



**Tithe an
Oireachtais
Houses of the
Oireachtas**

An Comhchoiste um Maoiniú ar Sheirbhísí Uisce Tí sa Todhchaí

Tuarascáil

Aibreán 2017

Joint Committee on the Future Funding of Domestic Water Services

Report

April 2017

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Chairman's Foreword



An Seanadóir Pádraig Ó Céidigh

Cathaoirleach

Water is essential for public health and human life, the environment and the economy. While we are fortunate in Ireland to have an abundant supply of water in the environment, it is incumbent on us to use it in a manner that promotes conservation and that protects it from pollution.

Our public water services provide drinking water to over 80% of the population, delivering over 1,600 million litres of water each day. They also provide wastewater management services for the collection and treatment of effluent. The Report of the Expert Commission on Domestic Water Services highlighted the scale of the shortcomings of our current public water services, and this

formed the basis for the Joint Committee's deliberations along with the submissions received and the discussions held in our public meetings.

It is fair to say that, for a variety of reasons, as a State we have neglected our public water services over many years. This can be seen, for example, in terms of the lack of a proper level of funding of those services, and the lack of reliability and poor performance of parts of the services. It is clear that we need to greatly improve our approach to financing, managing and using our water services in a sustainable way over the medium to long-term.

The task before the Joint Committee was challenging given the strong opinions that issues relating to the organisation and funding of our water services had generated in recent years. The Members of the Committee represented the full spectrum of views in this regard. In addressing the issues involved, the Committee had to consider many aspects of the issues that arise, including the legal framework – both national and EU. Also included are the regulatory regime that has oversight of the sector, the funding challenge, the need for environmental sustainability, and the case for greater conservation with regard to our water supply.

To ensure that we had a firm basis for our deliberations, the Joint Committee was conscious of the need to obtain the most up-to-date and relevant data from the key stakeholders and to scrutinise it. I believe that the constructive engagement of those stakeholders and of the Members in engaging with the issues generated a fresh perspective and understanding of the decisions that needed to be taken. Particular attention was given to the need for Ireland to fulfil its obligations under the relevant EU directives.

The recommendations of the Joint Committee provide a comprehensive, balanced and sustainable approach to addressing the challenges of providing effective and sustainable public water services. I am confident that they will provide the basis for a full consideration of the issues by the Houses of the Oireachtas, and by the Government.

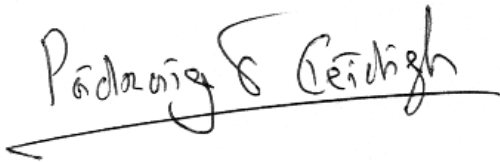
I would like to express my appreciation of the many stakeholders who provided substantial assistance to the Committee in the course of its deliberations. I wish to particularly

acknowledge the assistance of those who travelled from abroad to assist us – Scottish Water, Welsh Water and the European Commission.

I also greatly appreciate the work of the Members of the Joint Committee who engaged in an open and constructive manner during the course of our meetings.

Finally, I would like to thank the Clerk and Secretariat of the Joint Committee and the Office of the Parliamentary Legal Advisor for their support.

It has been my privilege to serve as Chair of this Committee.

A handwritten signature in black ink, reading 'Pádraig Ó Céidigh'. The signature is written in a cursive style and is underlined with a single horizontal stroke.

An Seanadóir Pádraig Ó Céidigh
Cathaoirleach an Chomhchoiste

Recommendations of the Joint Committee

1. Public Ownership

- 1.1 The Joint Committee on the Future Funding of Domestic Water Services ('the Committee') supports the concept of a referendum on the issue of water services continuing in public ownership and believes that public ownership should be enshrined in the Constitution as an extra measure of protection against any privatisation. The wording of this amendment must be carefully scrutinised to ensure that it does not impact upon the status of Group Water Schemes and individual domestic water supplies and their connection to the private network.
- 1.2 The Committee notes that, while existing legislation already provides a statutory prohibition on the privatisation of Irish Water, the Thirty-Fifth Amendment of the Constitution (Water in Public Ownership (No 2) Bill 2016, which proposes that the following subsection be inserted after subsection 2 of Article 28.4 of the Constitution:

"3° The Government shall be collectively responsible for the protection, management and maintenance of the public water system. The Government shall ensure in the public interest that this resource remains in public ownership and management."

completed second stage in Dáil Éireann without division on 9 November 2016.

