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Introduction and Background

Overview
The Government has indicated its intention to take a national approach to water, to significantly improve the quality of service, increase the cost efficiency associated with water provision and conserve our national resource. To equip the sector to meet the challenges of the future, the Government has embarked upon a series of reforms for the water sectors, which comprise three inter-related components:

- **New Organisational Model**: The establishment of a new public utility, Irish Water, as an independent subsidiary of Bord Gáis Éireann, to take over the responsibility for the delivery of water services from local authorities.

- **Sustainable Financial Model**: Irish Water will be able to access third party finance with the objective of becoming self financing in time. Water charges to be introduced for domestic users based on usage. Metering programme to be rolled out.

- **Economic Regulation**: The introduction of independent economic regulation of the water sector to be assigned to the Commission for Energy Regulation who will be responsible for determining the cost of water services to the consumer and driving efficiencies.

This implementation strategy is an overarching strategy to guide the work of all the parties involved in implementation of these reforms. Its development has been advanced by the Department of the Environment, Community and Local Government (DECLG) with the active involvement of the County and City Managers’ Association (CCMA), NewERA, the Commission for Energy Regulation (CER), the Environmental Protection Agency (EPA) and Bord Gáis and has taken account of the issues highlighted during the public consultation phase earlier this year.

Background
The Programme for Government (PIG) envisages the creation of Irish Water, a State company that will take over the water investment and maintenance programmes of the 34 county and city councils with the key aim of supervising and accelerating the pace of delivery of planned investments needed to upgrade the State’s water and sewerage networks. The PIG also provides for the introduction of a fair funding model to deliver clean and reliable water including proposals to install water meters in households, moving to a charging system that is based on use.

The Programme of Financial Support for Ireland with the EU/IMF/ECB also contains a commitment to prepare proposals for implementation of the recommendations of an independent assessment of the transfer of responsibility for water service provision to a water utility and that water charges would be introduced. The independent assessment was concluded in late 2011 and recommended the establishment of Irish Water as a
public water utility\(^1\). The report concluded, based on an analysis of the strengths and weaknesses of the current system, international experience and stakeholder soundings, that a public utility offers the best opportunity to improve the efficiency and effectiveness of water services delivery, provide access to new funding sources, and improve strategic planning and accountability. The Government decided in December 2011, based on these recommendations, to establish a public water utility company to take over the operational and capital delivery functions of local authorities in the water services area.

The Government also decided at that time, that further consideration should be given to whether Irish Water should be established as a new State Agency or whether the role of Irish Water should be assigned to an existing State Agency in order to ensure that existing resources and capabilities in the State sector were used to best effect. Following on from this further analysis, the Government decided in April 2012 that Irish Water should be established as an independent state owned company within the Bord Gáis Group. The Bord Gáis Group has key capabilities that can be brought to bear in the establishment of Irish Water, including experience in operating as a utility in a regulated environment and a track record in raising finance, and has specific skills from its own experience of transformation, customer relations, network management, metering and utility operation that can be deployed to assist in the successful establishment and operation of Irish Water. The skills within the Bord Gáis Group will be paired with the experience and commitment to service in local authorities and the specific water and wastewater capabilities and expertise that exist in the local government sector to build the new organisation.

The Government have also decided, in line with the commitment in the Programme for Government and the MoU with the EU/IMF/ECB, on the introduction of a sustainable funding model to support much needed investment in the sector, including the introduction of water charges for domestic users, and the establishment of an independent economic regulator for water services, a function to be assigned to the Commission for Energy Regulation, who will be responsible for determining the cost of water services to the consumer and for ensuring that planned efficiencies are delivered.

Outline of Strategy

The first section of the strategy which follows, deals with programme management governance and summarises the key high-level milestones and deliverables under each of the work-streams. While there are some 13 such work-streams they fall into three broad categories:

- Policy and Legal Framework;
- Developing the new organisational model for Irish Water; and
- Development of the new funding model for the water sector.

The first series of work-streams outlined in the strategy deal with the overall policy context for the reforms, the governance of the programme and the legal issues arising. The legal work-stream will be a critical component in providing the legal underpinning to the changes flowing from the policy framework, as well as the operational model and the new funding model. The second set of work-streams deal with the development of the new organisational model for Irish Water, which will evolve through a number of phases:

**Current Phase** – the 34 city and county councils as Water Services Authorities responsible for the delivery and operation of water and waste water infrastructure;

**Interim phase (to end 2013)** - Local Authorities retain full legal responsibility as Water Services Authorities. Irish Water will be developing the new organisational model, and undertaking a number of functions including in relation to metering and communications.

Transition phase (2014-2017) - Irish Water will be allocated full responsibility for all aspects of water service planning, delivery and operation at national, regional and local levels following enactment of the necessary legislation; water services functions will transfer on a phased basis to Irish Water from city and county councils and the Department and local authorities will be empowered to act as agents of Irish Water to deliver a range of services under service level agreements.

“Steady state” (post 2017) – This refers to the long-term structure of Irish Water post 2017, when all components of the legislation have been commenced, the full transfer of functions has been effected, a track record in accessing third party funding for water investment has been built up and the company is operating as a fully vertically integrated public water utility.

The development of the organisational model includes the corporate development of Irish Water, as well as the transition from Departmental and local authority management and delivery of water functions to Irish Water. The transition of the capital and operations will require a highly collaborative approach to ensure that it is managed well and that there is continuity of service in relation to operations and that momentum on the delivery of capital projects is maintained. The focus from an operational perspective is on the service level agreements between Irish Water and local authorities which will form an important feature of the model. These will be a contractual reflection of the statutory roles and responsibilities of both parties as set out in legislation. A key component of building the new organisational model will be the engagement with staff and trade unions.

One of the main goals of the water sector reform programme is to build a sustainable funding model for the sector in order to reduce reliance on State funding and ultimately become self-financing. The funding model has to ensure that required investment in the sector is secured and that charges to domestic customers and businesses are fair and equitable. Against this backdrop, this final section of the implementation strategy sets out the required deliverables and associated timelines to be achieved to prepare for the introduction of domestic water charges in line with the requirements of the Programme of Financial Support for Ireland with the EU/IMF/ECB.

The Government commitments to establish Irish Water and to address water consumption and conservation through the implementation of the metering programme and domestic charges are reflected amongst the programme of measures set out in Our Sustainable Future: A Framework for Sustainable Development in Ireland. This strategy recognises that a central plank of Ireland’s economic recovery will centre on the development of a green economy with opportunities for investment and employment creation in emerging sectors such as water management.

Feed-back from public consultation

The development of this implementation strategy was informed by a public consultation process undertaken in early 2012 in tandem with the publication of the report on the independent assessment on the establishment of Irish Water and a position paper setting out the reforms. The six week period of public consultation ran from 16 January to 24 February 2012 and a considerable number of organisations, elected representatives and other individuals made submissions as part of the process. Almost 300 submissions were received, 68 from organisations, 32 from companies, 33 from local and regional authorities and the balance from individuals. These submissions were taken into consideration in developing this implementation strategy. Some of the key points raised are set out below.

Organisational Model

There was a general consensus, where raised in submissions, on the need for increased investment in the sector, as well as improved strategic planning at a national and regional level reflecting river basin catchments. Many respondents welcomed the proposed establishment of a public utility in a regulated environment as a beneficial move. Some of the organisations, particularly environmental NGOs, felt that the proposed role of Irish Water was not sufficiently broad and should encompass a greater role in overall water governance. The view was also expressed that Irish Water should be established in a manner which allowed for competition for services in the future. On the other hand, many local authority representatives and the Irish Congress of Trade

2 Available at www.environ.ie
Unions (ICTU) favoured a more limited organisational change based on forms of the agency model where assets and operational responsibility would remain with local authorities. This latter view arises from concerns about the loss of local authority experience, privatisation, the removal of functions from local authorities and the impact on synergies between services. A number of submissions also related to the naming of the organisation.

The Government is satisfied that the public utility model which integrates operations and capital planning, would have greater capacity to raise third party finance, achieve economies of scale and improve the efficiency of operations than other models explored during the independent assessment, and securing best value for money and a sustainable future funding source is a critical requirement in ensuring that the costs of water, which will ultimately be passed on to customers, are minimised. The proposed phased transition is designed to guard against the disruption of service or loss of expertise by pairing the skills of an existing utility, Bord Gáis Eíreann with the skills within the local government sector. While the independent assessment envisaged that the service level agreements between Irish Water and local authorities would end in 2017, the strategy now acknowledges potential scope for local authorities to continue to act as agents of Irish Water beyond 2017, if arrangements are working well. The legislative provisions establishing Irish Water will empower local authorities to continue to act as agents of Irish Water beyond the transition phase.

While Irish Water will play an important role in the broader water environment, it will be in co-operation with a range of other actors, and it is not considered appropriate to expand the role to incorporate a range of functions that are better delivered by other bodies, including the Environmental Protection Agency. That said, the need for a more integrated approach to water management raised by a number of organisations is acknowledged. Reflecting on these issues, the broader context and the role to be played by Irish Water is set out in Work-Stream (WS) 2 Policy Framework and Sector Governance, and the associated funding issues will be advanced by the Finance and Funding (WS 11) and Economic Regulation work-streams (WS 10). The tasks to be undertaken in relation to the environmental regulation of Irish Water are set out in WS 5.

Privatisation
Many submissions emphasised the importance of water services remaining in public ownership with concerns raised by ICTU and others that the establishment of Irish Water could be a precursor to privatisation. In this context, a related concern was the potential lien over water services assets and their transfer from local authorities to Irish Water.

The Government is committed to maintaining Irish Water in public ownership. This would generally be in line with international practice. The existing prohibition on the privatisation of water services assets included in the Water Services Act 2007 will be retained and strengthened as necessary. Further consideration will be given to the approach to and the timing of asset transfer, subject to optimising the funding available to Irish Water. This is provided for within the Finance and Funding (WS 11) and the Policy Framework and Sector Governance (WS2) work-streams and will ultimately be reflected in the Legal and Legislation work-stream (WS 3).

Engagement with staff
The need for ongoing communication and engagement with staff and trade unions, given the substantial nature of the change was highlighted.

A specific work-stream of the implementation strategy (WS 9 People, Skills and Change Management) sets out the proposed approach in this regard, and acknowledges the criticality of such engagement to the success of the overall reform programme and to addressing any concerns staff may have as the implementation strategy rolls out.

Relationship with local authorities
A concern raised particularly by elected members was the potential loss of input by local authorities into investment decisions and the consequent impact on local and regional planning and development. A further aspect raised by many local authority submissions was the critical link between local authority water services and fire/emergency services, as was the need to ensure that the proven track record of local authorities in responding to emergency issues was maintained.

The work-stream on the Policy Framework and Sector Governance includes a specific section on the long-term relationship between Irish Water and local authorities (WS2). This chapter also outlines the approach to
strategic planning for the sector, including the need to take account of the national spatial strategy, regional planning guidelines and local development plans in framing Irish Water’s investment plans; the chapter also recognises the need to deal with a range of boundary issues. The Legal and Legislation work-stream (WS 3) reflects the need to review planning and development legislation as part of the development of comprehensive legislation to establish Irish Water in 2013 (WS3). The Operations work-stream (WS 7) which deals with service level agreements between Irish Water and local authorities provides the framework for ensuring continuity of service, and effective response to emergencies.

**Democratic Accountability**

Local authority submissions also raised concerns about accountability in the light of the move of water services from local government to a commercial Semi-State body.

The appropriate governance and accountability of Irish Water to the Oireachtas will be dealt with in the comprehensive legislation establishing it, and the various tasks involved are set out in WS6 Corporate Development of Irish Water.

**Local authority finances**

Some authorities raised concerns about the treatment of financial liabilities which they incurred over the years on the delivery of water services.

The Department has already provided clarification in relation to the financial liabilities arising for local authorities in relation to water services capital projects in Circular L4/12 of 30 March 2012. The Finance and Funding work-stream (WS 11) will progress matters in relation to these financial issues, establishing the cost base for Irish Water and the scale and nature of financial liabilities of local authorities to be taken over by Irish Water. This work-stream will be progressed not only from the perspective of ensuring that Irish Water is established on a sound financial footing, but also examining the impact of any decisions on the Governmental and local authority balance sheets.

**Group Water Sector**

Some submissions noted the important partnerships between local authorities and the group water sector, and expressed concerns that the quality improvements made over the past decade in the sector might be negatively impacted through the organisational changes proposed.

The important advances made by this sector, based largely on voluntary effort, but also on the professionalism of the National Federation of Group Water Schemes and the local authorities must be sustained. It is appropriate to consider the future challenges and appropriate strategies for the sector before finalising the appropriate delivery mechanisms, which may include service level agreements between the EPA and Irish Water or Irish Water and local authorities. A specific work-stream (WS4) will address these issues for incorporation in a broader policy framework for the water sector.

**Water charges and metering**

A number of submissions supported the introduction of charges for domestic users, with an emphasis on the need for the charges to be fair and transparent. Many submissions from individuals indicated that their willingness to pay charges was dependent upon an improvement in the quality of service in their particular areas. Some submissions argued against the introduction of charges on the basis that water services should be funded from general taxation. Submissions made in relation to the development of the tariff structure reflected matters such as consideration of block tariffs, standing charges and charges based on water availability. There was significant support for the setting of a single national charge. A number of submissions expressed concern that assessed charges should not penalise households from lower income groups or those with larger families. Submissions were received both in favour and against providing a free allowance of water. Where submissions were not in favour of such an allowance the issues raised related to the administrative difficulties or a preference for targeted measures for households with an affordability issue. Many submissions focussed on affordability for low income households and people with disabilities or medical conditions necessitating high water usage. Some submissions also referred to the potential impacts on business and industry from the proposed changes arguing that costs to business should not be increased and must remain affordable.
Varying views on the metering programme were expressed during the public consultation. Some submissions received were not in favour of metering, either on the basis of its cost or a view that funding should be focusing on mains rehabilitation and water conservation rather than metering and in some cases submissions suggested flat charges would be preferable. A number of submissions suggested that a decision on the water metering programme should be the responsibility of Irish Water or that the Regulator should have a role in considering the programme. The issue of metering multi-unit developments was raised in a number of submissions. Other issues raised on metering related to the positioning of meters, the technology available or the potential synergies with the smart metering programme being developed for the gas and electricity utilities by the CER.

The general thrust of the points raised in the submissions has reinforced the Government view that the introduction of charges must be fair and equitable and that charges based on usage, with appropriate measures to address affordability issues for particular groups, is the best way of achieving this objective. The metering programme will be a large and complex capital project, with significant employment potential at small and medium sized enterprise level. The key tasks involved are set out in WS 13. Key decisions in relation to Exchequer funding of Irish Water, including the approach to free allowances and affordability measures will be progressed as set out under the tasks in the Finance and Funding (WS11) and Economic Regulation work-streams (WS10). The tariff regime will be defined by CER, and the process of setting the tariffs will provide an opportunity for further public consultation.

**Water efficiency and conservation**
A number of submissions were made in relation to water efficiency actions, with support for increased efficiency measures such as water saving devices, rainwater harvesting and increased use of grey water.

There will be an incentive for users to invest in such devices when charges are introduced based on usage. It is also envisaged that investment in water conservation measures on the public network will be accelerated by Irish Water and specific goals in relation to leakage reduction are likely to be set by the Economic Regulator.

**Economic regulation**
The consultation process did point to a high degree of support for the separation of economic and environmental regulation, but it was noted that there may be conflicts which would have to be resolved. The new regulatory economic framework should support enterprise development and national competitiveness while also taking account of the social and environmental implications. While many submissions agreed with the economic regulation being sited in the CER as the most efficient approach, some of the commentary did raise issues about the approach to economic regulation to be adopted in the water sector. ICTU proposed that the Government not the Regulator should approve the charges as part of the budgetary process.

The Government will have a role in supporting Irish Water financially for a considerable period, which will have an important impact on the level of charges. Decisions in this regard will have to be taken as part of the budgetary process. However, it is considered appropriate that the sector is independently regulated to ensure the most efficient operational costs, the sustainability of investment plans, the protection of consumers and to support the capacity of Irish Water to borrow on the markets.

**Consumer interests**
A number of submissions were made in relation to communications with customers, expectations as to the quality of service, consumer protection and the manner in which the needs and interests of consumers should be demonstrably incorporated into the decision making process. There were some calls for this process to be separate to the Economic Regulator.

It is intended that a key duty of the economic regulator will be the protection of consumer interests. This will be reflected in the legislation establishing the water economic regulation function within CER. As part of the Economic Regulation work-stream (WS 10) consideration will be given to the appropriate customer protection measures and how and by whom these should be delivered; noting that the independent assessment suggested that a consumer representative role could be taken on by the National Consumer Agency to supplement the consumer protection role of the CER.

**Fluoridation of water**
A number of submissions were made objecting to the current practice of fluoridation of water.
The fluoridation of water arises for public health reasons and is funded by the Health Service Executive. The level of fluoride in drinking water is governed by the Fluoridation of Water Supplies Regulations 2007. The Irish Expert Body on Fluorides and Health, established by the Minister of Health in 2004, advises that the balance of scientific evidence worldwide confirms that water fluoridation, at the optimal level, does not cause any ill effects and continues to be safe and effective in protecting the oral health of all age groups. The report of the EU Scientific Committee on Health and Environmental Risks published in June 2011, has not made any findings of negative health or environmental effects concerning fluoridation of water. There are no plans to discontinue the policy of fluoridation of public water supplies, which continues to make an effective contribution to oral health in Ireland.

