

**Dublin Chamber Submission to Irish Water in relation to
the Draft Water Services Strategic Plan**

17th April 2015

Executive Summary

This submission broadly echoes Dublin Chamber's position as set out in the first consultation regarding the Water Services Strategic Plan (WSSP), conducted in August 2014. The Chamber fully supports Irish Water's high-level objective of delivering a "world-class water infrastructure that ensures secure and sustainable water services, essential for our health, our communities, the economy and the environment."

In the pursuit and delivery of this vision, Dublin Chamber would like to emphasise the recommendations made in past submissions concerning the Water Services Strategic Plan:

1. Businesses have been paying for water for decades, and it is important that they are clear on the services they receive in return.
2. A regional approach to the water services to better assess and address the particular challenges facing each region.
3. Investment is necessary to ensure Ireland's competitiveness, with security and supply of water a critical element in attracting and retaining business.
4. The required capital investment is high due to a legacy of under-investment. In order to achieve operational efficiencies and cost savings while increasing service quality, prioritisation must be driven by the business case for projects.

The remainder of this submission follows the questions as set out in Irish Water's WSSP consultation paper. Irish Water's questions are in italics.

1. Introduction

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 Chamber fully supports and shares Irish Water's high-level objective of delivering a "world-class water infrastructure that ensures secure and sustainable water services. Ireland's ability to remain competitive depends on the essential requirement of this world-class water system. This infrastructure is critical for Ireland's citizens, businesses, visitors and future foreign direct investment.

A long-term approach to planning is critical in the delivery of this infrastructure.

This WSSP sets out a vision for water services to 2040. However, the strategy must recognise that infrastructure delivered in the next ten to twenty years will be used for the next hundred. The passage of time sees the emergence of different trends and demands, and while we cannot predict the future, we can plan for the most likely scenarios based on historic and global demographic & economic trends.

Seventy years ago, foresight was needed to plan and build the Poulaphouca Reservoir which continues to supply the Dublin Region to this day. Now, the same forward thinking is needed to ensure Dublin's supply for the next seventy years.

2. Challenges and Strategic Priorities

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? 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 here)? Has the Draft Plan missed any other challenges to the provision of water services that you would consider important?

Dublin Chamber broadly agrees with Irish Water's evaluation of the current state of water services in Ireland, particularly with regard to weaknesses in security of supply in certain areas.

Certainty and resilience of supply is essential for Irish businesses to plan their future. Companies that are considering development or expansion depend on the knowledge that their water supply is assured for the years to come. This is particularly true for companies whose business activity implies high levels of water use, such as those in the pharmaceutical and ICT sectors.

In this way, a reliable water supply directly sustains jobs and investment.

The water network must be prepared for the population growth forecasted by the CSO and supported by numerous other studies, but also for new arrivals, namely tourists and foreign direct investment (FDI).

Although large infrastructural projects, such as the proposed Water Supply Project for the Eastern and Midlands region, are not expected to be operational for several years, the Chamber believes this demonstrates that Irish Water is preparing to secure future supply necessitated by demand of businesses and residents.

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

Dublin Chamber agrees that the first priority, 'Our Customers', is an appropriate strategic aim. The other priorities will flow from this. The Chamber would also emphasise that business and domestic customers should be viewed as equal in the strategy.

Customers require quality services, affordable and stable pricing, certainty of supply and treatment, and accessibility for service queries. The remaining four priorities should perhaps better explain how they will help deliver these key aims.

For example, while priority 4, leakage, is a problem, the strategic issue is certainty of supply. If all resources went to fixing leaks at the cost of water supply generally that would be a strategic failure. Leakage reduction is a tactic to achieve secure water supply rather than a strategy in itself. The same can be said for priorities 3 and 5. They relate to the customer needs of water quality and ensuring affordable and stable pricing, respectively.

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

While agreeing that the five issues set out in the Draft Plan represent the greatest challenges to the delivery of water services, Dublin Chamber considers that the lack of security of water supply should be explicitly stated as one of the top priorities.