The Bill was subsequently referred to the Committee on Housing, Planning, Community and Local Government and that Committee has decided to take evidence in relation to the Bill.

2. Funding

- 2.1 The Committee recommends that domestic water charging as provided for under the Water Services Act 2014 be discontinued and replaced by alternative arrangements as outlined in this report
- 2.2 The Committee recommends that the water utility's current commercial loan facility be reviewed and replaced, where possible, with state lending facilities by arrangement with the National Treasury Management Agency (NTMA).
- 2.3 The Committee recommends that there must be funding certainty and long term stability for the water utility so that it can plan and deliver the requisite level of operational and infrastructure projects, in line with the commitments made in its business plan up to 2021, which in turn is based upon Ireland's EU obligations under the Water Framework Directive (WFD).
- 2.4 The Committee recommends that following a review of feasible options including the Water Services Act 2007 and new legislation, if required, the Government must:
 - a. Introduce measures to provide funding certainty for the water utility over a long term multi-annual budgetary cycle dedicated from within existing general taxation, and;
 - b. Ensure that this funding goes directly to the water utility for the specific purpose of investing into the water infrastructure so as to ensure full compliance with Ireland's EU obligations under the WFD.
- 2.5 The Committee recommends that domestic water use should be funded through general taxation. The Committee notes that such funding must be clearly identifiable within existing taxation to meet the cost of domestic water services for the water utility in order to comply with Ireland's EU obligations.
- 2.6 The Committee recommends that there be an identifiable link between the revenue provided to the water utility by the Exchequer and the services that such revenue effectively pays for. The funding model incorporates the principle of recovery of the costs of water services as set out in Annex III of Article 9 of the WFD and the promotion of conservation to ensure compliance with the WFD.

3. Public Engagement and Transparency

- 3.1 The user's voice must be put at the heart of the discussion and of the decision making on the delivery of water services in Ireland. There should also be greater public involvement in water policy. The Committee notes the intention of the Department of Housing, Planning, Community and Local Government to broaden the remit of the Public Water Forum to encompass and coordinate broader engagement on national issues, and to engage with the public on issues such as water quality, public water services, rural water issues, and with all water issues.
- 3.2 The role of the Public Water Forum should be further developed over time to support these objectives. This would include engaging with the Commission for Energy Regulation (CER) and the Environmental Protection Agency (EPA) to provide recommendations in relation to the performance by the water utility of its functions. Where practicable, there should also be public involvement in the matter through the Public Participation Networks, Local Councils and community and environmental NGOs. Adequate funding should be provided to empower citizens and communities to engage fully in this process.
- 3.3 Therefore, the Committee recommends that the legislation establishing the Public Water Forum be reviewed to ensure that that there is no duplication of roles and responsibilities with other organisations, is adequately resourced and effectively structured to ensure that the user's voice is clearly represented.
- 3.4 The water utility should have effective local engagement with individual water services users, elected members, and community groups to provide relevant information and action plans, and to ensure that there are effective responses to local issues.