Enterprise and employment opportunities

A number of organisations representing businesses and the construction sector highlighted the importance of the investment in sustaining and creating jobs in Ireland. The development agencies, particularly Enterprise Ireland, suggested that the potential for Irish Water to have an international dimension should be provided for in the future.

The employment opportunities arising from the reform process arise in the construction sector from the accelerated capital programme, including metering and in the longer-term across the economy by providing greater security of supply and increased capacity required to meet the needs of growing sectors including the agri-food, pharma-chem and technology sectors. There are also opportunities for indigenous SMEs to participate in the roll-out of the metering programme or the development of new technologies for the sector. The potential role for Irish Water to provide consultancy advice internationally, similar to other Irish Utilities, will be considered in the context of the comprehensive legislation.

Report of the Joint Oireachtas Committee on the Environment, Transport, Culture and the Gaeltacht

A number of the points raised during the public consultation were similarly reflected in the discourse of stakeholders with the Joint Oireachtas Committee on the Environment, Transport, Culture and the Gaeltacht in their recent examination of water provision in Ireland, a report on which was published in June 2012. This report recognises that water provision in Ireland is at a critical stage and states that “Ireland needs a long-term sustainable supply of clean water for domestic use, for healthy living, for developmental and recreational use. The resource is limited and failure to take action will have significant societal and environmental consequences”. Among the key findings of the report are:

- Irish Water should remain in public ownership and should be accountable to the Oireachtas, and ensure that the strengths inherent in the local authority water management system are not lost in the transfer of functions;
- All profits from Irish Water should be ring-fenced and reinvested to generate a sustainable clean water supply and waste infrastructure that is highly regulated to guarantee excellent quality for the consumer;
- There should be a national tariff for water, as is the case for other utilities and a waiver system to protect low-income households;
- CER’s current role should be strengthened to take on the regulation of water and the regulatory model adopted should be transparent; and
- There should be a strong consumer voice (the Committee particularly referred to the approach in Scotland in this regard)

The Committee also reflected on a number of aspects of the proposed metering programme and made some recommendations in relation to the location and future proofing of meters and the need for complementary investment reducing leakage rates. A number of the recommendations of the Committee will be reflected in the

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comprehensive legislation required for Irish Water (public ownership, accountability etc) while other recommendations will be a useful input to the further development of policy as the implementation strategy is rolled out.

**Conclusion**

The reforms being advanced in the water sector represent a major change both in terms of local government and the Semi-State sector in Ireland. Both sectors have served the country well in the development of modern infrastructure and services to meet citizens’ needs. A new approach is now required to meet the challenges the water sector faces which will involve significant transformation and a high level of ambition. The implementation of this change must however be pragmatic and well considered. This strategy is therefore focused on providing clarity to the steps involved, in terms of decisions to be made and their timing and developing a phased approach to ensure continuity of service. The roll-out of this strategy will involve a highly collaborative approach with the bodies involved – DECLG, local authorities, Bord Gáis, NewERA, CER and the EPA, as well as the HSE and other agencies with roles in the wider water environment, and also effective engagement with staff and trade unions to ensure that change is managed well.
WS 1: Programmes Management

Overview

Irish Water will be established on a phased basis. A significant transition period has been factored into the approach to ensure a smooth transition to the new model, and to support detailed transformation and implementation planning to deliver a model which will provide a more efficient service to customers and ensure continuity of service. The proposed public utility model represents a major change with significant implications for local government, the water industry in Ireland and its many stakeholders. The initial transition strategy envisages a staged approach involving:

- Appointment of an interim Programme Management Office in 2012 to manage the transition process;
- Establishment of Irish Water on an interim basis in 2012 and under its own statute in mid 2013 at which stage Irish Water would acquire statutory responsibility for water services;
- Local authorities would be agents of Irish Water for a period with Irish Water taking over their operations on a phased basis from January 2015 with the full transfer of operations being completed by end 2017 at the earliest.

Given the scale of this change, there is a need for an appropriate programme governance structure to ensure that key milestones are met and to co-ordinate the work of the different stakeholders, so that the overall implementation advances in a cohesive, timely manner. The transition activities are organised into a series of “work-streams”, each of which relates to a programme of work, with key deliverables and associated tasks and milestones. The work-streams are inter-related, and often inter-dependent, so strong programme governance and management is required to drive delivery. The Governance Structure for the establishment of Irish Water will involve a number of components.

The overall indicative governance structure is illustrated in the graphic on page 16, and the key roles of each of the components is as set out below:

| **Steering Committee** | The Steering Committee will be responsible for making all of the fundamental decisions required throughout the life of the programme to establish Irish Water. It will comprise a senior team who have the technical and managerial skills to assess and prioritise the decisions that will enable the success of the programme. The Steering Committee is chaired by the Department of the Environment, Community and Local Government and includes representatives of that Department, the Department of Public Expenditure and Reform, the County and City Managers’ Association, NewERA and Bord Gáis.

| **Programme Sponsor** | The Programme Sponsor in the Department of the Environment, Community and Local Government is responsible for ensuring:
- That Irish Water and related sectoral structures are established in line with the implementation strategy; and
- That the programme maintains its business focus, and that risks are actively managed.

| **Programme Management Office (PMO)** | The Independent Assessment On The Establishment Of Irish Water set out a number of key features of this transition strategy, including the need for a Programme Management Office (PMO) (Chapter 9 of the Report refers). Some aspects of this approach have been over-taken by the decision to establish Irish Water within the Bord Gáis Group. In particular, it is not now envisaged that the PMO will become part of Irish Water on its establishment. The PMO will be established by the Department to oversee the implementation strategy as set out in this report. Bord Gáis have established a specific PMO within the company to deal with... |
with the components of this strategy which fall to them to deliver.

The Department’s PMO is led by a **Programme Director**, who is responsible for delivering the establishment of Irish Water. The Programme Director ensures the coherence of the programme, and develops and maintains the appropriate environment to support each individual project within it. They will lead the development of a detailed implementation plan ("Department Implementation Plan"), which will incorporate all tasks to be completed by all work streams (including by Bord Gáis, CER, EPA, etc), project timelines, owners and associated work-stream dependencies. They will also track, monitor and manage all programme risks.

They will work closely with the Programme Sponsor on managing the relationships with key stakeholders and ensuring dependencies are understood and managed. They will also work with the programme team on managing the delivery of the plans. They will present regular updates to the Steering Committee, including updates associated with Bord Gáis, CER, EPA, etc.

**Work-stream Manager**

Each work-stream will be led by a Work-stream Manager who will have the appropriate experience, authority and responsibility to lead the successful completion of the objectives assigned to their work-stream. Depending on the work-stream, they will coordinate the activities of a number of internal and external stakeholders (e.g. local authorities, legal, CER, Bord Gáis, etc) in delivering against their work-stream objectives.

**Design Authority**

This group will act as advisors for the Programme Director and Steering Committee, and will draw on expertise from the various stakeholders as required. The specific function of the group will be to ensure that the solutions emerging from tasks undertaken within work-streams are consistent with the overall objectives of the reform programme, given the inter-dependences between the various milestones and activities.

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**Key Stakeholders**

The programme will be dependent on a number of key stakeholders to support the establishment of Irish Water.

**Bord Gáis**

Bord Gáis will be responsible for operating Irish Water. The Bord Gáis Programme Governance model for overseeing the establishment of Irish Water will ensure they deliver against the requirements of the wider Department Implementation Strategy. Their implementation plan, will be aligned with the Department’s implementation strategy and the Bord Gáis PMO will deliver against these objectives and milestones. There will be close liaison between the Bord Gáis PMO and the Department and the Bord Gáis Programme Director will participate in Steering Committee updates as necessary.

**CER / EPA / Local Authorities**

The successful implementation of Irish Water and related sectoral structures will be dependent on the completion of key tasks by other stakeholders. Structures will be established within the PMO to ensure all stakeholders are aware of their respective responsibilities in the context of the Department Implementation Plan and work-stream managers will be responsible for liaising with and supporting these stakeholders as required.
Consideration has been given as to the most appropriate programme management arrangements for the local government sector given the number of local authorities affected by the change programme, the range of tasks/deliverables which impact on the sector and the need for integrated and timely decision making across authorities. The County and City Managers’ Association propose to establish a Transition Office to co-ordinate and manage the range of inputs required from local authorities in the roll-out of the implementation strategy.
**Objectives & Approach**
This work-stream will have responsibility for:

- Ensuring all key deliverables required to establish Irish Water are identified and understood
- Ensuring there is an owner, a plan and a deadline for every deliverable and that the dependencies associated with the completion of each deliverable are identified and understood
- Ensuring that each owner has the authority to take decisions on behalf of their respective organisation
- Ensuring that people involved in the project understand the whole plan and the importance of their contribution to the success of the programme
- Ensuring the Governance Structure required to deliver the programme is well defined, properly configured and robust enough to manage the programme challenges. This includes:
  - Project management (including dependency management)
  - Change management
  - Risk management
  - Stakeholder management
  - Budget management
  - Communications
  - Escalation and decision making protocols

**Milestones & Deliverables**
- Establishment of Departmental steering & programme management structures [Q2/3, 2012]
- Establishment of local authority programme management arrangements [Q3, 2012]
- Establishment of governance arrangements with Bord Gáis (IW) structures – [Q3, 2012]

**PMO and work-stream structure and working arrangements**
The work of the PMO and the various work-streams will require a variety of skills, drawing from Departmental and local authority expertise, as well as external support on specific issues. Annex 1 attached outlines the key milestones for each work stream and the key organisations involved in delivering on these work-streams. The precise working arrangements will be determined by the PMO and the work-stream manager, in the light of the milestones & deliverables and key tasks set out in this document. This will vary depending on the tasks; for example, at one end of the spectrum of activity (e.g. policy and legislation) there is heavy Departmental involvement, while some are very centred on internal Bord Gáis activity (e.g. systems and facilities). Each work-stream will develop a detailed project plan cascaded down from the overall strategy included in this document. There will be need to draw on the expertise in the local government sector to develop approaches under many of the work-streams. Local authority involvement, therefore may be through secondments to the Local Authority Transition Office (or in some cases the Department), or working on specific tasks from their existing HQs or participation in meetings.
## Annex to WS 1: Overview of Work-streams

### Work Stream | High Level Milestones | Lead role
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**Programme Management** | 1. Establishment of Departmental steering & programme management structures (Q2/3, 2012); 2. Establishment of local authority programme management arrangements [Q3, 2012]; 3. Establishment of governance arrangements with Bord Gáis (IW) structures (Q3, 2012); | Department with Local Authority & Bord Gáis as appropriate.

### Policy and Legal context

**Policy Framework & Sector Governance** | 4. Complete work currently underway on new governance arrangements for implementation of the Water Framework Directive (Q4, 2012); 5. Development of detailed policy statement, reiterating the general policy principles set out in this document, and based on work of work-streams feeding into the legislative process. (Q1, 2013); 6. Addressing boundary issues with other stakeholders (Q4, 2012); | All Department led

**Legal and Legislation** | 7. Establishment of Irish Water on an interim basis under Bord Gáis (Q4, 2012); 8. Assignment of certain functions of a water services authority to Irish Water (interim) (Q4, 2012); 9. Preparation of Memorandum and Articles of Association for Irish Water (Q4, 2012) 10. Enactment of legislation establishing regulator (Q4, 2012); 11. Authority to charge households for water services in place (Q3, 2013); 12. Enactment of Legislation establishing Irish Water as a body corporate (Q3, 2013); | All Department led
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<th>High Level Milestones</th>
<th>Lead role</th>
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| **Group Water Schemes and private water services** | 13. Development of a high level strategy for the Group Water Sector and private water sector as a component of the overall Policy Framework to guide both governance and legislative development (Q4, 2012);  
14. In relation to environmental regulation, define the proposed roles of the EPA, local authorities and Irish Water and the proposed approach to licensing, monitoring and enforcement (Q4, 2012);  
15. In relation to funding, define the proposed roles of the Department, Irish Water (if any) and local authorities, as well as the inputs of the NFGWS (Q1, 2013);  
16. Review the role of the NRWSC in light of broader governance structures, and changing statutory roles (Q1, 2013);  
17. Development of an investment strategy for the sector to complement the first regulatory cycle for Irish Water and subsequently aligned with further cycles. The funding of investment will have to be considered as part of the overall funding requirements for the water sector (Q2, 2013);  
18. Develop and implement necessary Service Level Agreements, availing of opportunities for regional approaches (Q3, 2013); | Department led, with Local Authority & NFGWS |
| **Environmental Regulation** | 19. Establish arrangements for interaction between the Environmental and Economic regulators (Q4, 2012);  
20. Provide legal work-stream with list of issues needing to be addressed to reflect the change in responsibility for supervision of delivery of water services and recommended approaches. (Q4, 2012);  
21. Identify compliance data requirements for drinking water quality (Q3, 2013);  
22. Identify compliance data requirements for waste water discharges (Q3, 2013);  
23. Identify other data reporting requirements for Irish Water (Q2, 2013);  
24. Provide outputs on compliance data requirements to operational, systems and facilities work-streams. (Q3, 2013);  
25. Identify the need for specific SLAs on sampling, cross-boundary issues etc. (Q3, 2013); | Department with EPA, Local Authority, Bord Gáis |
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<tr>
<th>Work Stream</th>
<th>High Level Milestones</th>
<th>Lead role</th>
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<tbody>
<tr>
<td>Organisational Model for Irish Water</td>
<td></td>
<td>Department re legislation, NewERA re shareholder perspective, but largely Bord Gáis</td>
</tr>
<tr>
<td>Corporate Development of Irish Water</td>
<td>26. Finalisation of governance and working arrangements for the interim phase (Q3, 2012);</td>
<td>Department, Local Authorities and Bord Gáis</td>
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<td></td>
<td>27. Appointment of key members of the management team for Irish Water (Q1, 2013);</td>
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<td></td>
<td>28. Irish Water enabled for launch (Q2, 2013);</td>
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<tr>
<td>Operations</td>
<td>29. Collate baseline data regarding costs, levels of service, organisation and resources for water services. Determine the extent of those costs etc. used for storm water/flood management, emergency management and planning and other integrated service functions and shared resources with other local authority operations (preliminary by Q4, 2012, finalised (Q2, 2013));</td>
<td>Department led in initial stages with Bord Gáis, CER, NewERA, and Local Authorities, with Bord Gáis undertaking specific Irish Water tasks.</td>
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<td></td>
<td>30. Development of Operational Model based on a utility model of delivery (Q4, 2012);</td>
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<td></td>
<td>31. Define the operational regions to be adopted by Irish Water (Q1, 2013);</td>
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<td></td>
<td>32. A set of operational Service Level Agreements (SLAs) with each local authority, agreed and operational from date of transfer of relevant responsibility to Irish Water. (Q3, 2013);</td>
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<td></td>
<td>33. Irish Water has effective governance in place for delivery of services under the SLAs (Q3, 2013);</td>
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<td>34. Development of a customers services technical management system (Q3, 2013);</td>
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<tr>
<td>Capital Programme</td>
<td>35. Transition plan for the management of the capital programme in the interim phase (Q4, 2012);</td>
<td>Department, Local Authorities and Bord Gáis</td>
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<td>36. Development of a plan for capital investment in 2013, integrating the WSIP and RWP (small public schemes) (Q4, 2012);</td>
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<td></td>
<td>37. Development of a capital investment strategy for 2014 to 2015 (Q2, 2013);</td>
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<td>38. Inventory of water services assets (Q2, 2013);</td>
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<td>39. Development of an Asset Management Plan for Irish Water (Q2, 2013);</td>
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<td>Work Stream</td>
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| **People, Skills and Change Management** | 40. Establish arrangements for engaging with representatives of water services staff in the Department and local authorities (Q3, 2012);  
41. Establish communications processes to manage change, involving Irish Water, LA Management and the Department during the transition (Q4, 2012);  
42. Develop initial communications and change management strategy (Q4, 2012) (to be updated and refined in parallel with development of the HR strategy);  
43. Gather data and analysis to inform HR approaches, including work-force planning data, identification of issues for central policy direction, and matters for local discussion (Q4, 2012);  
44. Develop Irish Water organisational model (Q4, 2012);  
45. Develop Irish Water HR function (Q4, 2012);  
46. Based on evolving Irish Water operational and organisational model:  
  - develop strategy for management of HR issues arising during transition (SLA phase) (Q4, 2012);  
  - develop strategy for management of HR issues arising on cessation of SLA (Q1, 2013);  
  - identify issues that may need to be reflected in legislation (Q1, 2013); | Department, Local Authorities and Bord Gáis (Bord Gáis undertaking specific Irish Water tasks)                                                                                                                                                                                                                     |
| **Sustainable Funding Model for Irish Water** | 47. Set out the specific functions of the Commission for Energy Regulation (CER) insofar as the regulation of water services is concerned (Q3, 2012);  
48. Finalise development of Water Pricing Framework including the approach to free allowances and policies to address affordability issues for consumers finalised (Q4, 2012);  
49. Consultation by CER on approach to water regulation, water tariffs and customer protection measures launched (Q1, 2013);  
50. Revenue Submission made by Irish Water to CER (Q2, 2013);  
51. Tariffs regime finalised (Q4, 2013);  
52. Customer protection measures in place (Q4, 2013); | Department with NewERA, CER, Bord Gáis                                                                                                                                                                                                                                       |
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<th>Work Stream</th>
<th>High Level Milestones</th>
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<tr>
<td>Finance and Funding</td>
<td>Overall funding, LA impacts and Exchequer funding</td>
<td>Department, NewERA, Local Authorities with Bord Gáis</td>
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<td></td>
<td>53. Determine impact of changed funding arrangements on local authorities (Q4, 2012):</td>
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<td></td>
<td>54. Address funding of free allowance/affordability measures (Q4, 2012):</td>
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<td>55. Agreement on funding structure for Irish Water (domestic / non-domestic charges; Government funding; 3rd party borrowing) (Q4, 2012):</td>
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<td></td>
<td><strong>Develop the approach to asset and liability transfer</strong></td>
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<td>57. Initial assessment of asset valuation and liabilities to input to funding model (Q4, 2012):</td>
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<td></td>
<td>58. Agreement on transfer of liabilities and contractual obligations to Irish Water (Q4, 2012):</td>
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<td>59. Completion of asset valuation exercise and finalisation of the approach to the transfer of assets to Irish Water (Q2, 2013):</td>
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<td></td>
<td><strong>Developing the funding model</strong></td>
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<td>60. Develop financial models and modelling strategies (Q3, 2012):</td>
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<td>61. Determine funding strategy and short / medium term funding requirements for Irish Water in close collaboration with CER (Q4, 2012):</td>
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<td></td>
<td><strong>Develop the Finance Function within Irish Water</strong></td>
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<td></td>
<td>62. Arrange and secure banking facilities and funding for Day one operations (Q2, 2013):</td>
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<td>63. Preparation / validation of Day One Balance Sheet reflecting the position on transfer of assets / liabilities (Q2, 2013):</td>
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<td>64. Development of multi-year business plans and forecasts (incorporating financial model) (Q2, 2013):</td>
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<td>65. Development of Target Operating Model for Irish Water Finance function (Q2, 2013):</td>
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<td>Work Stream</td>
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<tr>
<td>Customer Service and Billing</td>
<td>66. Billing and collection models for Irish Water identified, assessed and selected (Q1, 2013);</td>
<td>Bord Gáis led, Departmental re-legislation underpinning (data protection etc) and interface with local authorities</td>
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<td>67. Develop tariff proposals in line with structure and strategy agreed by CER, and requirements of funding model (Q2, 2013);</td>
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<td>68. Customer billing and collections capability established (Q2, 2013);</td>
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<td></td>
<td>69. Customer Services in place (Q2, 2013);</td>
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<td></td>
<td>70. Agree transition strategy for management of non-domestic customer billing (Q2, 2013);</td>
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<td>71. Domestic customer billing system in place (Q1, 2014);</td>
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<tr>
<td>Metering Programme</td>
<td>72. Development of metering survey database and recording application (Q3, 2012);</td>
<td>Department, Local Authorities and Bord Gáis</td>
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<td></td>
<td>73. Commence the procurement process for supply of boundary boxes (Q3, 2012);</td>
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<td>74. Commence the procurement process for framework - installation contracts (Q3, 2012);</td>
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<td></td>
<td>75. Commence national rollout of metering survey (Q4, 2012);</td>
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<td></td>
<td>76. Creation of framework panels for installation contracts (Q1, 2013); and</td>
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<td></td>
<td>77. Commence installation of boundary boxes, followed by the installation of meters (Q3, 2013).</td>
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Irish Water Implementation Strategy
Policy and Legal Framework
WS 2: Policy Framework and Sector Governance

