

21 December 2006

Circular Number: WSP5/06

To each local authority

**RE. WATER SERVICES PRICING POLICY IMPLEMENTATION
Non-Domestic Metering Programme: Notes for Guidance (ISSUE 4)**

A Chara,

I refer to the Water Services Pricing Policy Framework and the requirements for the universal metering of non-domestic water services customers.

1. Notes for Guidance - Issue 4

Attached to this circular you will find the fourth issue of the "Notes for Guidance", which deals with Billing and Ancillary Issues. The third issue of the "Notes for Guidance" issued to local authorities with Circular WSP 8/04 of 26th August 2004. Both sets of notes are available on *Sharepoint* as outlined below.

2. Maximising the use of the Guidance Notes

It is not intended that the Notes for Guidance would be prescriptive, but local authorities should have regard to them together with other ancillary information prepared on this project. Particular attention should be paid to the guidance on standing charges, multiple meter connections and the domestic allowance.

3. Unaccounted-for-Water:

It is important that customers are aware of the cost of providing water services. Local authorities should provide information on their local charges system on their website, explaining the principles behind water charging, the costs arising to the local authority, the amount of water lost in the system, and the rationale behind the decisions taken in relation to charges, etc. Local authorities may issue leaflets from time to time with this kind of information. It is not considered appropriate to put information on unaccounted for water on the bill issued to the customer.

4. Access to Circulars

This Circular and all Departmental Circulars are accessible through the Internet Sharepoint System at: <http://circulars.lgcsb.ie/doecirculars>

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Water Services Policy Section

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

*Implementation of National Water Services Pricing Policy
Water Metering – Notes for Guidance*

NOTE 21: BILLING AND ANCILLARY ISSUES

CONTEXT

The Government's Water Pricing Policy Frameworkⁱ requires the charging of non-domestic customers of water and wastewater services and the recovery of the full costs of providing such services to these customers. This is in line with Nationalⁱⁱ and EU policy on the application of the "polluter pays" principle, including Article 9 of the EU Water Framework Directiveⁱⁱⁱ. National policy in this matter has now been consolidated into Circular L16/02 (WSP), issued by the Department of the Environment, Heritage and Local Government in September 2002.

Implementation of the national water services pricing policy envisaged local authorities achieving universal metering of the water supplied to the non-domestic sector by 2006. However, while significant progress has been made, the process will now be completed during 2007. Sligo County Council and Sligo Borough Council are currently facilitating a pilot project, with the support of the Department of the Environment, Heritage and Local Government, to procure a water metering and billing service through a DBO form of contract.

In order to facilitate the universal metering of non-domestic water services customers and the procurement of water metering projects at the local level, a series of Notes for Guidance has been issued over the course of the Sligo Water Metering Project. These Notes for Guidance are intended to inform local authorities about the progress of the project in Sligo and the issues that have arisen in the course of the project.

This additional interim Note for Guidance has been prepared to address certain issues that have arisen, primarily associated with the billing of customers. It must be restated that the basket of water charges set by the local authority must demonstrably reflect the cost of providing the water and wastewater services to the non-domestic sector and must not include any element of profit.

VOLUMETRIC CHARGE

Note for Guidance NfG11 (Issue 3 – Aug 04) advised that a typical customer bill may include a *standing charge* and a *volumetric charge*, and that the volumetric charge would be based upon the consolidated charge for the provision of water and wastewater services across the functional area of the local authority.

For reasons of Water Conservation in particular, it would be appropriate to allocate the bulk of the overall costs of water and wastewater services to the volumetric charge, including the operational, administrative and maintenance costs of the meter reading and billing functions. This will give the non-domestic customer greater freedom to control his or her water usage costs and an incentive to achieve water conservation targets.

It is important to note that the supply of potable water and the treatment of wastewater are separate services. Indeed, there will be significant numbers of customers who avail of one service but not the other, or to whom the “water-in water-out” principle will not apply.

Therefore, the water supply element and the wastewater treatment element of the consolidated (volumetric) charge must be identified separately on both the Manager’s Order and on the customer bills.

STANDING CHARGE

The Standing Charge is required to reflect the cost associated with the provision of the water metering service to the non-domestic customer. It must acknowledge that the cost of the installation of a meter(s) will vary significantly, largely due to the size and number of connections. It is unreasonable for a large industrial site, with a number of large connections, to pay the same standing charge as a corner shop or small office.

In accordance with the recommendation above concerning the volumetric charge, it is recommended that installation costs to be included in the standing charge should be kept to a minimum. It should also be noted that the design lifespan of a boundary box installation, which represents the largest part of the costs, is in excess of 40 years; however, the expected replacement cycle of a water meter can be between six (6) and fifteen (15) years. Therefore, the local authority should spread the recovery of the capital costs over an appropriate number of years (e.g. 20 – 30) to reduce the annual impact on the standing charges.

In line with international practice and the polluter-pays principle, it would be appropriate to set a range of standing charges based on the size of the connection and the water meter. For example, a local authority may set an average standing charge for (i) meters less than 25mm; (ii) meters between 25mm and 75mm; and (iii) meters over 75mm.