4. Role of Regulators and Compliance with EU Law

- 4.1 The Committee believes that both the CER and the EPA have key central roles in the regulation of costs and environmental standards respectively and they should be appropriately funded. Both agencies also have important roles in assisting the Government, the Houses of the Oireachtas and Local Authorities in fully scrutinising the water utility on all aspects of water policy formation, value for money, service delivery and compliance with the environmental objectives arising from EU and domestic law.
- 4.2 The Committee recommends that, in line with practice in other countries, the establishment of a Drinking Water Inspectorate (DWI) should be considered by the Government. This is recommended with a view to having one body that makes the critical determinations regarding public health so that the appropriate balance can be struck between environmental and public health concerns (regarding water and wastewater investment decisions - for example with regard to lead, Trihalomethanes (THMs) etc.).
- 4.3 The Committee agrees that wilful wastage of water should be curbed. Wasteful water use should be monitored utilising district water meters, existing infrastructure and modern technology in order to explicitly and progressively target wilful wastage of water. This system should be kept under review to address pollution by ensuring leakages and any other water abuse are effectively identified so as to:
- a. Comply with the stated objectives of the WFD to preserve, protect and improve the quality of the environment; and
 - b. Take account of available scientific and technical data as well as environmental conditions in the various regions of the community.
- 4.4 The Committee recommends that the CER should determine average consumption levels setting the threshold level at 1.7 times the average household use. The legislation should also provide for appropriate allowances for extraordinary circumstances such as medical conditions and above the average household size that falls beyond the threshold allowance and taking into consideration that the average usage per person is 133 litres per person per day.
- 4.5 The Committee recommends that the Water Services Act 2007 be amended as necessary to ensure that the wastage, excess use or wilful abuse of water can adequately be addressed. It is considered that an approach based on incentives, levies and other measures proposed in this report will address excess use of water in order to dissuade users from wastage of water thereby demonstrating that Ireland is compliant with all relevant EU water directives.

5. Conservation measures

- 5.1 The Committee recommends that conservation of water resources should be embedded as a principle of water policy in Ireland. Clean, useable water is not free and represents a considerable investment of resources, energy, capital and labour. While the water utility usage figures have been shown to be low by international standards, the headroom in respect of water availability in some areas is relatively low. The Committee therefore wish to improve this situation in the long term by incentivising savings and discouraging wastage.
- 5.2 The Committee notes that one of the most urgent tasks of water conservation is reducing water lost in the public system. The Committee recommends that adequate resources are invested to reduce these leaks in the shortest possible timeframe.
- 5.3 The Committee recommends that the 'First Fix Free Scheme' remain in place and options or schemes should be explored in order to address the cost of subsequent leaks, i.e. within the boundaries of the user's property. The Committee also recommends that the water utility engage in a national awareness campaign with regard to the existing scheme to assist with active conservation on the part of the user.
- 5.4 The Committee recommends that a much more proactive approach be taken to promoting awareness of the importance of domestic water conservation in Ireland. The PWF, in co-operation with the EPA and based on the Agency's research programme, should mount a sustainable education campaign in this regard.
This campaign should, in a schools context, seek to establish synergies with the Green Schools programme.
With regard to educating the population, social media and innovative online tools should be utilised to the maximum effect.
- 5.5 The Committee recommends that the Government should develop a cross departmental strategy to increase water conservation. It should focus on education and awareness; retrofitting; stronger building standards and regulations for all new residential builds.

Specific initiatives should include:

- a proactive retrofitting programme to provide for the maximum level of water conservation, an ambitious amendment to existing building standards and regulations to ensure the maximum level of water conservation;
- incentives in respect of the installation of practical/innovative systems that reduce water consumption, for example, rain water harvesting systems,

grey water systems, water meters and other water saving technologies to provide for the maximum level of water conservation.

- 5.6 The Committee recommends that, in order to achieve improved water conservation, all new domestic buildings should incorporate water conservation fittings. The Government should explore the establishment of a water conservation grading scheme for dwellings, similar to the Building Energy Rating Scheme (BER).
- 5.7 The Committee recommends that the principle of open data should be adopted for water research purposes and the data collected by the water utility, CER and the EPA should be provided to the Public Water Forum and society for analysis and decision making purposes.
- 5.8 The EPA's research budget on water management and conservation should also be reviewed to ensure that it is adequate to support better water policy formulation and improved service delivery to water consumers.