Overview

The Government’s vision for the future of the water sector in Ireland is based on protecting and improving our water resources and putting in place a new, sustainable and fair funding model and best in class delivery structures to provide a quality water service for domestic, industry and enterprise needs.

Achieving this vision is set against the backdrop of:

- The need to ensure compliance with statutory quality standards in particular through implementation of the Water Framework Directive which requires a catchment or river-basin approach for the management of water and obliges all Member States to protect and improve their waters with a view to achieving good ecological status by 2015 or, subject to specific conditions, over two subsequent planning cycles out to 2021 or 2027.

- An ongoing need to provide adequate and affordable water and waste water services to support the sustained growth and development of enterprise in Ireland with very significant demand for water services from certain industries/sectors such as pharmaceuticals, chemicals, food production/processing, etc.

- Increased population growth - the CSO estimates that Ireland’s population could rise (under the highest growth scenario) by nearly 1.5 million between 2006 and 2021 – an average annual rate of population increase of almost 2%, equivalent to that observed during the inter-censal period 2002-2006. Projecting that high growth rate forward to 2041, the population could increase by a further 1.4 million between 2021 and 2041. Population growth of this scale will significantly increase the demand for water and waste water services.

- The need to prepare for and address the impacts of climate change on water services provision and on levels of pollution and contamination, with significantly wetter winters predicted particularly in the west, and drier summers particularly in the south east and storm occurrences of a greater intensity. Other potential impacts include damage to water infrastructure due to cold snaps or water shortages in summer leading to greater pressures on water sources.

Protecting and improving the water resource – the Water Framework Directive

The over-arching framework for the management of water in Ireland is provided by the Water Framework Directive (WFD), a fundamental element of the policy framework for managing water in the EU. The overall aim of the Directive is to achieve good ecological status in all surface and ground water bodies by 2015, through an integrated approach to catchment management. This is to be achieved through detailed catchment-based river basin management plans containing programmes of measures that, when implemented, will achieve the overall aim.

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4 2008 Forfás report on the Assessment of Water and Waste Water Services for Enterprise
5 A Summary of the State of Knowledge on Climate Change impacts for Ireland: Climate Change Research Programme Report 1 (EPA 2009).
6 Ireland at Risk – Critical Infrastructure – Adaption for Climate Change – Irish Academy of Engineers
The Directive is concerned with regulating the quantity of water taken from the environment and the quality of that water returned to the environment. As such it impacts on the roles and responsibilities of all the existing main players in the water sector (as well as many in other sectors such as agriculture and energy). Implementation of the Directive involves two main elements: the development and making of river-basin management plans and the subsequent implementation of those plans. The first-cycle river basin management plans were adopted in July 2010.

The Department, Local Authorities (via the CCMA) and the EPA are working on revising the existing governance arrangements for implementation of the Directive. A key element of the discussions is to clarify the precise roles and responsibilities of each of the main parties (Department, EPA and Local Authorities) and to establish the resourcing requirements.

There is broad agreement on a three-tier structure that would see the Department play a leading role in the process at Tier 1 with responsibility for policy and resources. The EPA would play a leading role at Tier 2 with responsibility for developing the river basin management plan and for overseeing the implementation of the plan. This would see the EPA taking on key responsibilities that up to now have been assigned to the local authority sector. The EPA will coordinate Tier 3 in involving the public in information sharing.

Tier 3 would consist of networks comprising representatives of relevant bodies, chaired by a lead Local Authority and supported by the EPA, charged with managing implementation on the ground within the river basin district on the basis of Service Level Agreements. The network would be a centre for organising inspections, prioritising actions, promoting a shared-services approach etc. Working together in this way, the Agency and the local authorities will prioritise actions, organise inspections, raise public awareness and facilitate improved public participation by all relevant stakeholders in the second-cycle plans, preparation of which is due to commence in 2013.

The establishment of Irish Water is taking place against this background.

**All-Island dimension**

The Water Framework Directive provides a basis for on-going co-operation through river basin management planning which focuses on river basins rather than administrative boundaries. There are a total of eight River Basin Districts on the island of Ireland, four of which are within the Republic of Ireland and one that is entirely in Northern Ireland. Three of the River Basin Districts are international and share cross border waters with Northern Ireland underpinning co-ordination in both jurisdictions.

**Establishment of public water utility – Irish Water**

The independent assessment clearly showed that a new set of delivery and funding structures were needed to address the above challenges and address the weaknesses in the existing model which can be broadly categorised as:

- Variability of service – absence of consistent policies, processes and standards and variable standards of performance;
- Inability to realise economies of scale, duplication of management and absence of/limited industry standard IT and management information systems;
- Long term underinvestment in assets and limited asset data to support strategic planning;
- Local authority boundaries which do not reflect river basin districts making integrated river basin management difficult to implement;
• A funding regime exposed to variation and significant reductions in development levies, limited ability to access alternative sources of funding (e.g. capital markets) and low recovery rates of non-domestic water charges;

• Higher operational costs relative to international comparators (with, for example, operating expenditure per connection more expensive than UK or NI by 50% to 100%); and

• Leakage levels that are double the UK average (41% as compared to 20%).

Based on the assessment of the current structure, international benchmarks and stakeholder soundings, the independent assessment recommended that Irish Water be created as a public utility in a regulated environment. This model was recommended as it provides benefits over other models considered (and over the status quo) under each of the following headings:

| Efficiency and Effectiveness | 1. Provides an opportunity to build a fit for purpose operating model to deliver water services in the most efficient and effective manner. |
|                             | 2. Irish Water would control assets, revenues and costs leading to better economies of scale and optimising borrowing capacity. |
|                             | 3. Better able to ensure security and quality of supply. |
|                             | 4. Consistent and transparent service quality; capable of more rapidly deploying resources through a national customer service centre with a regional and local presence. |
|                             | 5. More efficient cost base; lower unit cost of delivery. |
|                             | 6. Single entity for regulators to regulate, as opposed to complexity of 34 separate water services authorities. |
| Funding                     | 7. Borrowing capacity higher than other models allowing the entity to become self-funding sooner. |
|                             | 8. Reduces the burden on the exchequer leading to a positive impact on GDP/debt ratio. |
| Strategic Planning and Accountability | 9. Better able to implement national strategies; not curtailed by local authority boundaries or non-water related activities. |
|                             | 10. One decision making authority as opposed to 34; more coherent and integrated organisation structure. |
|                             | 11. Clear lines of accountability, authority and responsibility. |

Following detailed analysis, the Government decided to establish Irish Water as a subsidiary of the Bord Gáis Éireann group. Bord Gáis, in collaboration with the Department and local authorities, will support the establishment and operation of Irish Water through leveraging existing operational capacity (in areas such as asset management and capital programme delivery, networks management, customer service and billing, finance, MIS/IT) and competencies (in areas such as regulation, managing large transformation programmes) in the Bord Gáis Group. These capacities and competencies complement the operational, capital delivery and local customer service competencies that exist in the local authority sector and the strategic planning and policy functions in the Department. The approach also reflects the Government’s determination to use capacity and competencies that exist in the State sector in undertaking new functions.
A sustainable and fair funding model

Water services cost over €1.2 billion to run in 2010, of which operational costs amounted to some €715 million, with capital costs of over €500 million. With revenue of just over €200 million from non-domestic charges, the balance of around €1 billion is largely State funded, through a combination of Exchequer grants and local authority resources, including the Local Government Fund.

Over €5 billion in Exchequer resources has been invested between 2000 and 2010 in water services infrastructure. The focus of this investment has been on ensuring compliance with the European Directives on both drinking water standards and urban waste water discharges and improving water supply to keep pace with population and economic needs. While significant progress has been made, there remains a need for continued investment to address high levels of unaccounted for water, risks to public water supplies from a public health perspective, priorities identified in River Basin Management Plans (as required under the EU Water Framework Directive) and meeting future supply requirements from enterprise and population growth.

A comprehensive review of the Water Services Investment Programme was undertaken as part of the development of the programme for the period 2010-2012 to ensure that it was aligned with key priorities in the light of the economic downturn. The new Programme was, for the first time, set out on a river basin basis and is fully aligned with the investment priorities identified in the river basin management plans, principally the upgrading of wastewater treatment infrastructure, and the priority enterprise needs identified by Forfás in their 2008 report.

The Programme includes 360 contracts to commence in the period at a cost of €1.8 billion with the value of schemes in planning amounting to €3 billion. The focus is on water conservation, addressing statutory compliance from a risk perspective, including requirements of the Water Framework Directive and improving capacity and resilience to meet enterprise and demographic needs.

Meeting the investment needs and operational costs within the current funding model is unsustainable. One of the key requirements for the successful delivery by Irish Water of its mandate will, therefore, be the development of a new funding model which includes the introduction of domestic water charges. The funding model and the overall funding requirement for water services will be influenced by the need for a “steady state” of investment in water services (estimated at €600 million annually) together with provision for the backlog of investment required mainly to meet statutory obligations. In addition, operational costs, which largely comprise labour, energy use, and chemicals for treatment processes, have been rising as new and more complex infrastructure has been built over the past decade. The increased operational costs can be offset to an extent by efficiency gains arising from moving to the new organisational form through removal of duplication and fragmentation and introducing an efficient operating model.

The Government’s capacity to fund the future water/waste water investment requirements from the exchequer is severally constrained with capital funding for water services under the Government’s plan for Infrastructure and Capital Investment 2012-16 showing a reduction of almost 32% between 2011 and 2014.

Like other utilities it would be expected that Irish Water will have the ability to raise debt on the financial markets.

The new funding model for water will require effective economic regulation which the Government has decided should be managed under the Commission for Energy Regulation. Regulation coupled to the approach to introducing water charges based on usage will ensure that the funding model is fair and that consumer’s costs can be managed by themselves through appropriate consumption and through a regulatory model that has the interest of customers to the fore.

Affordability will also be addressed through the model. The introduction of water charges can lead to issues of affordability when the portion of disposable household income used to pay water charges exceeds a certain threshold. Affordability does not always arise due to low incomes alone; households with large families or those with medical conditions requiring the use of large quantities of water may also have affordability issues. In some other jurisdictions, supports are in place to address affordability for households. The supports generally fall into two categories, with one approach involving direct State support for vulnerable customers and the other
approach involving special social tariffs which are funded by the water charge levied on the wider customer base. Further work will be undertaken to the approaches to be deployed to support low income households.

Local authority long-term relationships

Irish Water will be working in partnership with local authorities to achieve its aims. While statutory responsibility for water services will pass to Irish Water at a relatively early stage, local authorities will remain very involved in the sector for a considerable period, acting as agents of Irish Water in relation to operation and maintenance of services. The independent assessment did not envisage the phased transfer of such operations commencing until 2015, and ending in 2017. This will ensure continuity of service in the transition, by retaining locally based services, but bringing to bear the benefits of regional and national approaches to deliver economies of scale for example in procurement, nationwide deployment of best in class technology and consistency of service through standard operating procedures. These issues, and the forms of agency agreements, are discussed in work-streams 8 (Operations) and 9 (Capital Programme).

Post the transition, Irish Water and regional/local authorities will have important inter-dependencies in relation to their functions. An important element of the work arising from the implementation strategy will, therefore, be to identify these inter-dependencies and the process for developing good ongoing working relationships. Some of these issues will need to be addressed both in the articulation of policy and the underpinning legislation and others are matters for the communication or operational work-streams to action when the approach is agreed. It is envisaged that the regional assemblies will provide an appropriate mechanism for consultation and engagement between Irish Water and the local government system on strategic matters.

The guiding principles are to ensure that there are arrangements in place to support:

- the effective strategic planning and delivery of water services by Irish Water, taking account of the policy framework established by the Department and the regulatory requirements of CER and the EPA;
- the effective conduct by local authorities of their roles, including in particular emergency management, fire services, planning and development and environmental regulation requirements; and
- good communications between Irish Water and regional/local authorities to the benefit of citizens and customers.

Group Water Sector

The primary focus of Irish Water will be on the delivery of services to its current and future customers on the public water and waste water networks. Group water schemes on public water supplies will, therefore, be the customers of Irish Water.

Local authorities currently have delegated roles, facilitated by legislation, in relation to the supervision of the Group Water sector from:

(a) an environmental regulation perspective;
(b) a funding perspective, based on resources provided by the Department; and
(c) an advisory perspective, making available the expertise in the local authorities to the sector.

The independent assessment suggested that the environmental regulation functions should be assigned to the EPA and the funding and support roles to Irish Water and that both organisations might enter into Service Level
Agreements with local authorities to continue to perform these functions on their behalf. The appropriate assignment of such functions, following the establishment of Irish Water, raises important issues to be considered from a policy as well as an organisational perspective. A specific work-stream on the group water sector will be tasked with detailed consideration of this issue to:

- Ensure that there is clarity of roles and responsibilities in relation to the group water sector, and other components of the Rural Water Programme outside of the public water services network;
- Develop a medium term strategy for the sector which will determine approaches to funding of non-public schemes and licensing of non-public activities (group);
- Efficient delivery mechanisms for environmental regulation and funding are established, taking account of the expertise within the Department, EPA, local authorities, Irish Water and the NFGWS;
- There is coherent strategy approach to the development of the non-public sector, particularly taking account of River Basin Management Plans and the inter-dependencies between public group water schemes and Irish Water.

Impact on Governance arrangements

The reform of the water sector will require a number of key changes in sector governance, particularly in relation to the introduction of economic regulation, the establishment of the new utility and the role of Irish Water in relation to the Water Framework Directive.

The Department will remain responsible for overall policy and legislation for the sector and, insofar as the reform programme is concerned, will be responsible for:

- establishing the policy and legislative framework for Irish Water and the economic regulation of water;
- management of and accountability for Exchequer funding provided to Irish Water and for other water functions, including support of the Group Water Sector.

The evolving policy landscape will have to take account of the interaction between a range of bodies and institutions with roles impacting on the water environment and water services. Water sector reforms are occurring in parallel with a broader agenda of local government reform, which sees local government with a substantial part to play in promoting economic development and enterprise support, and an enhanced representative effectiveness role to influence the welfare and quality of life of the local communities. The development of components of the policy framework will have to have regard to these evolving roles.