The challenge of 'Reducing Leakage in Water Supply Networks' is extremely important, and Irish Water has set a target of reducing leakage from 47% to 25% by 2021. However, leakage reduction is a long, inexact and costly process. The savings that can be achieved from conservation, demand management, and leakage reduction programmes are uncertain.

Meanwhile, the availability and certainty of water supply remains a grave concern. In Dublin, water shortages in late 2013 disrupted homes and businesses throughout the city, and coincided

with the popular Web Summit held in the RDS. Research by Indecon suggests that the daily cost of such water shortages in Dublin is likely to be upwards of €78 million. With no new supply, these shortages will only become more frequent as the Region's population grows.

Some commentators argue that 'Unaccounted for Water' and high national leakage levels must be addressed before planning any new infrastructure. But leakage reduction alone will not be enough to solve headroom issues and address increased demand. In the Dublin Region, current sources are not capable of providing enough water to meet needs even if Irish Water meets its 'extremely ambitious' leakage reduction targets.

For these reasons, Dublin Chamber recommends that Irish Water include security of supply as a priority to complement the leakage reduction programme. Water supply infrastructure must be developed alongside important efforts to reduce leakage rates. The concurrent progression of these two projects will result in a best case outcome of an efficient, resilient water supply.

3. Meeting Customer Expectations

The key aim that Irish Water has identified is to establish customer trust and a reputation for excellent service through providing high quality and reliable water services delivered through resilient systems at an affordable price. Do you have any comments about this aim? Should other aims be considered?

Building trust with business customers will be achieved through early and frequent engagement, clarity on and stability of pricing.

When initially consulting on non-domestic charging arrangements, Irish Water proposed to retain existing pricing structures "until at least the end of 2015". This terminology was later changed to the less definite commitment to maintain a price freeze for the "foreseeable future". The difference in wording may seem minor, but this is important for businesses as they prepare and arrange their finances in advance of the introduction of a new charging scheme (medium-term of 5 to 10 years, and long-term of 20 or more). Certainty on future costs is the cornerstone of good financial planning, and companies must have sufficient notice regarding changes to their cost base. It is important that Irish Water clearly understands the current arrangements for business customers ahead of any 'glide path' discussion.

Additionally, Dublin Chamber recommends that Irish Water should run business model simulation using target pricing. If price is determined through external factors it is worth examining how it will impact on current operations and efficiency. In the medium to long term, the price of water may become a greater factor when businesses decide where to locate.

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?

The aim of achieving full cost recovery for water services (without profit) is part of Ireland's national water policy and the EU Water Framework Directive. It is expected that process of data migration process from the local authorities to Irish Water will reveal the cost of providing water to domestic and non-domestic customers, allowing Irish Water to build a pricing model which enables full cost recovery.

However, it is worth reminding that many businesses across the country are already covering the cost of their water services, and have been doing so for some years now. For example, following several annual increases in water charges, Dublin City Council announced that the goal of full cost recovery was achieved in 2013.

In the development of affordable pricing system for water that will aim to achieve cost recovery, the contribution of business to date should be acknowledged. Dublin Chamber is concerned that in developing the pricing framework for the non-domestic sector, charges to non-domestic customers could be raised beyond the point of cost recovery. In light of this, a regional approach

to charging may be appropriate to ensure that non-domestic customers across Ireland are paying cost-reflective charges. It is inequitable that charges should increase for those who are already at that level.

Businesses have paid increased water charges under the assurance that the cost recovery was the ultimate goal. In areas where this goal has been achieved, no increase to water charges can be justified.

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

Since its inception, Irish Water has repeatedly expressed an aim of engaging with customers and providing excellent service.

Dublin Chamber appreciates that the focus to date has been on domestic customers given the challenges involved in migrating these onto a new billing system. However, as a pricing model for non-domestic customers is prepared, Irish Water must offer as much advance notice as possible to this sector.

Businesses have been paying for water for decades, and it is important that they are notified of any changes to their charging system, and clear on the services they receive in return.

