B. **Cost Recovery From Non-Domestic Users**

B.1.1 Volume of treated water supplied (in cubic meters)

The total (cubic meter) volume of water supplied to non-domestic customers in 2005.

B.1.2 Charge per cubic meter for non-domestic customers

Outline the per cubic meter amount non-domestic customers were charged in 2005 for water and waste water services combined.

B.1.3 Necessary charge per cubic meter for water supplied to non-domestic customers to achieve full cost recovery on a water in/water out basis, i.e. the charge needed to pay for the provision of water & waste water services.

Identify the total cost of providing non-domestic water and waste water services (factoring in all relevant capital, operational and administrative costs) in 2005. Divide this sum by the volume of treated water supplied, in cubic meters, (not gallons) to non-domestic customers (B.1.1.), factoring in for unaccounted for water.

For example:

If the total cost of water services provision to non-domestic customers is €4,000,000 and the volume of treated water supplied to non-domestic customers is 3,000,000 cubic meters per year, then the necessary charge amount to achieve full cost recovery on a water in/water out basis would be €.33 per m³ i.e. $€4,000,000 \div 3,000,000 \text{ m}^3 = €.33 \text{ per m}^3$.

C.

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|----------------------|
| Customer Base |
|----------------------|

C.1.1 Number of non-domestic water services customers at the end of 2005

C.1.2

State the total number of non-domestic water services customers identified by your authority at the end of 2005 as well as the expected number of customers at the end of 2006, after metering is in place.

C.1.3 Number of non-domestic water services customers paying a metered charge

State the total number of identified non-domestic customers who are charged for water and/or waste water services on the basis of metered usage.

C.1.4 Number of non-domestic water services customers paying a flat charge

State the total number of identified non-domestic customers who are not metered but are instead charged a fixed amount for water and/or waste water services.

C.1.5 Number of non-domestic water services customers not charged at all for water services

State the total number of identified non-domestic customers who are not charged for water and/or waste water services.

Note. The combined total of ,C1.3, C.1.4 and C1.5 should equal C1.2

D. Progress on Implementation

D.1.1 What year has/will water services be removed from the commercial rate?

Where water services costs are included in the calculation of the commercial rate, when (year) will this practice end?

D.1.2 Number of non-domestic water supply customers paying a consolidated charge

State the number of non-domestic customers who are paying a consolidated charge. The consolidated charge is the average, aggregate cost of the provision of water and waste water services in an administrative area expressed as a charge per cubic metre of water supplied. The Local Government Act 2001 transfers all water services functions to the county or city level, L16/00 suggested therefore that non-domestic users be charged for water services on a consolidated county or city wide metered basis. Such a charge should take account of all costs, including capital, operational and administrative and be recovered from non-domestic customers on the basis of the water in/water out principle.

D.1.3 Is full cost recovery from non-domestic customers being achieved yes/no

D.1.4 If the reply to C.1.3 above is No please indicate when full cost recovery will be achieved.

Where the answer to C.1.8. is no, indicate the percentage of non-domestic water services customers who will be paying for the full cost of receiving water services, in 2005 and 2006.