

Sustainable Water Network (SWAN)

Domestic Water Tariff Principles and Proposals SWAN response to public consultation



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TABLE OF CONTENTS

1. INTRODUCTION TO SWAN.....	1
2. INTRODUCTION TO SUBMISSION: HEALTHY WATER SUSTAINING COMMUNITIES	1
3. CHALLENGES OF MEETING WATER FRAMEWORK DIRECTIVE (WFD) OBLIGATIONS	1
4. WFD REQUIREMENTS: COST RECOVERY & INCENTIVE PRICING.....	2
4.1. Cost Recovery	2
4.2. Incentive Pricing.....	3
APPENDICES	5
<i>I. SWAN Member Organisations.....</i>	<i>I</i>
<i>II. SWAN Board of Directors</i>	<i>II</i>

1. INTRODUCTION TO SWAN

The Sustainable Water Network (SWAN) is an umbrella network of 26 of Ireland's leading environmental NGOs, national and regional, working together to protect and enhance Ireland's aquatic resources through coordinated participation in the implementation of the Water Framework Directive (WFD) and other water-related policy and legislation. SWAN member groups are listed in Appendix I. SWAN has been actively engaged in Water Framework Directive (WFD) and other water policy implementation at both national and River Basin District (RBD) level since 2004, responding to water-related public consultations and representing the environmental sector on WFD River Basin District (RBD) Advisory Councils, the South Eastern RBD Management Group and the Irish Water Stakeholder Forum.

2. INTRODUCTION TO SUBMISSION: HEALTHY WATER SUSTAINING COMMUNITIES

SWAN's welcomes the opportunity to comment on the Domestic Water Tariff Principles and Proposals. Well managed water is essential for sustaining healthy and vibrant rural and urban communities. Business, industry, nature and human health all depend on the integrity of our rivers, lakes and groundwater to provide clean and plentiful water supplies. The closure of beaches in 2012 and 2013 due to the health risk of elevated E.coli levels and the continued incidences of 'boil water notices' in regional towns due to *Cryptosporidium* outbreaks in public water supplies highlight the urgent need to address pressing issues for managing our natural water environment by protecting our water supply sources and the water bodies into which waste water is discharged. The need to do this is reinforced by the EU Water Framework Directive (WFD), which imposes a statutory obligation on all EU member states to achieve good water status by 2015. The application of cost-recovery must play a pivotal role in incentivising sustainable water use and supporting source protection and sustainable catchment management measures which contribute to meeting WFD obligations.

This submission responds to the consultation document primarily from the perspective of achieving sustainable management of our water resources and meeting the requirements of the Water Framework Directive (WFD). Therefore we do not answer all the questions posed in the consultation document. Our submission is relevant to Q1; Q.5; Q. 9; Q11; Q13 & Q14 but we request that it is considered 'in the round' as a response to the consultation.

3. CHALLENGES OF MEETING WATER FRAMEWORK DIRECTIVE OBLIGATIONS

According to the most recent EPA State of the Environment Report¹, *'meeting the requirements of the Water Framework Directive (WFD) and protecting our water resources ... are pressing challenges for Ireland.'* The Water Framework Directive (WFD) establishes in law a comprehensive set of environmental objectives for Irish and EU aquatic resources

¹ EPA (2012) 'Ireland's Environment 2012 - An Assessment', EPA, Wexford

which require them to be managed in a sustainable manner². It requires all surface and groundwaters to achieve 'good' status by 2015³ (with limited application of exemptions) and in addition prohibits any deterioration in the current status of our waters. The most recent EPA water quality report⁴ finds just 52% of river water bodies achieving WFD standards, with 41% of lakes failing those standards, illustrating the scale of activity that will be required in order to meet the objectives of the Directive.

More recently, the 2013 Integrated Water Quality (IWQ) report for the SE⁵ show that the south-east region of the country is suffering from high phosphate and nitrate levels: 59% did not attain good status with respect to nitrates. Similar was reported in the Louth/Monaghan region for 2011⁶, with only 5 river sites obtaining high quality status, with elevated levels of phosphate and nitrate being of particular concern in the remaining areas. Nitrates are of particular significance in terms of public health of drinking water supplies.