With regard to Irish Water's objective that every customer can have their say about water services, Dublin Chamber welcomes the efforts to develop an online consultation tool, and the preparation of consultative questions to guide the public through consultation documents.

Another essential facet of meaningful engagement with the public is early and frequent consultation with customers. Groups such as the Irish Water National Stakeholder Forum help to ensure that customers are informed of the latest developments in water service delivery.

This engagement is particularly important for businesses as they prepare and arrange their finances in advance of the introduction of a new charging scheme (medium-term of 5 to 10 years, and long-term of 20 or more). Certainty on future costs is the cornerstone of good financial planning, and companies must have sufficient notice regarding any changes to their cost base.

4. Ensure a Safe and Reliable Water Supply

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 discussed above, certainty and availability of supply is crucial for securing foreign direct investment in this country. One of the strategic issues that any potential FDI client can easily identify is the security and resilience of water supply, particularly in the Dublin Region. At present, some 85% of Dublin's water comes from a single river – the Liffey. Not only is more water needed to meet demand, the supplying sources must be diversified so that the region is equipped to deal with external shocks.

The Chamber is ambitious for the future of Ireland, and confident that strong national growth can be achieved, driven in particular by growth in the Dublin region. However, it is worth noting that all planning scenarios put forward by the CSO, even ones which imply low growth, point to the need for a new water supply for the Eastern and Midlands region.

The delivery of this additional supply should be accorded the same strategic importance as the removal of boil water notices, especially in acknowledgement of the number of people that stand to be affected by potential water shortages in the Eastern and Midlands Region (the Greater Dublin Area (GDA) currently accounts for 39% of the State's population. 1.8 million people currently live in the GDA with this figure set to grow to 2.2 million by 2031).

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?

It is good business practice to explore and plan for all possible future risks that can impact upon the delivery of services. Building resilience and identifying risks are now key elements of strategic business planning. This approach must also be applied to the delivery of water services. The nature of water supply in Ireland means that we are vulnerable to the impact of climate change, and Irish Water should set out clear plans for mitigation and adaptation.

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?

In some cases such as infrastructure, the management of water services on a national basis may allow for more comprehensive and strategic plans than may previously have been possible when 44 local authorities were responsible for water services in Ireland.

For example, Irish Water's national remit has allowed for the revision and expansion of proposals for a new water source for East and Midlands. The Water Supply Area has now been extended beyond the boundaries of the Greater Dublin Area, with potential benefits for more counties, including Tipperary, Offaly, Laois and Westmeath. The expansion of the project's scope is a welcome development, as it will facilitate the delivery of infrastructure of a scale that will benefit the Region for generations to come.

However, regional disparities must also be acknowledged. The problems facing some parts of the country are dramatically different to those facing other parts. Current leakage levels in Dublin are the lowest in Ireland, at 33%. This compares with Roscommon, which loses 62% of its water through leaks.

Although it is envisaged that subsequent Implementation Plans will detail how strategies will be carried out at a regional and county level, the WSSP itself must take account of the significant disparity in the water resources and services available across the country. Generalisation across Ireland's greatly varying water systems is unlikely to produce the best possible plan over next 25 years.

Furthermore, Irish Water must recognise the special role of the Mid East as critical for the economic wellbeing of the State as a whole. The strategic importance of this Region for the national economy means that an adequate, reliable water supply is crucial for the continued wellbeing of existing, indigenous businesses. A new supply is also a prerequisite for future growth, especially for meeting ambitious targets for tourism and foreign direct investment.

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?

Dublin Chamber fully supports the important efforts to reduce leakage but, as previously mentioned, leakage reduction is not a silver bullet that will solve all problems caused by historic underinvestment in water services. It is a programme that must be advanced in conjunction with other efforts to improve the efficiency and security of water supply across the country.

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.?

Dublin Chamber supports such initiatives and has been active in raising awareness amongst the Dublin business community of the simple ways in which to reduce water usage, as doing so is good business.