Local authorities should consider applying a discount on the standing charge for any meter that serves both a domestic and non-domestic customer; such a discount to be in addition to any domestic allowance against the volumetric charge.

It is not the intention to unreasonably discriminate against those non-domestic customers who, for historic reasons largely outside their control, find themselves with a large number of small connections. Therefore, the construction of the standing charges should address the difficulties presented by such circumstances.

There have been a number of solutions considered for the problem of multiple connections, including the following:

- ❑ The application of a discount on second and subsequent meter connections;
- ❑ Setting a ceiling on the level of the standing charge, irrespective of the number of connections;
- ❑ Consolidating several small connection standing charges into one charge or the application of the standing charge for bundles of meters at a time

While all of the above suggestions have merit, the preference would be for a system whereby the basic standing charge would incorporate the first metered connection, and additional connections would attract a supplemental charge. For example, where the local authority

proposes to meter a number of existing separate connections in the case of a single consumer with a small fragmented farm holding the annual standing charge for a single (small) connection might be €100, with reducing amounts for subsequent meters, subject to a ceiling to be determined by the local authority such that the total charge in respect of the metering should not exceed 180% of the first connection. This concession is to apply only in the case of multiple connections made by a local authority or group water scheme prior to 1st December 2006.

MANAGER'S ORDER

The Manager's Order should clearly indicate the period of time for which the water charges apply, for example the relevant financial year. The Order should be signed in advance of the relevant billing period and the new charges should be communicated to customers before the commencement of the billing period to which the revised charges apply.

It is not appropriate to apply charges set for a later billing period to water consumed in an earlier period when different charges would have applied. Bills must be issued promptly after the meter has been read.

The Manager's Order should be comprehensive and should encompass all of the charges, allowances and penalties associated with the provision of water and wastewater services. These may include, but are not necessarily limited to:

- Standing Charges – for size and number of connections as appropriate;
- Volumetric Charge (Water Supply);
- Volumetric Charge (Wastewater Services);
- Domestic Allowance(s);
- Interest Charges and Penalties;
- Disconnection Charges;
- Reconnection Charges;
- Special Read Charges.

The Manager's Order may also indicate the relevant billing intervals for each type of customer. The general non-domestic customers should be billed each quarter, whereas larger (significant) customers may be billed on a monthly basis and small customers with a seasonal business may be billed annually.

Local authorities should also ensure that there is a rational basis for apportioning measured water consumption where the reading period crosses a change of tariff. For example, where the tariff changed on the 1st day of January, while the meter reading covered the period from December to February.

The Domestic Allowance has been the subject of a recent study by the City & County Managers' Association (CCMA). Local authorities are advised that a domestic allowance of 225m³/annum (approx 49,500 gallons/annum), or the financial equivalent, should be introduced as soon as possible.

BILLING DETAILS

It is vitally important that the correct billing details are gathered when the property is being surveyed and the meter(s) installed. If the billing details are incorrect, then there may be difficulties later when seeking to recover revenue or taking legal action. Some of the problems that have been identified include:

- ❑ Incomplete or wrongly spelled address or customer name details;
- ❑ Supply address used, rather than the address of the customer;
- ❑ The use of trade names rather than company names;
- ❑ The details of former occupants used after the property has changed hands.

Non-unique postal addresses present particular problems to those assigned the task of billing and collecting revenue. Local Authorities are advised that the best time to get the correct billing details is at the time that the customer makes an application for a connection to the public water supply.

COMMUNICATION

The Note for Guidance NfG07 (Issue 3 – August 04) addressed the importance of adequate communication with customers (and others). Many existing customers are charged on a fixed-charge basis only and are now to be moved to a charge based on their metered consumption. It is suggested that particular and specific attention should be given to ensure that these customers are individually advised that they are being transferred from the fixed-charge billing to the consumption-based billing under the metering project.

While it is considered important that the local authority advise its customers about the level of unaccounted for water arising in its functional area (typically on its website), it is not appropriate to put this information, or any other extraneous information, on the bill to the non-domestic customer.

MIXED / MULTIPLE-USE PROPERTIES

It is commonly recognised that many of the difficulties associated with the billing of customers arise where there are multiple customers in a property or where there are composite (domestic/non-domestic) customers. While existing situations have to be assessed almost on a case-by-case basis, the opportunity exists to minimise the occurrence of such situations in the future.

Local authorities should accordingly ensure that future developments containing mixed domestic and non-domestic elements have separate connections to the public water supply. Similarly, each non-domestic customer in future multiple-occupancy properties should have a separate water connection.

It is expected that all local authorities now include a requirement for the installation of a water meter as part of an Application for a Connection to a Public Water Supply in the case of new non-domestic developments.

ⁱ L4/00 “Application of the Polluter Pays Principle – A Framework for Water Pricing”, Department of the Environment, Heritage and Local Government, March 2000.

ⁱⁱ Department of Environment, Heritage and Local Government Circular L16/02 consolidates Circulars, L4/00, L16/00, L11/01, L14/01, L4/02, L6/02, L7/02 and L10/02.

ⁱⁱⁱ Directive of the European Parliament and of the Council 2000/60/EC Establishing a Framework for Community Action in the Field of Water Policy.