The specific role of NewERA in relation to the following functions (which are currently discharged by them in relation to other semi-state companies) will also need to be determined:

- corporate governance of Irish Water from a shareholder perspective;
- reviewing the capital investment plans of Irish Water from a shareholder perspective;
- working with the Department and Irish Water to develop and implement proposals for investment in water infrastructure;
- identifying possible synergies between Irish Water’s investment programmes and the investment programmes of other State companies.
As responsibility for the supply of public drinking water and the collection and treatment of wastewater migrates from local authorities to Irish Water, the following aspects of the Water Framework Directive will become relevant to the utility:

- the abstraction of water from the environment;
- source protection;
- the reduction and/or phasing out of discharges, emissions and losses of certain substances;
- the setting of environmental objectives;
- the monitoring of certain surface and ground waters;
- drinking water standards;
- emission limit values and environmental quality standards as laid down in the transposing legislation;

A clear specification of the role of each stakeholder in the sector is required to ensure delivery of sector reform stays on track.

From a governance perspective, there will need to be further elaboration of the policy framework to underpin the establishment of Irish Water and to:

- further clarify the roles and responsibilities of the entities with new roles in the sector, namely Irish Water and the CER (the economic regulator for water);
• identify the relationships between these entities and existing actors viz the Department, Local Authorities, the EPA and the Group Water Sector; and

• in the context of broader water governance issues, identify any boundary issues arising between functions which will migrate to Irish Water and those remaining with local authorities as well as the interactions with other parties such as the HSE, the OPW, Waterways Ireland, the Department of Agriculture, Food and Marine etc.

The approach will involve a number of considerations:

• Department/Irish Water
  o Determining the relationship between Irish Water and the DECLG: the governance arrangements, accountability and reporting, overall objectives to be set for Irish Water, the nature of Ministerial consents including arrangements for Exchequer support, and approval of long-term (10/20 year) strategic investment plans;

• Irish Water/NewERA
  o Determining the governance arrangements between NewERA and Irish Water, from a shareholder executive perspective.

• Economic Regulator
  o Determining the appropriate regulatory framework for the water sector and the water pricing policy framework (with the Department), which will allow the regulator to determine pricing in accordance with the regulatory norms.

• Local Authorities
  o Determining the long-term relationships between Irish Water and Local Authorities in relation to, inter alia:
    ▪ Strategic planning of investment;
    ▪ Emergency management, where local authorities will retain a key role;
    ▪ Fire services;
    ▪ Planning interfaces – this will include both strategic planning and the linkages between regional/local development planning and the planning of water services infrastructure, as well as interaction on individual planning applications as necessary;
    ▪ Interface with regional/local elected representatives.
  o Other boundary issues between local government and Irish Water.

• EPA
  o The environmental regulation of the sector is well developed, and in terms of water services provision, the EPA will be regulating one utility rather than 34 separate authorities. This transition needs to be planned, and will require some legislative underpinning but will be grounded in the regulatory landscape developed to date.
  o Further areas of work will involve the integration of Irish Water as a stakeholder into the evolving wider water governance arrangements under the WFD referred to in the overview. This will be managed primarily through the specific arrangements in place for WFD implementation.

• Group Water Sector
  o Determining the appropriate governance for the sector for the future, in terms of both environmental regulation and investment strategy will require specific attention.
Strategic Planning
Strategic planning for the sector, in particular the long-term funding perspectives will arise at a number of levels. Irish Water will have to develop a water services strategic plan which will outline the long-term investment plans for the public water sector, having regard to the policy framework set by the Department. This is likely to follow the format currently set out in the Water Services Act, 2007 (this legislative provision will have to be reviewed in the light of the proposed economic regulation of the sector). The cycle of investment planning will need to take account of the river basin management plan cycles determined by the Water Framework Directive.

The strategic plan, in addition to taking account of compliance with EU Directives etc, will also need to take account of requirements:

- to deliver on programme of measures in River Basin Management Plans;
- to support implementation of the National Spatial Strategy, Regional Planning Guidelines and the Core Strategies of City and County Development Plans;
- supporting economic and balanced regional development, taking account of the long-term strategies of the development agencies for job creation and the strategies of relevant Government Departments to support indigenous industries e.g. agriculture and aquaculture.

The corollary of this is that the development of regional planning guidelines, city and county development plans, and investment strategies/plans which would have a water infrastructure requirement would require both liaison with Irish Water and would need to take account of the agreed water services strategic plan, as well as medium term investment plans agreed with the Economic Regulator. In addition, the Irish Water Strategic Plan will be of relevance in informing the EPA’s approach to delivery of its functions.

This process will be achieved through a mix of legislation, protocols/frameworks/guidelines and the evolving ongoing relationships with key stakeholders, including advisory groups. This work-stream will assist in determining the appropriate approaches and mechanisms to delivery of key elements of the legal and legislative work-stream and the capital programme work-stream.

Communications and stakeholder engagement
Ongoing engagement with key stakeholders and managing external communications throughout the project life cycle will be an important ingredient for the successful delivery of the programme of reforms. The relevant stakeholders can be divided into a number of groups with separate approaches required for each group:

- the customers, media and public representatives;
- parties who will be closely involved with the Department and Bord Gáis in the set-up phase, or day-to-day running of Irish Water (local authorities, NewERA and CER); and
- staff and Trade Unions involved in the sector.

A highly collaborative approach will be involved in the delivery of this implementation strategy, as set out in WS1 Programme Management. An overarching communications strategy will guide the external communications, while specific plans will be required for the engagement with Staff and Unions (see WS 9 (People Skills and Change Management) and the development of the vision and brand for Irish Water ( see WS 6 (Corporate Development of Irish Water).
Approach and objective of the Policy work-stream

The objective of this work-stream to further develop the policy framework for the establishment of Irish Water to underpin the overall implementation strategy with a strong legal base and regulatory framework. Changes required will be effected through a process of on-going engagement with stakeholders, including Local Authority Staff and Unions on matters impacting upon them.

Many of the issues set out in the preceding paragraphs cut across a range of work-streams which are the subject of this implementation strategy (e.g. legal and legislation, economic regulation, environmental regulation, corporate development of Irish Water, capital programme, etc). An iterative approach will be taken to addressing these issues.

Milestones & Deliverables

- Complete work currently underway on new governance arrangements for implementation of the Water Framework Directive. (Q4, 2012);
- Development of detailed policy statement, reiterating the general policy principles set out in this document, and based on work of work-streams feeding into the legislative process. (Q1, 2013); and
- Addressing boundary issues with other stakeholders (Q4, 2012).

Key Tasks

All tasks listed in this work-stream are initiated by the Department and should happen within the first 18 months of the programme.

WS 2.1 Set out the governance arrangements for Irish Water in interim phase – programme of works, milestones, funding, approvals, reporting arrangements etc (Memorandum of Understanding).

WS 2.2 Development of policy papers on components of the detailed policy framework (as set out above in this chapter), based on work of other work-streams, to guide the legislative time table, including:

- Governance arrangements for Irish Water in the transition phase and steady state;
- Ministerial consents;
- Definition of the roles and responsibilities for each of the key stakeholders in the reform programme;
- Definition of the role of local authorities at different stages of sector evolution - interim phase, transition phase and steady state.
- Relationship of Irish Water with other stakeholders (local authorities, EPA, HSE, group water sector);
- Framework for economic regulation;
- Role of Irish Water in broader water governance;
- Boundary issues with local authorities;
- Approach to asset transfer, investment planning approvals (Department, NewERA, Regulator).

WS 2.3 Assess the impact on the Departmental role on establishment of Irish Water, and organisational changes required [changes to capital funding, responsibility for governance of Irish Water etc.].

WS 2.4 Development of a detailed policy framework for Irish Water, reflecting the general policy principles set out in this document and policy papers referred to in WS 2.2

WS 2.5 Ongoing resolution of sectoral policy and governance design issues as they arise throughout the reform process.
Interactions

The *Policy Framework and Sector Governance* work-stream will interact with the majority of the other work-streams in this implementation strategy.
WS 3: Legal and Legislation

Overview
The purpose of this work-stream is to (a) consider the mechanisms required to establish Irish Water on an interim basis in 2012 and (b) address the legislative requirements for the establishment of Irish Water as a body corporate and the legal basis for its operations under its own statute in 2013. The comprehensive legislation to be prepared and advanced to enactment by Q2 2013 will, *inter alia*, provide for:

- the transfer of responsibility for water services provision to Irish Water and set out its full range of functions and powers including in relation to strategic planning, delivery and operation of water services;
- the agency arrangements between Irish Water and local authorities;
- the management of water services assets and liabilities;
- relationship with the economic and environmental regulators;
- the full range of corporate governance issues including shareholding, Board composition, reporting to the Minister/Department, maintenance and submission of accounts, funding arrangements, etc;
- Irish Water having the authority to charge households for water services; and
- the interactions between Irish Water and statutory planning processes at national, regional and local levels.

In the shorter term Irish Water will be established on an interim basis under Bord Gáis Éireann – this will enable the new utility to carry out critical water services functions in advance of primary legislation being developed and enacted.

The work-stream will also address the legislative requirements for the regulation of Irish Water by the Commission for Energy Regulation (CER). The review of legislation and regulations relating to the supervision of water services delivery (provided for in WS 5 Environmental Regulation) will also feed into this work-stream.

Objectives and Approach
The key objectives of this work-stream are to ensure that the legislative basis for the transfer of responsibility for water services delivery from the county and city councils to a newly established water utility can be implemented without delay and without any diminution of the quality of services during the transition period. These objectives will be achieved by implementing the following:

**Establishment of Irish Water as a body corporate:** Irish Water will be established as a body corporate with the objective of having the necessary legislation in place by the third quarter of 2013. The Government has decided that Irish Water should be a fully independent subsidiary within the Bord Gáis Éireann Group and the preparation of the primary legislation to give effect to the Decision will be a priority in this work-stream.

**Establishment of Irish Water on an interim basis:** Pending the enactment of the primary legislation, it is intended that Irish Water will be established on an interim basis under Bord Gáis, utilising provisions of existing legislation if needed.

**Provision of necessary interim powers to Irish Water:** Pending the establishment of Irish Water as a body corporate, the subsidiary will need to be assigned the appropriate powers to fulfil certain functions of a water
services authority. The assignment of functions to the subsidiary under the Water Services Act is to be addressed in this work-stream.

**Establishment of Regulator for Water Services under CER:** Legislation is to be introduced to assign CER with responsibility for the economic regulation of water services and to set out the responsibilities of the Commission in this regard. The current functions of the CER are defined in the Electricity Regulation Act (1999). The necessary legislative amendments will be prepared by the Department in consultation with the Department of Communications, Energy and Natural Resources.

**Comprehensive Review of Water Services, Water Quality and related Legislation:** Existing legislation will be amended to allow Irish Water to charge for domestic water services. Other necessary amendments to existing legislation will also be considered. A review of the Water Services Act 2007 will be undertaken in this context and related legislation and regulations relating to the supervision of water services delivery will also be reviewed. A review of related provisions in the Planning and Development Acts will also be necessary to ensure that the code appropriately reflects the establishment of Irish Water as the national water services authority, the relationship between Irish Water and regional and local authorities and An Bord Pleanála in their statutory roles in the planning system and any issues arising from a planning perspective during the transition phase, when local authorities are acting as agents of Irish Water.

**Milestones and Deliverables**

- Establishment of Irish Water on an interim basis under Bord Gáis (Q4, 2012);
- Assignment of certain functions of a water services authority to Irish Water (interim) (Q4, 2012);
- Preparation of Memorandum and Articles of Association for Irish Water (Q4, 2012);
- Enactment of Legislation establishing regulator (Q4, 2012);
- Authority to charge households for water services in place (Q3, 2013); and
- Enactment of Legislation establishing Irish Water as a body corporate (Q3, 2013).

**Key tasks**

**WS 3.1 Establish Irish Water as a body corporate.**

- Carry out detailed examination of principal corporate forms to underpin establishment of Irish Water and determine preferred option.
- Establish Governance arrangements and agree on legal form of Irish Water (e.g. statutory company or corporation).
- Prepare memorandum and articles of association.
- Address legislative provisions relating to charging for water services.
- Establish legal basis for Irish Water to charge for water services and provide for establishment of customer database.
- Establish position on transfer of assets and liabilities.
- Prepare Scheme of Bill to establish Irish Water and secure Government approval for its preparation.
- Bill submitted to Government and approved for publication.
- Secure passage of legislation.
- Legislation enacted.
Water Sector Reform Implementation Strategy - October 2012

WS 3.2 Establish Irish Water on an interim basis

- Examine and agree legal and governance arrangements concerning establishment of Irish Water on an interim basis under Bord Gáis.
- Secure any necessary Ministerial consents to interim organisational form.
- Irish Water established on interim basis.
- Determine specific functions of water services authorities to be assigned to the interim Irish Water.
- Prepare and enact regulations under the Water Services Act.

WS 3.3 Establishment of Regulator for Water Services within CER

- Prepare Scheme of Bill to establish regulator and secure Government approval for drafting.
- Finalise legislative proposals and submit scheme of bill to Government.
- Bill approved and published.
- Legislation brought through Oireachtas.
- Legislation enacted.

WS 3.4 Review of water and other legislation

- Review of Water Services Act 2007 and other relevant legislation to address any issues which could impact on water services delivery during transition (this could include addressing the definition of “water services” under article 2 of the WFD).
- Interact with WS 5 (Environmental Regulation).
- Review of Planning and Development Acts to address the interactions between Irish Water and (a) DECLG in amending or reviewing the National Spatial Strategy, (b) Regional Authorities in reviewing Regional Planning Guidelines, (c) Planning Authorities in their forward planning and development management functions and (d) An Bord Pleanála in its role in deciding on planning appeals and strategic infrastructure projects.
- The review above will additionally address what further scope may exist to streamline the consent processes around water services infrastructure.

Interactions

Other work-streams the Legal and Legislation work-stream will interact with

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WS 4: Group Water Sector and private water services

Overview
The primary focus of Irish Water will be on the delivery of services to its current and future customers on the public water and waste water networks. However, the ambit of public water policy is wider and embraces the key policy objective of ensuring compliance with drinking water standards for those not connected to public supplies.

Group water schemes

The vast majority of customers not on public water supplies are served by group water schemes. The latest EPA reports on drinking water quality in Ireland indicate that some 1,168 group water schemes that fall within the remit of the Drinking Water Regulations serve nearly 8% of the population. 671 of these schemes served by public sources and 497 are served by private sources. The population served by these group schemes is almost 330,000. By far the most common type of non-domestic connections on group water schemes are agriculturally based. Group water schemes are privately owned and can only be taken over on a permanent basis by Water Services Authorities at the request of the scheme. This approach will not change.

There are three main components to achieving the policy objectives for this sector viz:
- Environmental regulation;
- Funding;
- Quality assurance and customer response.

The Department will remain responsible for the overall policy and funding of the non-public water sector, including the group water sector.

Environmental regulation is the responsibility of the EPA and local authorities have delegated roles, facilitated by legislation, in relation to the supervision of the sector. Over the past decade, around €750m in Exchequer funding has been invested in the sector to improve compliance with drinking water standards. The funding has been based on action plans/investment strategies developed through a partnership approach between the Department, local authorities and the National Federation of Group Water Schemes (NFGWS), with important input from the National Rural Water Services Committee. While the overall funding is provided through the Department’s Rural Water Programme, the responsibility for project selection etc is delegated to local authorities. Local authorities also make their expertise available to the sector on an advisory basis.

The independent assessment suggested that the environmental regulation functions currently carried out by local authorities should be assigned to the EPA and the funding and support roles currently discharged by the Department and local authorities could be assigned to Irish Water. The possibility of Irish Water and the EPA entering into Service Level Agreements (SLA) with local authorities to perform these functions on their behalf was also envisaged. A template SLA could be developed for this purpose in a similar fashion to that outlined in WS 8 (Operations). However, the appropriate assignment of such functions, following the establishment of Irish Water, raises important issues that require further detailed consideration from a policy as well as an organisational perspective, and which will require legislative underpinning. The purpose of this work-stream will be to determine the best arrangements in the light of the specific needs of the sector during the transition period and in the longer term.

It is not intended that the Economic Regulator will have a role in terms of the group water sector given the largely co-operative nature of the sector. The sector has a well developed Charter of Rights and Responsibilities (the adoption of which has been a requirement of subsidy support) and there are appellate arrangements for certain activities through the Register of Friendly Societies. The NFGWS has developed quality assurance programmes, and has development officers organised on a regional basis in centres of
significant group water scheme presence and activity. The Water Services Act 2007 contemplated the issue of water services licences by water service authorities which would specify a range of matters in relation to the standards of water supply or waste water treatment, and other matters such as the scale of the activity, conservation measures, source protection and emergency plans etc.

Over the past decade, substantial improvements have been made in the group water sector, reflected in improved infrastructure and management and leading to greater compliance with drinking water standards. This has been achieved through a partnership approach between the Department, local authorities and the group water sector, with important involvement of the NFGWS. In the context of the reform of water services, the importance and value of the relationship between local authorities and the group water sector has to be recognised, and appropriate transitional arrangements put in place to ensure that the substantial progress made in the sector is sustained.

**Private supplies**

There are a number of areas where water services provided privately have a bearing on, or an interaction with, the work of local authorities, these include for example:

- Private wells, where a grant scheme is operated by local authorities;
- Temporary water services provided by developers as part of planning permissions; and
- Water services in housing estates which are not taken in charge.