4. WATER FRAMEWORK DIRECTIVE (WFD) REQUIREMENTS: COST RECOVERY & INCENTIVE PRICING

SWAN welcomes, in particular, the requirement in the Water Services (No. 2) Act 2013 that the CER shall perform its functions having regard to the need to ensure *inter alia*: 'the conservation of water resources'; 'the recovery of costs of water services in accordance with Article 9 of the EU Water Framework Directive' and 'that Irish Water performs its functions in a manner that will enable the achievement by the State of the environmental objectives of that Directive'.

SWAN believes that the domestic water tariff model being consulted on, has a key role to play in achieving the above provisions of the Act and in meeting the legal requirements of the WFD, which as we have seen in Section 3. above are proving to be extremely challenging.

The aforementioned Article 9 of the WFD requires that Member States 'take account of the principle of recovery of the costs of water services, including environmental and resource costs in accordance in particular with the polluter pays principle.' and that 'water-pricing policies provide adequate incentives for users to use water resources efficiently, and thereby contribute to the environmental objectives of this Directive'.

4.1. Cost recovery

SWAN welcomes the inclusion by Irish Water of 'Cost recovery' as one of the key principles guiding the design of domestic water charges. However, the description of this as a requirement that 'Tariffs should provide for cost recovery to allow Irish

² It applies to surface waters, i.e. lakes, rivers, transitional waters (estuaries) and coastal waters (up to one nautical mile from land) and to ground waters

³ Defined as biological conditions deviating only 'slightly' from those found under undisturbed conditions

⁴ McGarrigle, M., Lucey, J. & O' Cinnéide, M. (2010) 'Water Quality in Ireland 2007-2009'. EPA, Wexford

⁵ EPA (2013) Integrated Water Quality Report 2012, South East Ireland. Environmental Protection Agency, Wexford.

⁶ EPA (2012) Integrated Water Quality Report Monaghan and Louth 2011. Environmental Protection Agency, Wexford

Water fund essential water infrastructure development in Ireland is extremely limited and is not consistent with the requirements of Article 9 of the WFD.

According to the WFD, environmental and resource costs, in addition to financial costs, are to be considered in assessing cost-recovery of water services. It is apparent from the consultation documentation that financial costs - the costs of providing and administering water services (*‘essential water infrastructure development in Ireland’*) i.e. operating costs; maintenance costs; capital costs & administrative costs: administrative costs – are the only costs being considered for cost recovery. Article 9’s requirement for the application of the principle of cost recovery suggests that prices should reflect the full range of costs involved in the provision of water and wastewater services, including environmental and resource costs.

Resource costs are the costs of foregone opportunities that other uses suffer due to the depletion of the resource. For example, extensive abstraction for public water supply may prevent use of water for agriculture. **Environmental costs** represent the costs of damage that water uses impose on the environment and ecosystems. This may include lost production or consumption opportunities as well as non-use values. Both of these costs should be considered in cost-recovery and, therefore, pricing. For example, where abstraction causes significant damage, this should be accounted for in the price paid for that water service. (Art. 9.1)

It is true that while financial costs can be evaluated comparatively easily, there are greater challenges involved in assessing levels of environmental and resource costs. This however, is not a satisfactory reason for omitting them. A variety of methods exist for attempting to assess the level of environmental and resource costs. These methods have their own uncertainties and limitations, and the integration of results obtained from these methods into policy making is new in Europe. However, assessing the costs of (restoration) measures required for bringing water back to Good Status is one method that can provide a proxy to the value of environmental costs.

Whilst it clearly would not be fair to burden domestic users with the full cost of restoring Irish waters to good status (especially in the absence of full cost recovery as described in Article 9 from agriculture and industry) it provides a very strong argument for the allocation of a proportion of the water tariff towards recovery of environmental and resource costs. This must then be ring-fenced for wider management of the water resource, source protection and the cost of implementation of the Water Framework Directive and river basin planning. Without a clear demonstration in the 2016-2021 River Basin Management Plans that Ireland is taking account of the principle of cost recovery, including environmental and resource costs, and without this source of funding, and we will not achieve compliance with the WFD and will face the threat of action by the Commission and ultimately daily fines.

