Regulation & Innovation

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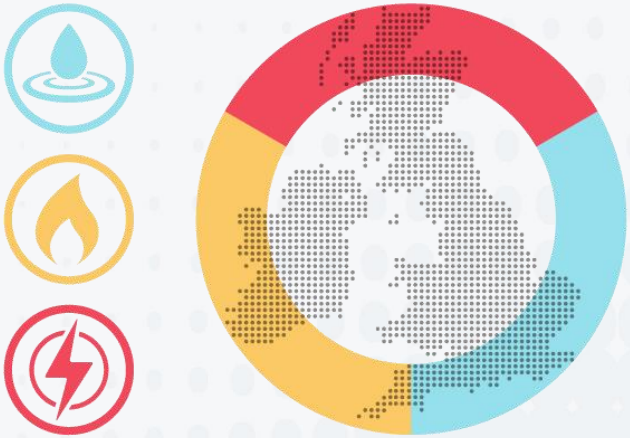
Commission for Regulation of Utilities

Dwr Uisce Conference 26th October 2017

Commission for Regulation of Utilities

- Ireland's independent energy and water regulator
- Economic, safety and customer protection functions
- Regulating in the public interest
- *Commission for Regulation of Utilities (CRU) – October 2017*



Network Utility Regulation

- Economic regulator of electricity industry since 1999 – ESB Networks and EirGrid
- Economic regulator of gas industry since 2002 – Gas Networks Ireland
- Energy safety regulator since 2006
- Economic regulator of Irish Water since 2014

Regulation of Irish Water
Legal Functions of the CRU

- Advisory role to Minister
- Approval of Irish Water's costs
- Approval of Irish Water's Water Charges Plan
  - Non-Domestic Tariffs
  - Domestic Tariffs (when in place)
  - Connection Charges
- Approval of Irish Water's Codes of Practice
- Customer dispute resolution service
- Stakeholder engagement - EPA

Regulation of Irish Water
Legal Functions of the CRU

- The CRU shall perform its functions in a manner that best serves the interest of customers of Irish Water
- The CRU shall have regard to the need to ensure a number of matters including:
- that services are provided in an economical and efficient manner
- that conservation of water resources
- continuity, safety, security and sustainability of water services
- that Irish Water performs its functions in a manner that will enable the achievement by the State of the environmental objectives of the Water Framework Directive
- that Irish Water performs its functions in an open and transparent manner

Key Economic Regulatory Tools
Irish Water Regulation

Setting Allowed Revenue

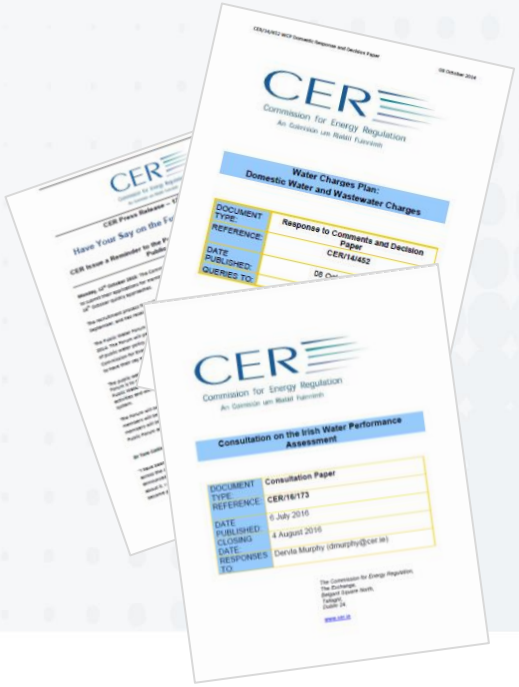
- Proposed operational and capital costs
- Capital investment plan
- Efficiency review
- Determine allowed revenue for defined outputs and outcomes
- Monitor performance
- Ex-post review

Setting Customer Service Standards

- Approve Codes of Practice

Work to Date

- Economic Regulatory Framework
- Two Irish Water revenue reviews completed by CER
- Customer Handbook in place & IW Codes of Practice
- Complaints resolution in place
- Irish Water performance monitoring and assessment
- Proactive customer engagement – stakeholder groups, PWF, publications
- Water Services Innovation Fund



Key Projects

- Connection Policy
- Non-domestic Tariff Framework
- Capital Investment Monitoring Framework
- Next Revenue Control

Innovation

Why Innovate?

- Efficiency
- Customer Benefits
- External drivers

Why Not?

- Legal Duties
- Revenue Control
- Incentives
- Risk

CRU & Innovation

- Legal duties
  - Electricity Regulation Act 1999 (amended)
  - Water Services (No. 2) Act 2013

- Regulated Network Utilities
  - GNI : Gas Innovation Group
  - ESBN: Strategic Innovation Fund
  - Irish Water: Water Services Innovation Fund
- Research Funding
- In kind contribution

Challenges

- BAU or innovation?
- Potential for real benefits to customers?
- Truly innovative?
- Silos
- Administrative efficiency

Water Services Innovation Fund

Qualifying Criteria

- Reasonable probability of benefits to customers
- Value of money
- Further objectives
  - Provision of safe, secure and reliable water services,
  - Increased understanding of customer behaviour
  - Effective customer engagement
  - Enhanced energy savings in provision of water services
  - Achievement of environmental standards/WFD
  - Mitigation of negative climate change impacts
  - Provision of services in economic and efficient manner
  - Improved conservation of water resources

Parting Thoughts

- Look beyond the technical
- Change behaviours
- Promote a culture of innovation
- Collaboration
- Practical applicability, tangible benefits
- Innovation in the round

Thank You

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Regulation of Irish Water

Strategic Goal

To ensure a reliable supply of clean water and efficient treatment of wastewater.

Economic Regulatory Framework Principles

- Stable
- Predictable
- Sustainable
- Cost Efficiency