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

Dublin Chamber broadly agrees with the indicators set out to measure performance in ensuring a safe and reliable water supply.

When measuring performance in relation to water supply interruptions, Irish Water should adopt a similar approach to the electricity sector, i.e., performance should be measured in terms of days since the last shortage/outage occurred, or since the last water restriction was put in place.

Information on the current baseline for water shortages must be provided, such that customers have a standard against which they can measure the service they receive. Information on the current baseline is particularly important for businesses in the Eastern and Midlands Region, given the extremely high costs associated with water shortages and outages in this Region. Irish Water should provide this information on a regional basis (i.e. Average hours of supply interruption per property served (per year) - hours lost due to water supply interruption for 3 hours or longer (planned or unplanned) for each of Irish Water's three water regions).

Another indicator would be headroom. Dublin's water supply currently operates just 1% ahead of demand (most capital cities in Europe have headroom of 15-20%), and it is estimated that up to 800 kilometres of Dublin's water mains network are over 80 years old. Ensuring this is addressed has been rightly recognised by Irish Water.

5. Provide Effective Management of Wastewater

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 here? 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?

Further details are required on the upgrade to the Ringsend Wastewater Treatment Plant (WWTP), and the delivery of a new WWTP for North Dublin.

7. Supporting social and economic growth

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? 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.

It is absolutely critical that Irish Water focus on meeting long term demand due to the long development period for such projects. Equally, many of the problems faced today are the legacy of past underinvestment and poor forward planning to meet the needs of customers.

An efficient water system has always been a competitive advantage for national economies, but this advantage is only set to grow in importance as the world faces into a global water crisis in the coming years.

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?

Dublin Chamber supports the provision that the Water Services Strategic Plan should complement national spatial planning. This demonstrates the kind of long-term, coordinated thinking on Ireland's future that has been absent in many strategic plans to date.

However, the Chamber is somewhat concerned by the fact that this provision requires the WSSP to comply with the National Spatial Strategy (NSS), Regional Planning Guidelines and other dated planning documents. The NSS was originally drafted in 2002 and last updated in 2010. It is clear that the Irish context has changed dramatically since that time. A new National Planning Framework is currently being prepared with public consultation expected in July 2015, and new Regional Spatial and Economic Strategies will be prepared to succeed the Regional Planning Guidelines.

Clarity and transparency is needed on how Irish Water intends to update the WSSP to account for the new national spatial plans.

What are your views on how we propose to measure our performance in supporting social and economic growth?

Dublin Chamber fully agrees with the selection of 'availability of headroom in water and wastewater treatment plants' as a key performance indicator. The target of 20% headroom in large urban areas seems appropriate, and this figure should remain in line with European and global competitors. Its achievement is particularly critical in Dublin, where headroom is currently on a knife-edge.

8. Invest in our future

Do you have any comments on the model for funding outlined in our strategy here?

Irish Water, in its goal of 'establishing a sustainable funding model to ensure...the required capital investment' must provide for uncertainties outside their control.

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?

Businesses have been paying for water for decades, and it is important that they are clear on the services they receive in return. In addition to direct payment for water, business paid indirectly for water services overheads in their local authorities through rates. There is a lack of appreciation of the additional costs borne by businesses to cover the investment costs that have left some regions with better infrastructure than others.

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

Dublin Chamber appreciates that Irish Water has been in a situation that has required them to respond to different internal and external situations with often a lack of clarity.

However, it is worth noting that in its submission in August 2014 Dublin Chamber voiced concern at an approach which seemed to prioritise quick-win, low-cost projects to achieve compliance. While the cost-saving approach is understandable in the context of very limited resources, it will not ultimately address the acute need for large-scale capital projects to bring Ireland's water services up to standard.

Dublin Chamber believes the current approach as outlined in the Draft Water Services Strategic Plan reflects a more robust approach with a proper long-term perspective to capital investment in water services and is in favour of the establishment of an Output Monitoring Group to establish performance measure and review them.