This work-stream will have to consider the relevance of some of these issues for the planning of future water services funding requirements.

**Objectives and approach**

The objective of this work-stream is to:

- Ensure that there is clarity of roles and responsibilities in relation to the group water sector, and other components of the Rural Water Programme;
- Develop a medium term strategy for the sector which will determine the appropriate governance, regulation and funding of the sector taking account of:
  - *inter alia* statutory compliance requirements, needs identified in River Basin Management Plans, development requirements in relation to supporting Harvest 2020, etc
  - the licensing of group water sector activities; and
  - the inter-dependencies between public group water schemes and Irish Water
- Establish efficient delivery mechanisms for environmental regulation and funding, taking account of the expertise and capacity within the Department, EPA, local authorities, Irish Water and the NFGWS;
Milestones & Deliverables
The key milestones and deliverables for this work-stream will be:

- Development of a high level strategy for the Group Water Sector and non-public water sector as a component of the overall Policy Framework to guide both governance and legislative development (Q4, 2012);

- In relation to environmental regulation, define the proposed roles of the EPA, local authorities and Irish Water and the proposed approach to licensing, monitoring and enforcement (Q4, 2012);

- In relation to funding, define the proposed roles of the Department, Irish Water (if any) and local authorities, as well as the inputs of the NFGWS (Q1, 2013);

- Review the role of the NRWSC in light of broader governance structures, and changing statutory roles (Q1, 2013);

- Development of an investment strategy for the sector to complement the first regulatory cycle for Irish Water and subsequently aligned with further cycles. The funding of investment will have to be considered as part of the overall funding requirements for the water sector (Q2, 2013); and

- Develop and implement any necessary Service Level Agreements, availing of opportunities for regional approaches (Q3, 2013).

Key tasks
These tasks will largely be led by the Department in consultation with the NFGWS, local authorities and with input of the NRWSC.

WS 4.1 Consult with stakeholders on the components of the policy framework for the sector, in terms of governance, environmental regulation and funding.

WS 4.2 Assess, with the EPA, the appropriate models for delivering on environmental regulatory functions, including public health aspects:

- Consult with HSE from a public health perspective;
- Consider the approach to licensing based on the provisions of the Water Services Act, 2007;
- Define overall long-term approach in relation to appropriate siting of responsibility (including phasing of licensing); and
- Determine the time-frame for implementation and the appropriate phasing.

WS 4.3 Assess the appropriate approaches to determining the investment strategy for the non-public sector:

- Define the role of the Department and Irish Water;
- Consider any impacts of the non-public water sector on Irish Water’s strategic planning and vice versa and determine the appropriate approaches to consultation and development of plans;
- Develop a multi-annual investment strategy for the sector;
- Undertake an assessment of requirements;
- Determine the principles underpinning funding;
- Consider the appropriate means of channelling funding, and related supports to the sector, in the long and short-term;

**WS 4.4** Assess the appropriate approaches to providing technical support to the group water sector.

**WS 4.5** Clarify the relationship of NFGWS and NRWSC with any new governance structures.

**WS 4.6** Develop approach to dealing with estates not taken in charge and waste water infrastructure installed by developers.

**Interactions**

**Other work-streams the Group Water Sector and private water services work-stream will interact with:**

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**WS 2: Policy Framework and Sector Governance**

**WS 5: Environmental Regulation**

**WS 11: Finance and Funding**
WS 5: Environmental Regulation

Overview
The EPA is the key technical and environmental supervisor of water services delivery in Ireland; this will remain the case following the establishment of Irish Water.

Existing environmental regulation, through a suite of primary legislation and regulations both empowers and places obligations upon a range of players involved in the provision of water services and environmental management. These include the EPA, the local authorities, the Department of the Environment, Community and Local Government, the Rural Water Sector (GWS) and others. With the transfer of responsibility for water services functions from the local authorities, the nature and dynamic of the existing relationships will change necessitating a redefinition of roles and responsibilities and demarcation of boundaries.

When water services functions are transferred from local authorities to Irish Water by Statute, Irish Water will become the water service authority and therefore responsible for both the planning and delivery of public water services in Ireland. Legislation will provide for local authorities to act as agents of Irish Water in relation to the provision of certain services, and the Service Level Agreements outlined in WS 8 Operations will be the administrative means for effecting this agency relationship. These agreements will have to reflect the compliance requirements determined by environmental regulation in terms of service levels to be achieved and in relation to incident management.

Under the new arrangements, Irish Water will be under the supervision of the EPA as far as drinking water quality reporting and waste water discharge authorisations are concerned. Irish Water will not have any powers of self-regulation. However, as is currently the case with local authorities, it is to be expected that Irish Water will be responsible for the collection and analysis of samples of drinking water and wastewater discharges for reporting to the EPA. The EPA will have powers to audit the processes undertaken by Irish Water and will retain existing powers to take random samples in its own right.

Currently, Local Authorities are the front line technical and drinking water quality supervisors for Group Water Schemes. A separate work-stream chapter (WS 4: Group water sector and private water services) addresses the issues arising from the transfer of responsibility for water services functions from the local authorities in this regard. In addition to addressing the overall medium term strategy for the group scheme sector, this work-stream will consider how the environmental regulation of the sector will be best managed, including the possibility of the EPA availing of expertise in local authorities or Irish Water under service level agreements.

Objectives & Approach
The objective of this work-stream is to ensure that all aspects of current environmental regulation are provided for in the transfer of responsibility for water services provision from local authorities to Irish Water and that no diminution of environmental regulation occurs by way of oversight or omission. The main work of the work-stream will be to identify issues needing to be addressed to reflect the change in responsibility for delivery of water services and make recommendations as to how issues should be addressed. These matters are likely to fall into a number of broad categories:

- **Legal**: review all legislation and regulations relevant to the supervision of delivery of water services and provide for transfer of obligations from Local Authorities to Irish Water.

- **Data reporting**: Identify compliance data requirements (for drinking water quality and waste water discharges) for Irish Water to report to EPA. Ensure compliance data requirements are captured for direct reporting by Irish Water or under the SLAs with local authorities. Identify other environmental data
reporting requirements for Irish Water (to the economic regulator (CER), local authorities, EPA (e.g. Annual Environmental Reports on waste water discharge licences) the Minister/Department etc.)

- **Operational:** Reflect compliance requirements and best practice in development of standard operating procedures and service level agreements. This component to be advanced by operations work-stream.

- **Organisational:** Building of relationships between Irish Water and EPA, and EPA and Economic Regulator to underpin strategic planning for the sector and capacity to deliver on future regulatory changes. There will also be a requirement on Irish Water to prepare a strategic plan for approval by the Minister. (see WS2 Policy Framework) Irish Water is likely to establish a central regulatory affairs function at a senior level within the organisation and will need to reflect data reporting and compliance monitoring in its systems and facilities and work practices. This element to be developed by respective work-streams on corporate development and systems and facilities.

### Milestones & Deliverables

- Establish arrangements for interaction between the Environmental and Economic regulators (Q4, 2012):

- Provide legal work-stream with list of issues needing to be addressed to reflect the change in responsibility for supervision of delivery of water services and recommended approaches (Q4, 2012):

- Identify compliance data requirements for drinking water quality (Q2, 2013):

- Identify compliance data requirements for waste water discharges (Q2, 2013):

- Identify other data reporting requirements for Irish Water (Q2, 2013):

- Provide outputs on compliance data requirements to operational, systems and facilities work-streams. (Q3, 2013): and

- Identify the need for specific SLAs on sampling, cross-boundary issues etc. (Q3, 2013).

### Key Tasks

This work-stream is largely led by the Department and the EPA, in consultation with Irish Water and local authorities.

- **WS 5.1** Examine all relevant environmental legislation/regulations, create inventory of where water related functions rest, and develop matrix of compatibilities and responsibilities.

- **WS 5.2** Identify any operational maintenance issues around licensing of discharges to sewers to be reflected in Service Level Agreements/Standard Operating Procedures and propose recommendations.

- **WS 5.3** Identify boundary issues and cost sharing arrangements from other contributors (e.g. NRA, OPW, Waterways Ireland) in relation to storm-water, roads, waterways, etc.

- **WS 5.4** Identify compliance data reporting requirements, develop standard templates to ensure reporting is maintained.

- **WS 5.5** Identify other data reporting requirements, develop standard templates to ensure reporting is maintained.

- **WS 5.6** Identify protocols and other arrangements to be put in place for engagement between the economic and environmental regulators.
WS 5.7 Review the template document between the HSE and local authorities for dealing with exceedences and incidents in water supplies to reflect the establishment of Irish Water and the agency relationship between Irish Water and local authorities.

WS 5.8 Develop appropriate regulatory model for the group water sector (in association with work-stream 4).

Interactions

Other work-streams the Environmental Regulation work-stream will interact with:

- WS 2: Policy Framework and Sector Governance
- WS 3: Legal and Legislation
- WS 4: Group Water Sector and private water services
- WS 11: Finance and Funding
Irish Water Implementation Strategy -
Organisational Model
WS 6: Corporate Development of Irish Water

Overview
The establishment of Irish Water will represent one of the most significant developments in the Irish public sector for many years. The challenge of integrating the water activities of 34 city and county councils into a Public Utility is very significant and requires a very experienced team to lead and direct both the establishment and ongoing operations of Irish Water.

The work-stream focused on the corporate development of Irish Water is essentially preparing for the development of the corporate body on passage of comprehensive legislation establishing Irish Water as the national water authority. Pending this legislation, specific arrangements will be put in place to address corporate governance issues arising in the interim.

The corporate body of Irish Water will be responsible for driving the establishment and implementation of Irish Water in line with their statutory duties – as such key appointments will be required at Board, Executive and Senior Management levels representing depth of experience, expertise and credibility in the execution of these responsibilities.

In conjunction with the DECLG, this team will be responsible for defining the overall vision, mission and corporate strategy and culture for Irish Water in the context of the Policy Framework for Irish Water and putting in place the structures to deliver against this plan. These will include establishing the Programme Management Office and implementing the tasks and delivering against the objectives and milestones of the Operations Services; Finance; IT; Human Resources; Customer Services; Asset Management; Monitoring & Evaluation and Marketing and Communications functions. In so doing, they will also be responsible for identifying the stakeholders with whom they will interact and defining how these interactions will be managed by Irish Water.

The establishment of Irish Water within the Bord Gáis Group allows the new entity to benefit from and leverage the skills and experience within the group, while building the new organisation. Following the proposed sale of Bord Gáis Energy, the group will consist of two regulated entities - Bord Gáis Networks/Gaslink, a mature division of the company which is producing profits, and Irish Water an independent subsidiary in need of investment and funds.
The policy and legislative framework will develop the appropriate governance arrangements to ensure the appropriate reporting mechanisms are in place from a policy perspective to the respective Ministers, to NewERA as the shareholder executive, and the Oireachtas and the respective boards of the subsidiary and the group as a whole.

In parallel with the rollout of initial customer facing activities, an extensive communications programme focused on customers will be required to outline the vision for Irish Water and how it will provide secure, affordable and high quality water services with a sustainable funding model, the long-term investment strategy and commitment to customer service, the timelines involved in implementation, the setting of charges and billing and payment arrangements.

The launch of Irish Water requires the full range of communications materials essential to any utility with a substantial customer population:

- Brand development – including values and visual identify;
- Website;
- Customer communication materials;
- Billing requirements;
- Advertising.

To meet these requirements this work-stream will also have responsibility for

- external stakeholder engagement (i.e. customers, media, public representatives and other relevant external third parties),
- the establishment and development of the Irish Water brand, and
- the setting up of the Marketing and Communications function within Irish Water.

**Objectives & Approach**

The objective of this work-stream is to establish Irish Water as a company and ensure, in cooperation with the other work-streams, that the following are in place for Day 1 operations:-

- Board;
- Management Team;
- Core team staffing (including external support if required);
- Business Plans;
- Operating policies and procedures;
- Working relationships with key stakeholders, e.g. Local Government, Regulators, Funders, etc;
- Service Level Agreements with the local authorities;
- Banking facilities and funding;
- Systems and facilities;
- Required legislation.

The approach adopted by the Corporate Development work-stream in establishing the Corporate structures for Irish Water will be as follows:

- Appoint the Irish Water Board;
- Establish a Programme Management Office (“PMO”) to develop detailed implementation plans for the establishment of Irish Water;
- Recruit key executive management roles;
- Define the requirements for and appoint external support;
In the context of the Policy Framework for Irish Water, define the vision, mission and long term strategy for Irish Water and develop the Target Operating Model in line with the proposed corporate culture; Drive the implementation of Irish Water through the PMO and project work-streams.

Milestones & Deliverables

The key milestones and deliverables for Irish Water will be:
- Finalisation of governance and working arrangements for the interim phase (Q3, 2012);
- Appointment of key members of management team for Irish Water (Q1, 2013);
- Irish Water enabled for launch (Q2, 2013).

Key tasks

WS 6.1 Establishment of Programme Management Office in Bord Gáis
- Agree roles and responsibilities in context of PMO.
- Define governance structure and roles and responsibilities of Management Team in context of PMO.
- Agree process for management input to PMO and project work-streams.
- Agree escalation and decision making protocols.

WS 6.2 Governance arrangements
- Define the Governance arrangements for the interim phase.
- Define selection process for Board and management team of Irish Water.
- Establish Irish Water Board.

WS 6.3 Implementation Plan for Irish Water
- Develop implementation plan.
- Develop vision, mission, corporate strategy and culture for Irish Water.
- Develop Target Operating Model for Irish Water.
- Identify roles to be filled and associated timeline including external advice.
- Develop and issue tender for external advisers.
- Appoint external advisers.

WS 6.4 Appointment of management team of Irish Water
- Appoint key executive roles.
- Define working practices of Irish Water management team.

WS 6.5 Develop systems and facilities
- Assess LA water services systems and develop approach to Irish Water systems leveraging Bord Gáis and LA systems.
- Develop billing engine for charging.
- Develop financial systems.
- Develop payroll and HR systems.
- Develop asset management systems.
- Develop operational management systems.
WS 6.6 Communications and marketing

- Identify external stakeholders and undertake stakeholder analysis.
- Develop and implement external communication plans.
- Implement and monitor the roll out of the external stakeholder management process.
- Develop a branding strategy for Irish Water.
- Execute and monitor branding rollout plan.
- Identify pre-go live marketing priorities and campaigns for Irish Water, e.g. meter surveying and installation, water charging and launch of Irish Water, water conservation, etc.
- Develop appropriate strategies for each marketing campaign.
- Execute and roll out the relevant strategies.
- Define the business as usual marketing and communications strategy for Irish Water.

Interactions

Given the responsibilities of the Corporate Development work-stream, it will interface with most of the other work-streams.
WS 7: Operations

Overview

The City and County councils as water services authorities are responsible for the provision of all public water services in their respective areas. Following the passage of required legislation, responsibility for these functions will transfer on a phased basis, as set out below, to Irish Water. From an operational perspective, this will involve:

- Operation of water reservoirs and treatment plants;
- Operation of water supply and distribution networks;
- Operation of waste water collection networks;
- Operation of waste water treatment plants.

A significant transition period has been factored into the approach to establishing Irish Water to ensure continuity of service, a smooth transition to the new model, and to support transformation and implementation planning. The implementation strategy reflects this approach. There are four distinct phases to the approach:

- Current Phase – Local Authorities as Water Services Authorities responsible for Water Services;
- Interim phase (to end 2013) - Local Authorities retain full legal responsibility as Water Services Authorities;
- Transition phase (2014-2017); - Irish Water will be allocated full responsibility for all aspects of water service planning, delivery and operation at national, regional and local levels on passage of the legislation; water services functions will transfer on a phased basis to Irish Water from local authorities and the Department and local authorities will be empowered to act as agents of Irish Water to deliver a range of services under service level agreements; and
- “Steady state” (post 2017) - the long-term structure of Irish Water post 2017, when all components of the legislation have been commenced, the full transfer of functions has been effected, a track record in accessing third party funding for water investment has been built up and the company is operating as a fully vertically integrated public water utility.

The sustainability of the funding model and the regulation of the sector will be key influences on the evolving operational model (the “target operating model”). In common with water utility companies across the world, the core of the operational model is likely to centre on asset management and customer services management and this will drive other components of the business.

The approach to the transition will be to ensure that the skills and experience built up over many years in local authorities are put to best use for the long-term benefit of the customer and that there is no negative impact on service to customers during the transition.

Legislation underpinning the establishment of Irish Water will need to reflect the proposed approach to the transition whereby Irish Water will assume responsibility for water services functions and local authorities will act as agents. This role will then be expressed through service level agreements (SLAs) between Irish Water and local authorities. These will be a critical component of managing this transition and may well be a feature
of the longer-term operational model post 2017. The legislation will, therefore, empower local authorities to perform roles as agents of Irish Water in the longer term also.

This work-stream from a local authority perspective will be focused on the issues arising from an operational perspective in the move from a statutory basis for water services operations to an agency basis for such operations – essentially the negotiation of SLAs and the delivery of services in accordance with the SLAs. This will firstly involve collating details on the levels of service provided by local authorities and the human and material resources and current costs arising for local authorities from the provision of the services as set out in annual budgets approved by each local authority. In addition, details of current service delivery levels and all pre-existing service level agreements / contracts will need to be documented.