4.2. Incentive Pricing

SWAN welcomes the inclusion of the following by Irish Water as an objective of domestic water charging⁷: *‘Encourage efficiency in use of water services: Tariffs should incentivise the efficient use of water to ensure a sustainable water supply*

⁷ Pg. 10, Domestic Tariff Design Principles and Proposals Irish submission to the CER

and to reduce waste. In this regard, one of Irish Water's overarching charging objectives will be to set water and wastewater charges which incentivise environmentally responsible behaviour.' However, we do believe that the tariff structure as set out achieves this or complies with Article 9.1 of the Directive.

As already set out above, the WFD requires that water-pricing policies provide adequate incentives for efficient water use, in order to contribute to the achievement of WFD objectives. A price is considered to provide an incentive to reaching the environmental objectives of the WFD if the users to which the price applies effectively consider the price in reducing their pressure on the aquatic environment. In the context of this consultation on domestic water tariffs, the structure of the charge/price needs to account for the volume of water abstracted and the (potentially polluting) wastewater discharged. Hence, flat-rate water prices defined according to the architectural type and occupancy of a dwelling, as proposed by Irish Water for households still unmetered when charging is introduced in October, provide absolutely no incentive for more efficient water use and SWAN is not in favour of them. The implications of this proposal is that Irish Water will not be fulfilling its own objective to *'incentivise environmentally responsible behaviour'* for a number of years. Consideration should be given to target these householders with alternative measures.

SWAN is in favour of a fully volumetric water price, for all water users, dependent on the quantity of water used, with no fixed element/standing charge, because crucially this is the only model which provides a full incentive to the user to use water more efficiently and sustainably.

Thirdly, SWAN fundamentally disagrees with Irish Water's proposal to allow customers to cap initial metered bills at the assessed charging level for a period of 6-12 months, after meter installation. Once a household has a meter, then volumetric charging should be initiated as soon as possible, in keeping with Article 9.1 of the WFD to incentivise efficient water use. If there is a substantial and onerous water bill increase for a household, a transition period as proposed, of no more than one billing period could be permitted for affordability reasons and in order for the household to adopt water appropriate conservation behaviours.

APPENDICES

Appendix I

SWAN Member Organisations

SWAN National Groups		SWAN Regional & Local Groups	
1.	An Taisce	16.	Carra Mask Corrib Water Protection Group
2.	Bat Conservation Ireland		
3.	Birdwatch Ireland	17.	Cavan Leitrim Environmental Awareness Network
4.	Coastwatch Europe Network		
5.	Coomhola Salmon Trust Ltd.	18.	Cork Environmental Forum
6.	Eco-UNESCO	19.	Longford Environmental Alliance
7.	Friends of the Earth	20.	Macroom District Environmental Group
8.	Friends of the Irish Environment		
9.	Irish Doctor's Environmental Association	21.	Save Our Lough Derg
10.	Irish Peatland Conservation Council	22.	Save Our Lough Ree
11.	Irish Seal Sanctuary	23.	Save The Swilly
12.	Irish Water and Fish Preservation Society	24.	Shannon Whale & Dolphin Foundation
13.	Irish Whale and Dolphin Group		
14.	Irish Wildlife Trust	25.	Slaney River Trust
15.	Voice Of Irish Concern for the Environment (VOICE)	26.	Celebrate Water

Appendix II

SWAN Board of Directors

SWAN Board of Directors:	
Mark Boyden, Chair	Coomhola Salmon Trust
Eamonn Moore, Vice Chair	An Taisce
Karin Dubsky, Director	Coastwatch Europe
David Healy, Director	Friends of the Irish Environment
David Lee, Director	Cork Environmental Forum
Elaine Nevin, Director	ecoUNESCO
Joachim Schaefer, Director	Cavan Leitrim Environmental Awareness Network