6. Equity and fairness

- 6.1 The Committee recommends that the principles of equity of treatment and equivalent financial support should be applied equally between households on public water supplies and those in Group Water Schemes (GWS), Group Sewerage Schemes (GSS), those using Domestic Waste Water Treatment Systems (DWWTS) and Individual Domestic Water Supplies (IDWS).
- 6.2 The Department of Housing, Planning, Community and Local Government should therefore conduct a review, in coordination with the National Federation of Group Water Schemes and other relevant stakeholders, to quantify what additional investment will be required to equalise treatment between those availing of domestic water services and those availing of private services. The Committee recommends that, following this review, identified investment should be provided.
- 6.3 In respect of the most cost efficient mechanism of adhering to the principle of equity of treatment for those who have paid and have not paid water charges, the Committee recommends that, following consideration of payments made by the State to date through the water conservation grant and the most effective refund methods, such households should be compensated in an equitable manner.

7. Metering

- 7.1 The Committee recommends that the water utility place a high priority on investment aimed at ensuring that district water metering, existing infrastructure and modern technology are used in the most effective way possible to support the reduction of leakages and to ensure compliance with WFD.
- 7.2 The Committee is of the opinion that the most important function of metering, whether district, domestic or other is to promote conservation through leak reduction thereby alleviating pressure on existing facilities. The most effective combination of metering (including the existing stock of domestic meters) which can achieve that aim should be used.
- 7.3 The Committee recommends that the Government consider how best to incentivise voluntary take-up of a free domestic water meter (supply and installation) for conservation purposes.
- 7.4 The Committee recommends that bulk metering be installed for multi-unit developments such as apartment blocks.
- 7.5 The Committee recommends that the Legislature utilise the Building Regulations as a basis for legislation in regard to the use of water meters in new dwellings and dwelling refurbishments that require full planning permission so that the amount of household water consumption is clear to users and as a means of effective leak detection and conservation.

8. Review and Update

- 8.1 At the end of a five year period, an overall review should take place of the strategy based on this report and as adapted by Government and an outline strategy be recommended for the next five year period.
- 8.2 The Committee recommends that the relevant Oireachtas Committee should have an ongoing role in reviewing the implementation of recommendations of this Committee by the water utility and the Government

Noted:

The Committee acknowledges that the establishment of an External Advisory Body is recommended on a statutory basis to build public confidence in the water utility.

Appendix I - Terms of Reference of the Joint Committee

- (a) A Special Committee appointed by Dáil Éireann joined with a Special Committee appointed by Seanad Éireann, to form the Joint Committee on the Future Funding of Domestic Water Services. The Joint Committee considered the report of the Expert Commission on the Future Funding of Domestic Water Services and reported with recommendations to both Houses of the Oireachtas in accordance with paragraph (h).
- (b) The Expert Commission shall, as soon as is practicable after it adopts its report, forward the report to the Clerks of both Houses, who shall arrange for the report to be laid in the Parliamentary Library, whereupon the report shall stand referred to the Joint Committee.
- (c) 20 Members of the Committee were appointed as follows:
- Five members appointed by the government.
 - Four members appointed by Fianna Fáil.
 - Two members appointed by Sinn Féin.
 - One member each appointed by the Labour Party, the Aunty-Austerity Alliance- People Before Profit (AAA-PBP), Independents 4 Change, the Rural Independent Group, and the Social Democrats – Green Party Group.
 - Four Members appointed by Seanad Éireann.
- (d) The Ceann Comhairle announced the names of the members under paragraph (c) for the information of the Dáil on the first sitting day following their appointment.
- (e) The quorum was eight members, with a requirement of one member from both houses.
- (f) The chairman appointed was Senator Pádraig Ó Céidigh.
- (g) The Joint Committee had the powers defined in standing order 85 (1),(2),(3),(4),(5),(6),(7),(8) and (9).
- (h) The Joint Committee was to report to both Houses of the Oireachtas by 28th February 2017. This was extended to 14th April 2017, as approved by Dáil Éireann, and Seanad Éireann on the 9th March 2017.

On 9 March 2016, both Dáil Éireann and Seanad Éireann made the following Order extending the date by which the Joint Committee was required to report to both Houses of the Oireachtas:

That the Order of the Dáil/Seanad of 24th November, 2016, relating to the Joint Committee on the Future Funding of Domestic Water Services is amended in paragraph

(h) by the deletion of '28th February, 2017, or within three months of its first public meeting, whichever is the later' and the substitution therefor of '14th April, 2017'.