From a local authority perspective it is essential that the sector continues to provide its full remit of functions and services. From an Irish Water perspective, this work-stream will involve not only the development of a common framework/template SLA as a basis for negotiations with each local authority but also the actual negotiation of SLAs which will be legally binding on both sides.

It will also require work on defining the future operational model of Irish Water as a vertically integrated utility and on the required levels of service taking account of the evolving economic regulatory requirements. This will involve consideration of issues such as identifying opportunities for efficiency through the introduction of shared services arrangements between local authorities, a possible regional operating model based on best practice standard operating procedures and procurement strategies, etc.

**Objectives and approach**

The objective of this work-stream is to ensure that:

- local government can continue to discharge it’s full remit of functions and services;
- water services continue to be provided to all customers;
- there is a smooth transition in change of the statutory responsibility for water services;
- service levels achieved to date by the local authorities are maintained or improved during the transition;
- there is a robust operational basis for Irish Water by having appropriate arrangements in place both during the early years and in the longer term for the continued operation of water/wastewater facilities and infrastructure;
- Service Level Agreements provide a framework through which local authorities have the capacity to deliver the required level of services, determined by Irish Water in light of its regulatory commitments.

The work undertaken by the operations work-stream will include:

- **Establishing a baseline reference of levels of service and existing costs** – to determine the current level of provision of water services by the water services authorities and also to provide a basis for developing operational service level agreements between Irish Water and the city and county councils, including identifying the split of work and resources in the local authorities between water and wastewater utility operations and flood/storm water management, emergency management and planning and any other related integrated service - the former will transfer to Irish Water, the latter will remain with the local authorities (the addressing of boundary issues will be an important task for the work-stream on the policy framework and sector governance).

- **Development of the Service Level Agreements between Irish Water and the local authorities** for the operation of water services at local/regional level based on appropriate template(s), taking account of existing Performance Management Systems;
- **Identifying additional opportunities for shared services** in the operation of water services and defining the structures by which this can be enabled, building on existing structures established for example in the Greater Dublin Area;

- **Identification of existing and potential additional customer service management and response capabilities**, and

- **Development of Standard Operating Procedures (SOPs)**, taking account of existing SOPs and best practice within the local authority operations and in other water utilities internationally.

- **Development of the future operational model**, including operating regions.

**Service Level Agreements:**
The objective should be to put in place a standard template for SLA between Irish Water and the local authorities which will vary only in the requirements on each local authority to provide services and the costs that will be recouped. The Service Level Agreement will reflect the statutory role and responsibilities of the respective parties as set out in the legislation. SLAs will therefore cover the:

- range of water services to be provided by Irish Water and Local Authorities;
- number of customers to be served;
- key metrics on service levels, including mechanisms for achieving service improvements;
- costs necessary to support service provision.

**Service Level Agreements Template: key considerations**

**Scope**
- Definition of the operations and other services to be covered by the SLA
- The extent to which output based specifications can be used in the SLA having regard to the condition of the assets (e.g. the requirement to deliver potable water of acceptable standards to households). Must consider implications if any on relevant budget.
- The extent to which input based specifications will be required in the agreements e.g. implement the capital programme directed by Irish Water.
- The coverage of the SLAs (one per local authority/Water Service Authority or could there be a need for a number of SLAs for different areas within a local authority).

**Duration**
- Identification of appropriate duration for the SLAs.
- Approach to renewal of the SLA.
- Approach to termination of SLA (at LA request/IW request).
- Approach to adjustment of the content of the SLA (e.g. if requirement for an increased volume of water arose).

**Incentivisation**
- Initial SLAs will take account of current level of services and budgets, and incentivise improvement in line with compliance requirements and efficiency targets developed through evolving operational model and the economic regulatory process.

**Payment**
- Definition of funding arrangements (taking into account cash-flow as well as overall funding issues).
- Linkage of recoupment to delivery of levels of service or achievement of inputs.
Dispute resolution and rights of audit

- Define dispute and issue resolution process, and triggers for invoking dispute mechanisms.
- Specification of performance assessments, capital investment in line with capital investment transfer plan (see chapter 8) and data requirements to support the successful operation of the SLAs.

SLAs may also be appropriate for a range of support services e.g. technical customer services, laboratory services, sampling, monitoring and enforcement, group water scheme support. The general approach to developing SLA templates, agreeing content and costs and monitoring delivery would be applicable in these instances also.

Milestones & Deliverables
The key milestones and deliverables for this work-stream will be:

- Collate baseline data regarding budgets, costs, levels of service, organisation and resources (financial and human resources) for water services. Determine the extent of those costs etc. used for storm water/flood management, emergency management and planning and other integrated service functions and shared resources with other local authority operations (preliminary by Q4, 2012, finalised Q2, 2013).
- Development of Operational Model based on a utility model of delivery (Q4, 2012).
- Define the operational regions to be adopted by Irish Water (Q1, 2013).
- A set of operational SLAs with each local authority, agreed and operational from date of transfer of relevant responsibility to Irish Water (Q2, 2013).
- Irish Water has effective governance in place for delivery of services under the SLAs (Q3, 2013).
- Development of a customer services technical management system (Q3, 2013).

Key tasks

Developing Service Level Agreements

WS 7.1 Establish current levels of service and costs baseline, including an audit of costs to ensure transparency in the cost basis for service level agreements.

- Collection of relevant data required for the base-lining exercise by local authorities.
- Undertake a gap analysis to identify service improvement requirements.

WS 7.2 Develop strategy for driving operational efficiencies / continuous improvement.

WS 7.3 Identify opportunities for efficiency and shared services arrangements.

WS 7.4 Develop template service level agreement, this involves:

- developing SLA content – levels of service, costs and budget approval process based on the base lining exercise;
- legal process of drafting a standard form SLA;
- determining/agreeing appropriate mechanisms for calculating and funding to the local authorities for delivering the SLAs., taking account of the LA budgetary cycle.
- developing appropriate reporting procedures and checks and balances.
Developing the Operational Model (led by Irish Water)

WS 7.5 Develop standard operating procedures, taking account of existing SOPs and best practice within the local authority operations and in other water utilities internationally.

WS 7.6 Design regional operations model and implementation plan.

WS 7.7 Design central operations model and implementation plan.

WS 7.8 Identify support services appropriate for service level agreements.

WS 7.9 Develop a customer service technical management system.

WS 7.10 Put in place service level agreements with individual authorities.

Interactions

Other work-streams the Operations work-stream will interact with:

WS 2: Policy Framework and Sector Governance
WS 3: Legal and Legislation
WS 4: Group Water Sector
WS 8: Capital Programme (Asset Survey)
WS 9: People, Skills and Change Management
WS 10: Economic Regulation
WS 11: Finance and funding
WS 8: Capital Programme

Overview

Over the coming years, the water services capital investment programme will evolve from a largely Exchequer funded programme developed by the Department, taking account of local authority needs assessments to a prioritised capital programme developed in a new utility and economic regulatory environment in which Irish Water will be operating supported by a new financial model.

A number of stages are envisaged in this process:

Stage 1: Capital programme to end 2013 [Exchequer Funded].
Stage 2: Capital programme under first (interim) economic regulatory cycle [assumed as 2014-2015, see WS 10 Economic Regulation]
Stage 3: Capital programme under first full regulatory cycle [multi-annual – probably of six year duration aligned with river basin management plans]

The main focus of the Capital Programme work-stream is on stage 1 and the transition to stage 2. The work-stream will focus on ensuring that during the period when Irish Water is being established the construction of new capital projects and maintenance work continues as planned. During this period the planning processes for delivery of investment under the water services and rural water programmes will continue and a robust capital planning function will be established in Irish Water.

From an Irish Water perspective, the capital management work-stream will focus on the development of asset investment planning, capital delivery and asset management to support the development of the capital programme for 2014-2015 and beyond in consultation with the Regulator.
Guiding Principles
The following central principles will guide the work of this work-stream:

- The establishment of Irish Water is being progressed in order to increase the level of financial resources available for investment in the sector over the medium to long term;
- Irish Water will develop the capacity, both through organisational design, and best in class asset management systems to exploit economies of scale, thereby improving value for money and accelerating investment;
- This reform process must not create any uncertainty or hiatus in the delivery of planned projects.

The implementation of the capital programme by Irish Water will have to take account of the planning status of projects in the programme and the relative scale, to ensure that the timing of the transfer of responsibility is aligned with business priorities.

Objectives and Approach
The objective of the work-stream is to ensure (a) that there is an effective transitioning of the delivery of the capital programme with no loss in momentum on project delivery and (b) that Irish Water undertakes capital planning and asset management to a good international standard and in line with a strategy for the sector which is consistent with overall national economic and social needs.

This will involve:

- ensuring the effective delivery of projects under the existing capital programme and adopting and extending the approach used for the WSIP for the period to end 2013;
- moving to a multi-annual approach for the Rural Water Programme with a view to rolling the Water Services Investment Programme and the small schemes element of the Rural Water Programme together from 2013;
- developing an interim capital investment programme for the period 2014-2015 inclusive using current methodologies and any further evidence collected in the meantime;
- building the information base and methodology for asset management planning;
- developing a good practice capital programme/asset management capability for Irish Water;
- developing a strategic asset management plan;

Water Services Investment Programme
The current Water Services Investment Programme (WSIP) 2010-2012 was developed following a comprehensive review of all projects which had not substantially advanced at the end of the last programme cycle (which covered the period 2007-2009). As a result, this programme is acknowledged as being the most evidence-based to date. The Programme is now fully aligned with the investment priorities identified in the river basin management plans, (principally the upgrading of wastewater treatment infrastructure), the Remedial Action List for public water supplies developed by the Environmental Protection Agency, the enterprise needs identified by Forfás in their 2008 report and also provides for accelerated investment in watermains rehabilitation/replacement. A review process has been included to facilitate the re-prioritisation, particularly in light of compliance requirements (investment requirements arising from supplies added to the EPA Remedial Action List or the issue of waste water discharge licences/certificates, or specific enterprise/employment requirements emerging). The programme contains a mix of contracts underway, contracts scheduled to start during the programme period, and a large number of schemes in planning from which the tranche of contracts
to commence for the next cycle of investment will be drawn. Substantial progress has been made over the first two years of the programme, with some 140 contracts completed in that period.

A smooth transition is required from the current cycle of investment to the new cycle of investment to be agreed by Irish Water with the regulator in due course, otherwise there will be uncertainty for local authorities in relation to entering financial commitments or applying resources to project development.

At the end of 2011, a significant proportion of the contracts included in the programme had not yet commenced. As the priority associated with these projects has not altered, the most immediate imperative from a capital perspective is the delivery of projects currently included in the WSIP. To facilitate this, the Department has decided to roll-over the WSIP 2010-2012 for a further year and local authorities have been informed of this decision (Departmental Circular L4/12).

As a further measure to address any potential uncertainty on the delivery of projects, the Department has also provided clarification in relation to the financial liabilities arising for local authorities in relation to water services capital projects in Circular L4/12 of March 2012.

Rural Water Programme

The Rural Water Programme (RWP) will have the planning horizon extended to become a multi-year plan as this will facilitate better outcomes for the rural water sector. The transition arrangements for the RWP in this work-stream will impact upon:

- The component of RWP relating to small public water services which will become the responsibility of Irish Water; and
- The component of RWP relating to funding group and individual water supplies, the approach to which will have an organisational and policy dimension.

The latter will be addressed under work-stream 15, while the component relating to the public water services will be the focus of this work-stream.

Milestones and Deliverables

- Transition plan for the management of the capital programme in the interim phase (Q4, 2012);
- Development of a plan for the capital investment in 2013, integrating the WSIP and RWP (small public schemes) (Q4, 2012);
- Development of a capital investment programme for 2014 to 2015 [Q2, 2013];
- Inventory of water services assets [Q2, 2013];
- Development of an Asset Management Plan for Irish Water. [Q2, 2013].

Key Tasks

The work in stage 1 will largely be led by the Department; stages 2 and 3 of the development of the capital programme will be led primarily by Irish Water.

WS 8.1 Develop transition plan to cover hand-over of capital projects, taking account of the need to

- define accountabilities and responsibilities for the delivery of existing programme of capital works, reflecting:
- Funding implications;
- Existing contractual arrangements,
- Phasing associated with scale of projects, progress on building regional teams etc.

- identify any measures necessary to ensure momentum of project delivery is maintained during transition.
- establish arrangements for hand-over of responsibility to Irish Water for live capital projects.

**WS 8.2 Establish governance arrangements for capital investment plans, including**

- Developing budgetary approval procedures for Exchequer funding;
- Agreeing arrangements with NewERA & Department regarding their respective roles as shareholder/funder [link to funding work-stream].

**WS 8.3 Irish Water to develop Asset Management function including**

- Initial review of asset related data.
- Detailed assessment in line with asset transfer plan.
- Development of GIS, asset management planning tools and other systems to support asset management systems [link to systems and facilities work-stream].
- In light of transition plan, consider the appropriate governance structures for overall water investment programme management, the need for service level agreements, and reporting arrangements.

**WS 8.4 Irish Water to prepare capital investment plans**

- Undertake appropriate stakeholder consultation [local authorities, EPA, Forfás etc].
- Develop water services strategic plan [long-term].
- Agree planning cycle with Economic Regulator (likely to be aligned with River Basin Management Plans (6 years)).
- Develop capital programme aligned with economic regulatory cycle [link to economic regulation work-stream].

**Interactions**

**Other work-streams the Capital Programme work-stream will interact with:**

- WS 2: Policy Framework and Sector Governance
- WS 3: Legal and Legislation
- WS 4: Group Water Sector and private water services
- WS 5: Environmental Regulation
- WS 7: Operations (in particular SLA)
- WS 9: People, Skills and Change Management
- WS 10: Economic Regulation
- WS 11: Finance and funding
WS 9: People, Skills & Change Management

Overview
The transfer of water functions from the Department and local authorities to Irish Water represents a major transformational change that will be fully implemented on a progressive basis over several years. Due to the complexity and scale of the people transition issues, a highly collaborative approach between the Local Authorities, Department, Irish Water and Unions/staff representatives will be essential. Existing channels for engaging with staff will be utilised to their fullest extent along with any additional structures that might be required. In the case of local authority staff, the main vehicle will be the relevant sectoral group established under the Croke Park Agreement in local authorities – the Local Authority Implementation Committee. In the case of the Department, the relevant structures are Departmental Council and related Civil Service groups under the Croke Park Agreement.

Irish Water will have to build on the strengths of the existing system including an experienced and committed workforce. A phased transition is proposed to ensure continuity of service and the building of a fit for purpose organisation within a reasonable timescale. The skills within the Bord Gáis Group, together with the experience and commitment to service, and the specific water and wastewater capabilities and expertise that exist in local government and the Department will be deployed to build the new organisation.

The proposed public utility model represents a major change with significant implications for local government, the water industry in Ireland and its many stakeholders. Consequently, a significant transition period has been factored into the approach to establishing Irish Water to ensure continuity of service, a smooth transition to the new model, and to support more focused transformation and implementation planning. The implementation strategy reflects this approach. There are three distinct phases to the approach:

- Interim phase (to end 2013);
- Transition phase (2014-2017);
- Steady state (post 2017).

Interim phase
Arrangements to give a legal form to Irish Water on an interim basis will be put in place in 2012 (See WS Legal and Legislation), but Irish Water will not assume full statutory authority as a water services authority until a comprehensive Bill goes before the Oireachtas and is enacted by the third quarter of 2013. Any involvement of existing staff in Irish Water in advance of the passing of this Bill (mid-2013) would be on a voluntary secondment basis or by recruitment.

During this phase the Department will have established a Programme Management Office (PMO) to drive the programme of reform (See WS1 Programme Management). The work being undertaken under the various work-streams of the implementation strategy will come under the umbrella of a Programme Management Office (PMO) to be established within the Department of the Environment, Community and Local Government and will be comprised, inter alia, of experienced local authority personnel who are experts on key elements of the strategy. The County and City Managers’ Association proposes to establish a Transition Office to assist in the transition phase from local authorities to Irish Water and integrate the diverse and numerous elements of the local authority input to the roll-out of the implementation strategy. Local authority involvement, therefore may be through secondments to the Local Authority Transition Office (or in some cases the Department), or working on specific tasks from their existing HQs or participation in meetings.
Each work-stream will develop a project plan for the delivery of the tasks set out in this document. Some work-streams will finish tasks earlier than others e.g. legislation is to be in place by quarter three of 2013, whereas some work of the PMO will continue into the transition phase. The PMO established by the Department will cease operation when work is completed.

**Transition phase**

Resulting from the passage of comprehensive legislation in 2013, Irish Water will be established as a publically owned, vertically integrated utility company operating in a regulated environment. Irish Water will be a separate entity operating independently of the other businesses within the Bord Gáis Group, but will have the ability to leverage Group management, governance, strategic and financial structures and processes for the benefit of the organisation.

In common with water utility companies across the world, the core of the operational model is likely to centre on asset management and customer service management and this will drive other components of the business. The sustainability of the funding model and the regulation of the sector will be key influences on the evolving operational model (the “target operating model”). This approach during the transition, which will be underpinned by legislation, will have a number of key components:

- water services functions will transfer on a phased basis to Irish Water from local authorities and the Department;
- Irish Water will be allocated full responsibility for all aspects of water service planning, delivery and operation at national, regional and local levels on passage of the legislation; and
- Local authorities will be empowered to act as agents of Irish Water to deliver a range of services under service level agreements [see WS 8 operations].

Irish Water will need to have a dedicated management team in place to deliver on these responsibilities from its establishment. Developing and putting in place the new operational and organisational model will involve eliminating existing duplication of activity, driving synergies and efficiencies through the delivery of a national service, leveraging technology as well as taking into account, for example, the wider local government staffing needs. The early evolution of the approach is likely to reflect, and further develop, current best practices in relation to standard operating procedures, existing performance management systems and regional shared services.

In the transition phase, Irish Water will work largely through service level agreements with local authorities. This will ensure a smooth transition to a new, fit-for-purpose model and guard against the loss of local expertise. It will also mean that the majority of staff will remain in the direct employment of local authorities for a considerable period.

**Steady-State**

This refers to the long-term structure of Irish Water post 2017, when all components of the legislation have been commenced, the full transfer of functions has been affected, a track record in accessing third party funding for water investment has been built up and the company is operating as a fully vertically integrated public water utility. It may well be that service level agreements with local authorities, will remain in place where these are working well.

As this target operating model for the “steady state” phase for Irish Water is developed (*during the interim phase, with further evolution in the transition phase*), this will need to be communicated to local authority staff and management, and the implications from a human resources perspective assessed and reflected in the processes for managing change. Close collaboration and timely communication with staff, staff representatives and Unions is critical to delivering the significant change programme that will be involved.

The development of this work stream is dependent on work in other streams, for example, addressing operational issues and the capital programme.
Objectives & Approach

This work-stream will have responsibility for driving and supporting internal stakeholder engagement and change management initiatives. This work-stream is focussed on the work over circa the next eighteen months, to ensure:

- the development and support of a clearly defined communication and engagement plan for the interim and transition phases;
- developing a framework to deal with human resources issues arising from a local authority and Departmental staffing perspective on the establishment of Irish Water as the water services authority (arising during the transition phase); and
- the establishment and implementation of the organisational structures for Irish Water and associated human resources function which will ultimately underpin the “steady state” model.

This work-stream involves:

- From a local authority and Departmental staffing perspective:
  
  o developing a framework to deal with development of shared services, regional offices, changes in work practices and other efficiencies to be implemented on foot of service level agreements and the evolving Irish Water operational and organisational model;
  
  o developing the approach to staffing issues when service level agreements cease;
  
  o the assessment of impacts for local authorities and the Department on workforce planning and management in the transition and steady state phases as a result of the transfer of functions to Irish Water, as well as ensuring that the expertise is available for functions retained by local authorities and the Department.

- From an Irish Water perspective:
  
  o the establishment and implementation of the organisational structures for Irish Water, reflecting the operational model, including job profiles, staffing requirements and arrangements to transition/recruit staff.
  
  o the establishment of the HR function in Irish Water,
  
  o the establishment and implementation of appropriate internal stakeholder engagement and change management procedures.

- From a joint perspective, establishing the communications and change management initiatives relating to Irish Water, local authority and Departmental water services staff.

Effective change management will be a critical element of the transformation project, to directly support staff through the process of change, and to ensure that key stakeholders work together in a cohesive manner to
deliver successful implementation. Internal stakeholder groups will include local authority water services staff, local authority management, Department water staff, Department management and new Irish Water employees, etc. A key element of this change management will be the development of an engagement plan for stakeholders, particularly staff and trade unions, which is appropriately aligned with the key decision points reflected in milestones of the overall programme. Due to the scale of change and the large number of stakeholder groups involved, this work-stream will be highly involved in supporting programme leadership to actively engage with stakeholders and manage key relationships throughout the interim phase and early transition period.

Guiding Principles

- Extensive and on-going consultation with staff and unions on the transition.
- Focus on communication, including on the emerging target operating model, through the development of a strategic communication plan for local authority staff and the nomination of strategic communication focal points in local authorities.
- Development and communication of workforce/resource plan required to deliver key transition milestones.
- The establishment of a dedicated HR team in Irish Water to plan and implement the transition process.
- The development and enactment of the necessary legislation to support the change process.

Consultation with Staff

Given the scale and complexity of the change for the local government sector, it is considered appropriate to establish a specific joint management/union group to provide a mechanism for regular structured dialogue, consultation and engagement on issues arising from the implementation strategy for Irish Water. The group will be independently chaired. The role of the Chair will be to manage the dialogue process, to mediate on issues where required and to provide a regular report to the Local Authority Implementation Committee under the Public Service Agreement 2010-2014. The Chair shall advise the Minister regarding the progress of the group, acknowledging that it is not intended as an enduring forum and the objective will not be to supplant existing channels or engagement arrangements within Irish Water. The terms of reference of this consultative group are set out at the Annex to this chapter.

Departmental Council will provide the forum for dialogue, consultation and engagement on issues arising for Departmental staff from the roll-out of the implementation strategy.

Milestones & Deliverables

- Establish the arrangements for engaging with representatives of water services staff in the Department and local authorities. [Q3, 2012]
- Establish communications processes to manage change, involving Irish Water, LA Management and the Department during the transition; [Q4, 2012]
- Develop initial communications and change management strategy [Q4, 2012] (to be updated and refined in parallel with development of the strategy for the management of HR issues – see below)
- Gather data and analysis to inform HR approaches, including work-force planning data, identification of issues for central policy direction, and matters for local discussion [Q4, 2012]
- Develop Irish Water organisational model (to be led by Irish Water) [Q4, 2012]
• Develop Irish Water HR function (to be led by Irish Water) [Q4, 2012]

• Based on evolving Irish Water operational and organisational model,
  o develop strategy for management of HR issues arising during transition (SLA phase)–[ Q4, 2012]
  o develop strategy for management of HR issues arising on cessation of SLA – [Q1, 2013]
  o identify issues that may need to be reflected in legislation [Q1, 2013]

Key tasks

WS 9.1 Communication and Engagement plan

  • Establish arrangements for engagement with staff and unions,
  • Undertake stakeholder analysis and develop an appropriate stakeholder communication and engagement plan (including strategic communication focal points in each water services authority), reflecting the different phases of transition and evolving target operating model.
  • Implement the roll out of the internal stakeholder communication and engagement plan.

WS 9.2 Transition phase – Staff recruitment/transfers to Irish Water and Managing HR issues during transition phase

  • Review the overall transition plan/target operating model and develop resourcing plan (including the phasing of staff transfers/recruitment for delivery of functions by Irish Water which are not comprehended by Service Level Agreements)
  • Identify the relevant HR issues for Departmental/local authority staff transferring to Irish Water and develop and communicate necessary strategies.
  • Engagement through consultation group and existing channels, as appropriate, on proposed approach.
  • Develop mechanism to support the management of change during SLA, with communication interface between Irish Water, LA Management (CCMA (Executive & Water Committee), LGMA) and the Department.
  • Develop the framework for delivery of change/improved service delivery under SLA arrangements including approach to workforce planning.
  • Develop transitioning strategy for dealing with cessation of an SLA.
  • Manage recruitment of new staff.
  • Training etc for staff transferring.

WS 9.3 Irish Water Organisational structure

  • Develop the interim organisation structure for Irish Water (note: there may be more than one interim organisational structure required for Irish Water due to the phased transitioning arrangements to full rollout).
  • Define the roles and responsibilities for Irish Water staff.
  • Define the recruitment and transitioning strategy.
  • Implement the recruitment and transitioning strategy.
  • Develop the full rollout organisation structure for Irish Water.

WS 9.4 HR Function

  • Define and implement the HR strategy for Irish Water.
  • Define the recruitment processes for Irish Water.
Interactions

The People, Skills & Change Management work-stream will interact with the majority of the other work-streams in this implementation strategy.
Annex to WS 9:

Irish Water Consultative Group

Introduction
The Government decision to transfer the water functions of the local authorities to Irish Water represents a major challenge and the roll-out of the implementation strategy (reflecting the high level milestones and deliverables associated with this decision) will require a highly collaborative approach between the local authorities, relevant Government Departments, Irish Water (when established) and Unions/staff representatives and staff.

Given the scale and complexity of the change, it is considered appropriate to establish a specific joint management /union group to provide a mechanism for regular structured dialogue, consultation and engagement on issues arising from the implementation strategy for Irish Water in line with the agreements on information and consultation already in place.

Terms of Reference
1. The implementation strategy is at a high level, identifying the issues to be addressed under a series of work-streams and an outline of the tasks to be advanced. An initial focus of the group will be to develop with the trade unions a work programme for engagement on issues arising, reflecting the high level milestones and deliverables associated with the establishment of Irish Water with a particular emphasis on the change management and human resources aspects of the strategy.

2. The group will receive regular updates on progress on the strategy, including presentations on issues of particular interest and an outline of the programme of work for the quarter ahead in relation to the milestones to be achieved in that quarter.

3. The group will provide the forum for dialogue, consultation and engagement, based on the evolving Irish Water operational and organisational model, on strategies which will have to be developed during the transition phase and the identification of issues that may need to be reflected in legislation.

4. It is envisaged that the group will be the primary vehicle through which IR and HR issues will be resolved. The group will seek to achieve a collaborative resolution of issues of concern that may arise. In the event of the parties failing to reach agreement on IR/HR issues, they will be referred to the appropriate dispute resolution mechanisms under whatever national agreement is in place at the time as appropriate, which may include ad-hoc mechanisms as agreed by the group.

5. It is expected that the group will also discuss approaches to general engagement with staff, e.g. information sessions or other communications as are considered appropriate as the reform process progresses.

Membership of the Group
The group will be independently chaired. The role of the Chair will be to manage the dialogue process, to mediate on issues where required and to provide a regular report to the Local Authority Implementation Committee under the Public Service Agreement 2010-2014. The Chair shall advise the Minister regarding the progress of the group, acknowledging that it is not intended as an enduring forum and the objective will not be to supplant existing channels or engagement arrangements within Bord Gáis.

Management will be represented by nine people comprising the following organisations:
- the Department of the Environment, Community and Local Government - Water Services and Local Government (Human Resources) Sections;
- representatives of the County and City Managers Association and the Local Government Management Agency (LGMA);
- Irish Water – Bord Gáis
The Union side will be represented by the Irish Congress of Trade Unions and will comprise up to nine representatives consisting of representatives of Congress, SIPTU, IMPACT and The Local Authority Craft Group of Unions. The group will meet in the offices of the LGMA, who will provide the secretariat for the group.
Irish Water Implementation Strategy -
Sustainable funding model for water services
WS 10: Economic Regulation

Overview

The Government has decided to establish an independent economic regulator for water services and this function is being assigned to the Commission for Energy Regulation (CER), who will be responsible for determining, *inter alia*, appropriate levels of capital expenditure, the cost of water services, how these costs should be recovered from government and consumers (domestic and non-domestic) and for ensuring that planned efficiencies and service levels are delivered. The legislative underpinning of this decision will be advanced by the legal and legislative work-stream.

The establishment of the economic regulator is a key and necessary characteristic of the new model of delivery of water services. The need for economic regulation of the water sector was identified in the independent assessment and is a prerequisite if Irish Water is to source private finance for investment in capital projects. The regulatory process will evolve in line with the transitioning from local authority provision of services to delivery by Irish Water. It is anticipated that there will be an interim regulatory cycle coinciding with the commencement of domestic water charging. The first full regulatory cycle is likely to be from 2016, assuming that the interim regulatory cycle runs to the end of the current river basin plans. The first full regulatory cycle will most probably be aligned with the river basin management planning cycle (six years) as illustrated below. The appropriate duration of regulatory cycles will be determined as the tasks of this work-stream are progressed.

The economic regulation of Irish Water will be undertaken in the context of the broader policy framework in particular the general functions to be assigned to the public utility under statute and the long-term investment objectives set out in Irish Water's water services strategic plan (i.e. 10/20 year strategic vision).

The overall water pricing framework will guide CER in developing the approach to the economic regulation of the sector. Government policy decisions on matters including free allowance, approach to metering and level of Exchequer funding available in the transition period will have an impact on the tariffs set by the CER and must be decided before the tariff setting process.
The Economic Regulator will engage in public consultation on various issues as this approach to tariffs is developed, leading to the setting of the tariff (charging) regime for domestic and non-domestic customers. Following this stage, Irish Water will make a “Revenue Submission” to the Economic Regulator, which will set out the proposed financial plans for Irish Water and the proposed tariffs in line with the structure and strategy set out by the Economic Regulator. Following consideration of this submission, tariffs will be set by the Economic Regulator.

In carrying out this task, a key duty of the economic regulator will be to protect the interests of consumers and in order to do this the regulator must ensure that efficiencies are delivered so that the cost of providing water and wastewater services are kept to a minimum while achieving/maintaining appropriate service levels. The water pricing framework must also ensure that prices are set at an appropriate level to allow Irish Water finance its capital investment programme and operational functions and to attract investment.

Against this background, the Economic Regulation work-stream will focus on the design of an independently regulated water pricing framework that will ensure a fair and consistent cost recovery regime. The levying of charges on all users will lead to consequential changes in regulatory structures primarily in relation to how costs are determined, approved and collected from customers. The CER has extensive experience regulating the gas and electricity sectors in Ireland which it can draw upon.

**Objectives and Approach**

The policy framework for Irish Water will set a high ambition for the new utility. It will be required to plan strategically over the long term to ensure that Ireland, which is rich in water resources, can continue to exploit this natural advantage to attract foreign direct investment and high end employment, and meet the demands of existing businesses and communities for high quality water and security of supply. As set out in the *capital work-stream*, Irish Water will be expected to develop a long-term water services strategic plan, following appropriate stakeholder consultation. This will inform the multi-annual capital investment plans developed in line with the regulatory cycle.

The *economic regulation work-stream*, in addition to establishing the regulatory function and approach, will lead to the establishment of the tariff arrangements for both domestic and non-domestic users, having taken account of:

- Capital plans developed under the *capital work-stream*;
- Operational plans which will be developed through the *operations work-stream* following the collation of detailed information on the cost base for existing operations in order to inform the development of service level agreements between Irish Water and local authorities and to progress the arrangements for the first regulatory cycle;
- Perspectives on Government and third party funding based on work of the *funding and financing work-stream*.

The objective of the work-stream is to build an effective and robust regulatory structure by ensuring that the most appropriate form of regulation and price setting is chosen.

The key duties of the regulator will include:

- protect the interests of the water customer;
- ensure the utility can finance its operations, having regard, *inter alia*, to the level of ongoing Exchequer funding in the medium term;
- provide a stable and predictable environment for the utility to finance and undertake long term investment;
set revenue, tariffs and charges and performance targets, that allows for the financing of the utility as set out above, and ensures efficiencies are driven, costs are reduced and that these benefits are passed on to customers;

put in place a set of measures to ensure that water customers receive a high level of service;

put in place a system to resolve complaints or disputes between customers and Irish Water;

Review the long-term strategy of Irish Water having regard to the overall water strategic plan agreed by Government, and ensure that the regulatory framework permits the development of the correct strategy.

**Milestones and Deliverables**

Some of the early work of this work-stream will be very dependent upon the delivery of specific tasks under different work-streams including the initial analysis of water costs (Work-stream 8 Operations) and initial analysis of water capital requirements (Work-stream 9 Capital Programme). A specific milestone is included in Work-stream 5 Environmental Regulation on the establishment of arrangements for interaction between the Environmental and Economic regulators. The specific milestones for this work-stream are:

- Set out the specific functions of the Commission for Energy Regulation (CER) insofar as the regulation of water services is concerned (Q3, 2012);
- Finalise development of Water Pricing Framework including the approach to the free allowance and policies to address affordability issues for consumers finalised (Q4, 2012);
- Consultation by CER on approach to water regulation, water tariffs and customer protection measures launched (Q1, 2013);
- Revenue Submission made by Irish Water to CER (Q2, 2013);
- Tariffs regime finalised (Q4, 2013); and
- Customer protection measures in place (Q4, 2013).

**Key tasks**

**WS 10.1 Establish CER as Water Regulator**

- Set policy framework by defining regulatory roles and responsibilities of CER as the Water Regulator, in relation to:
  - Economic Regulation of water services;
  - Consumer Protection;
  - Dispute Resolution between CER and Irish Water;
  - Relationship and interactions with the Environmental Regulator.
- Reflect policy in legislation (input to legal and legislation work-stream).
- Resource CER to undertake significantly expanded role as water regulator.

**WS 10.2 Set out regulatory model to be applied:**

- Identify proposed methodology, taking account of approach in other countries;
- Decision on appropriate regulatory period and procedure for price adjustments;
- Agree regulatory approach and model of funding.
WS 10.3 Develop tariff design criteria:

- Set out approach for development of tariff structure;
- Based on funding model, agree inputs:
  - Level of Government grant and subvention;
  - Affordability measures;
  - Approach to free allowance;
  - Economic regulatory costs.
- Strategy for affordability (WS10.4);
- Identify scope of services to be provided by Irish Water comprehended by tariff (including environmental requirements – see policy framework and funding and financing work-stream);
- Commercial customers agreements assessed and incorporated into model;
- Approach to non-metered customers determined;
- Policy in relation to cost recovery, the polluter pays principle and addressing Unaccounted for Water (UFW) taken into account;
- Outline of tariff design criteria agreed (this will be used by Irish Water in proposing a tariff design and a customer impact assessment).
- Policy on bad and doubtful debts.

WS 10.4 Assess affordability and willingness to pay

- Undertake customer ability to pay and willingness to pay analyses;
- Develop appropriate safety-net/social tariff provision approaches.

WS 10.5 Service Level Delivery requirements set out

- Appropriate Level of Services Indicator (LSI) headings identified;
- Identify likely comparator companies;
- Set out penalty options for non-compliance with regulatory contract.