Appendix II - Membership of the Joint Committee

Chair	Senator Pádraig Ó Céidigh
Deputies	Colm Brophy (FG) Mary Butler (FF) Barry Cowen (FF) Jim Daly (FG) Alan Farrell (FG) Noel Grealish (RIG) – Technical Group Seamus Healy (SD – GP) - Technical Group Martin Heydon (FG) John Lahart (FF) Paul Murphy (AA – PBP) Eoin Ó Broin (SF) Jonathan O'Brien (SF) Kate O'Connell (FG) Willie O'Dea (FF) Jan O'Sullivan (Lab) Thomas Pringle (I4C)
Senators	Paudie Coffey (FG) Lorraine Clifford-Lee (FF) Grace O'Sullivan (CEG)

Notes:

1. Deputies appointed in accordance with an Order passed by Dáil Éireann on 24 November 2016.
2. Senators appointed in accordance with an Order passed by Seanad Éireann on 24 November 2016.

Appendix III - Meeting Schedule

The Joint Committee met on 22 occasions as follows:

	Date	Meeting/Witness
1	13 December 2016	Introduction <i>Kevin Duffy, Expert Commission</i>
2	12 January 2017	Public ownership and Funding operations, maintenance, and investment <i>Department of Housing, Planning, Community and Local Government, Irish Water, CER</i>
3	18 January 2017	Funding operations, maintenance, and investment, Funding domestic water and wastewater services <i>Department of Housing, Planning, Community and Local Government, Department of Finance</i>
	24 January 2017	<i>Visit to Irish Water</i>
4	25 January 2017	Public ownership of the public water system <i>Mr Seamus Ó Tuathail, SC, Department of Housing, Planning, Community and Local Government</i>
5	1 February 2017	Public engagement and transparency <i>Public Water Forum, Irish Water and CER</i>
6	7 February 2017	Funding domestic water and wastewater services <i>NewEra, Department of Housing, Planning, Community and Local Government, National Federation of Group Water Schemes</i>

7	8 February 2017	Experience in other jurisdictions <i>Scottish Water, Welsh Water, CER</i>
8	14 February 2017	Metering <i>CER, Irish Water</i>
9	15 February 2017	Role of regulators and compliance with European law <i>European Commission, EPA, Legal advisors for Fianna Fáil and Sinn Féin, Department of Housing, Planning, Community and Local Government</i>
10	21 February 2017	<i>Right2Water</i>
11	22 February 2017	Equity, fairness and conservation measures <i>Public Water Forum, Department of Housing, Planning, Community and Local Government</i>
12	28 February	Private Session
13	1 March 2017	Private Session
14	7 March 2017	Private Session
15	8 March 2017	Private Session
16	28 March 2017	Private Session
17	29 March 2017	Private Session
18	30 March 2017	Private Session
19	4 April 2017	Private Session
20	5 April 2017	Private Session
21	6 April 2017	Private Session
22	11 April 2017	Private Session

Appendix IV - Individuals/Bodies from whom submissions were invited and received

Age Action Ireland
Apartment Owners Network
Central Statistics Office
Commission for Energy Regulation
Competition and Consumers Protection Commission
Consumers Association of Ireland
Customer Water Forum Scotland
Department of Finance
Department of Housing, Planning, Community and Local Government.
Department of Public Expenditure and Reform
Department of Social Protection
Dublin City Council
Economic and Social Research Institute
Engineers Ireland
Environmental Protection Agency
European Commission
European Water Movement
HSE
IBEC
Irish Environmental Lawyers Association
Irish Environmental Network
Irish Society For EU Law
Irish Water
National Federation of Group Water Schemes
National Treasury Management Agency
Northern Ireland Utility Regulator
Public Water Forum
Revenue Commissioners
Scottish Water
Siptu
Sustainable Energy Ireland
Trinity College Dublin
University College Dublin
University of Southampton
Welsh Water