WS 10.6 Customer protection measures in place:

- Define required measures and appropriate means of delivery (CER, customer panels etc);
- Plan for implementation of measures.

WS 10.7 Initial revenue and tariff:

- Specify requirements for Irish Water submission;
- Irish Water develop revenue submission;
- Regulator reviews submission;
- Determine revenue and tariffs;
- Announce tariffs (link to Communications work-stream).

A joint financial model should be developed and maintained by the economic regulation and the finance and funding work-streams.
Interactions

Other work-streams the Economic Regulation work-stream will interact with:

- WS 2: Policy Framework and Sector Governance
- WS 3: Legal and Legislation
- WS 5: Environmental Regulation
- WS 6: Corporate Development of Irish Water
- WS 7: Operations
- WS 8: Capital Programme
- WS 11: Finance and Funding
- WS 12: Customer Service and Billing
WS 11: Finance and Funding

Overview

The creation of Irish Water as a public utility, in a regulated environment, together with the introduction of domestic water charges, will allow for the building of a more sustainable and a fair funding model for the sector in the future. The introduction of economic regulation will ensure that:

(a) operational costs and capital expenditure plans are subject to independent evaluation and benchmarking;

(b) the interests of the consumer are protected; and

(c) the funding certainty provided by stable and transparent regulation will help Irish Water secure third party funding to underpin increased investment and position it to become self-financing in time.

The building of this new funding model will involve important interactions between costs and funding streams, with the cost base determined by operation expenditure (opex) and capital expenditure (capex), and the sources of revenue comprising Government funding, debt finance and income from tariffs – both domestic and non-domestic, as illustrated below:

As the diagram overleaf describes the capital and operational costs, influenced by the Irish Water operational model and the priorities determined by existing investment programmes, will give rise to an initial “revenue requirement” for Irish Water.

The “allowed revenue” by the Economic Regulator will be determined based on potential levels of funding from all sources (having taken into consideration Government policy decisions in relation to the free allowance, the approach to metering, and the level of Exchequer funding available). This in turn will support the capital investment plans and drive efficiencies reflected in the Irish Water operational model. The allowed revenue will be used by Irish Water to recoup local authorities for services provided under service level agreements, as well as funding its own services, capital programmes and repayment of borrowings from third parties.
Therefore the key work-streams involved in defining the Irish Water funding model and the finance function within Irish Water are the Economic Regulation and Finance and Funding work-streams. The development of the funding model for Irish Water in advance of the first regulatory cycle will be an iterative process, involving the outputs of the capital and operational work-streams, some key policy decisions in relation to Government funding, and the interaction between the developing economic regulatory model and the finance function within Irish Water.

In developing the Irish Water funding model, the impact of different scenarios on the General Government Balance and local authority balances needs to be carefully monitored.

**Water Sector Assets and Liabilities**

On passage of comprehensive legislation in 2013, Irish Water will become the statutory water services authority. The independent assessment recommended that water services assets should transfer to Irish Water at this stage. Taking on board issues raised during the public consultation, the chapter on the policy framework and sector governance set as an early task the need to develop the approach to transfer of water services assets, in particular the timing of this transfer. This will underpin the:

- Asset transfer plan to be reflected in legislation (WS 3);
- development of asset management systems and investment plans (WS 8);
- approach to service level agreements (WS 7);
- evolving regulatory model (WS 10); and
- the funding model.

The work on the evolving funding model is critical to this assessment, as the approach to asset transfer needs to support a more sustainable funding model for the sector which allows for early access to third party funding.
Associated with this work is the approach to identification of and transfer of financial liabilities associated with these assets taking into account the impacts on local government finances.

Objectives & Approach
The main purpose of the Finance and Funding work-stream is to address the transition from local authority and Government funding of water services to a model that is substantially self-funding. The objectives of this work stream are to ensure that:

- The strategy, structure and funding requirements for Irish Water are clearly set out from the start and are adjusted as required.
- From Irish Water’s perspective:
  - Implementation of end-to-end financial processes and services required to support Irish Water operations;
  - Development of multi-year business plans & operational metrics for managing and tracking performance of the business.
- From Irish Water and local authority perspectives:
  - Completion of a valuation exercise of the existing asset base and agreement on the transfer of assets and liabilities to Irish Water;
  - Agreement on the transfer of existing contractual arrangements and local authority liabilities associated with water services to Irish Water.
- In the light of the foregoing, from a Departmental and local authority perspective:
  - That the impact on the Local Government Fund and the position on development levy contributions and past water sector debts are fully assessed.
  - General Government Balance considerations
- Government policy on affordability measures are included in the financial model and that the impact of such affordability measures on Irish water’s ability to fund itself is separately identified.
- The financial structure of Irish water facilitates access to debt/banking markets/facilities (which may include obtaining a credit rating).

The finance and funding work-stream is, therefore, focussed on:

- Development of detailed financial models for Irish Water. The initial objective is to establish a base case funding model which will be adjusted as assumptions change taking account of work from the various work-streams, considering the impacts in the short, medium and long-term from an Irish Water and Government budgetary perspective.
- Priority must be given to:
  - Establishing the funding structures for Irish Water and for implementing mechanisms to source the required funding;
  - The identification and valuation of the existing asset base and the development of a strategy for the transfer of these assets to Irish Water such that external funding can be optimised;
Assessing the basis for the transfer of liabilities and existing contractual arrangements in relation to water services to Irish Water.

- Assessment of the impact on the financial model from the evolving regulatory model;
- Planning the transition from LA funding of services to Irish Water funding of services, taking account of local authority and Exchequer budgetary cycles, changes in charging regimes (and consequent changes required to arrangements for development levy schemes for example);
- Detailed development of the target operating model for the finance function, based on best in-class industry standards;
- Associated with this stream will be the implementation of a full suite of end to end financial processes and services required to meet Irish Water operations.

Milestones & Deliverables

Overall funding, LA impacts and Exchequer funding (Q4, 2012)

- Determine impact of changed funding arrangements on local authorities.
- Address funding of free allowance/affordability measures.
- Agreement on funding structure for Irish Water (domestic / non-domestic charges; Government funding; 3rd party borrowing).
- Consideration of General Government Balance issues.

Develop the approach to asset and liability transfer

- Initial assessment of asset valuation and liabilities to input to funding model (Q4, 2012).
- Agreement on transfer of liabilities and contractual obligations to Irish Water (Q4, 2012).
- Completion of asset valuation exercise and finalisation of the approach to the transfer of assets to Irish Water (Q2, 2013).

Developing the funding model

- Develop financial models and modelling strategies. (Q3, 2012)
- Determine funding strategy and short / medium term funding requirements for Irish Water in close collaboration with CER. (Q4, 2012)

Develop the Finance Function within Irish Water (Q2, 2013)

- Arrange and secure banking facilities and funding for Day 1 operations.
• Preparation / validation of Day One Balance Sheet reflecting the position on transfer of assets / liabilities.

• Development of multi-year business plans and forecasts (incorporating financial model).

• Development of Target Operating Model for Finance Function.

Key tasks

WS 11.1 Overall Funding

• Determine Government funding for Irish Water in relation to free allowances.
• Set out impact of a range of funding structures for Irish Water (domestic/non domestic charges; Government funding (equity and/or grants; 3rd party borrowing) for consideration by Steering Committee (transition and longer-term).
• Set out impacts of funding structures on local authorities, prepare plan for actions required taking account of Government/local authority budgetary cycles.
• In context of boundary issues, consider funding of water-related functions not transferred to Irish Water.
• Consider impacts on General Government Balance, taxes issues etc with key stakeholders (CSO, DPER, Dept of Finance).

WS 11.2 Assets and Liabilities

• Define approach to asset valuation and conduct a valuation exercise on the existing asset base.
• Prepare initial assessment of asset valuation and liabilities to input to the financial model.
• Agree and finalise arrangement for transfer of assets to Irish Water, considering ownership and timing of asset transfer.
• Agree and finalise arrangements for transfer of liabilities and contractual agreements to Irish Water.

WS 11.3 Developing funding model

• Develop financial model and modelling strategies.
• Identify and evaluate all proposed capital investments [capital programme work-stream].
• Examine whether there is flexibility on timing of investments or ability to finance off balance sheet.
• Map / review existing water pricing model for non-domestic water.
• Ensure policy guidelines in relation to free allowances and affordability considerations are included in the financial model and provide input to CER where required.
• Prepare financial projections for medium and long term periods.
• Interaction between Irish Water and CER.
• Develop initial pricing / costing model / tariff structure/price control process in conjunction with Economic Regulator [customer service and billing work-stream].
• Provide CER with key input data in relation to strategy, operations, capital investment plans, funding proposals, etc to support CER determination of appropriate economic regulation and tariffs.
• Irish Water to prepare revenue submission to CER.

WS 11.4 Funding of Irish Water

• Agree arrangements for transfer of existing funding facilities (including Government funding) from Local Authorities to Irish Water.
• Develop strategy for sourcing of 3rd party funding for Irish Water.
• Agree arrangements for day one funding of Irish Water (pre and post the introduction of domestic water charges).
• Secure funding for OPEX / CAPEX programme (as required).
• Conduct regular update / information sessions with rating agencies and external lenders.

WS 11.5 Finance Function in Irish Water

• Identify Finance System requirements and feed into Systems and Facilities work stream.
• Review best in class financial processes / systems in other Water companies.
• Define and agree financial / management reporting requirements & KPIs and financial policies & procedures.
• Develop ‘To Be’ process maps (interim arrangement and final).
• Develop interim and ‘To Be’ procurement processes and associated policies & procedures.
• Identify any substantive finance system migration issues (historic data).
• Develop Finance Organisation Structure in conjunction with People, Skills and Change Management work stream.
• Address any tax / insurance issues (tax structure, VAT, PAYE, liability insurance etc.).
• Identify and resolve any pension requirements.
• Develop costing model in relation to agreed service level agreements for each of the 34 local authorities.
• Develop multi-year budgets / financial plans.
• Prepare / validate Day One Balance Sheet.
• Define policy for transfer of billing arrears from local authority to Irish Water.
• Prepare manual detailing all accounting processes, procedures, controls and accounting treatments.
• Select Bankers.
• Select Auditors for Irish Water.
• Establish internal audit function, payroll, procurement and treasury functions.

Interactions

Other work-streams the Finance and Funding work-stream will interact with:

- WS 2: Policy Framework and Sector Governance
- WS 3: Legal and Legislation
- WS 5: Environmental Regulation
- WS 6: Corporate Development of Irish Water
- WS 7: Operations
- WS 8: Capital Programme
- WS 9: People, Skills and Change Management
- WS 10: Economic Regulation
- WS 12: Customer Service and Billing
WS 12: Customer Service and Billing

Overview
The customer service and billing work-stream is critical for the development of Irish Water. The work-stream is focussed on delivering:

- The effective management of the introduction of domestic customer charges for water services;
- The effective implementation of a revenue function for Irish Water (billing, collection, debt management etc.). Effective collection of the appropriate level of revenue is critical to the successful creation of a self-financing utility.
- Effective customer contact service to deal with both billing issues and service issues.
- The orderly transfer of non-domestic billing and revenue collection functions from local authorities to Irish Water.

There are key dependencies for this work-stream with other aspects of the water sector reform programme in Ireland, in particular the business planning and regulatory process for Irish Water will determine the level of revenue the company will be able to raise through customer charges. In addition, there will be dependencies with the introduction of water meters for domestic services with metered customers keen to understand the likely tariffs for water usage.

Objectives & Approach
This work-stream is focussed on developing a customer service and billing capacity within Irish Water by, inter alia, leveraging the existing expertise within the Bord Gáis Group. The objectives of this work stream will be as follows:

- Agree the relevant requirements in relation to (a) Customer Service, (b) Billing and (c) Credit and Arrears Management;
- Define the ‘To Be’ processes in relation to the above requirements and identify the aspects to be covered by Irish Water, and those which are to be provided through service level agreements with local authorities (operations);
- Establish processes and systems to enable billing of domestic and non-domestic charges in accordance with CER approved tariffs;
- Create the Irish Water customer database utilising existing utility and other databases (data protection issues to be addressed by Legal and Legislation work-stream) noting that some customers may be water only or waste water only;
- Develop the migration plan for non-domestic customer records from local authorities to Irish Water;
- Commence billing domestic and non-domestic customers in line with the tariff structures;
- Put in place an appropriate suite of measures to address non-payment of charges;
• Assess actual water usage based on meters installed prior to the commencement of charges; and

• Establish arrangements for resolving technical queries, including customer contact arrangements and linkages to Service Level Agreements with local authorities.

The approach to this work stream will involve:

• Defining the customer base and the chargeable entity (occupier or owner) for water and waste water charges;

• Developing tariffs for water services to be charged to customers in line with CER tariff guidelines and policy decisions in relation to free allowances (and evaluating the cost implications of the decision in billing systems) and affordability considerations – this will need to consider both metered and unmetered properties;

• Developing a revenue collection strategy and function for Irish Water to ensure that billed revenue is collected. This strategy should include a programme of measures to optimise collections;

• Developing a customer billing process and capability for Irish Water;

• Defining and developing a number of payment methods to optimise the collection of charges;

• Defining and developing a process to address supports for customers unable to pay their water charges;

• Preparatory work by local authorities as part of migration of non-domestic billing, including determining approaches to outstanding debts;

• Define the customer contact arrangements, and reflect the arrangements for responding to technical queries in service level agreements with local authorities.

The task of developing a customer service technical queries management and response capacity is addressed under the operations work-stream.

Milestones & Deliverables

The work programme is based on ensuring that systems are in place to require with the requirements of the Memorandum of Understanding with the EU/IMF/ECB in relation to the charging of domestic customers. The following milestones and deliverables have been identified in line with this programme.

• Billing and collection models for Irish Water identified, assessed and selected (Q1, 2013);

• Develop tariff proposals in line with structure and strategy agreed by CER and the requirements of funding model (Q2, 2013).

• Customer billing and collection capability established (Q2, 2013).

• Customer Services in place (Q2, 2013).

• Agree transition strategy for management of non-domestic customer billing (Q2, 2013).

• Domestic customer billing systems in place (Q1, 2014).
Key tasks
These tasks are mainly led by Irish Water. The key tasks associated with this work stream are as follows:

WS 12.1 Develop transition strategy for non-domestic customers
- Assess local authority billing arrangements, collection rates and debts;
- Plan transition, including use of service level agreements;
- Agree approach to deal with debts, development levies collected and not used, uncollected and unable to be collected;
- Determine approach to future connection charges;
- Agree approach with CER.

WS 12.2 Develop customer billing capability
- Establish Customer database;
- Map As Is billing and collection and customer service process;
- Map As Is credit control and arrears management process;
- Map ‘To Be’ Customer Service, Billing and Arrears Management process;
- Develop Customer Services, Billing and Arrears Management Organisation Structure Document policies and procedures to be followed (e.g. credit limits);
- Revenue collection approach, policies and procedures defined;
- Link to corporate development work-stream on associated communications issues.

WS 12.3 Develop and procure required billing systems
- Identify system requirements and feed into MIS Work-stream;
- Specify, procure and select billing systems partner.

WS 12.4 Customer billing go live
- Commence billing in line with CER tariff structures.

WS 12.5 Customer Service
- Establish customer service arrangements;
- Establish static website – Q&A etc;
- Establish interactive site for transactions – direct debit etc.
Interactions

Other work-streams the Customer Service and Billing work-stream will interact with:

- WS 2: Policy Framework and Sector Governance
- WS 3: Legal and Legislation
- WS 6: Corporate Development of Irish Water
- WS 7: Operations
- WS 8: Capital Programme
- WS 10: Economic Regulation
WS 13: Metering Programme

Overview

In January 2012, the Government announced its intention to install water meters in households connected to public water supplies and to move to a charging system based on usage. This will involve a programme of metering more than 1 million households.

Irish Water will be responsible for the management of the metering programme. Initial work on the programme has been developed by the Department with input from local authorities. The Department and local authorities will continue with some of these tasks, in collaboration with Bord Gáis, pending the establishment of Irish Water on an interim basis.

The purpose of this work-stream is to ensure that:

- The appropriate technologies are chosen to facilitate an effective metering programme and the reliable and efficient collection of usage data.
- An effective programme of installation is designed and implemented by Irish Water.
- The procurement process delivers value for money.
- The programme is delivered on schedule to facilitate the Programme for Government commitment “to move to a charging system that is based on use above the free allowance”

Objectives and approach

The work undertaken by the operations work-stream will involve a number of phases:

Connections survey:

A survey of all household connections to public water supplies is required to further define the scope of the project. Work has commenced on preparation of this survey. DECLG will continue to manage this component of the programme, in collaboration with Bord Gáis. The work will be undertaken by the Department and local authorities. The results of this work will be available to Bord Gáis for procurement planning, asset management, development of customer databases and billing systems.

A project group has been established within the Department to manage the programme, pending the establishment of Irish Water. A number of local authority staff are also involved in the project office work and these will be supplemented with support of relevant expertise within the Railway Procurement Agency.

Implementation of Procurement Strategy:

The procurement strategy will involve national purchase agreements for equipment and regional framework contracts for installations. The Department has commenced the planning of the procurement of a framework (or frameworks) of suitable sub-contractors and a contract for the delivery of boundary boxes. The Department in consultation with Bord Gáis, will continue with both processes into early 2013. At that stage, the Department will have created the sub-contractor framework panel and with legal authority for Irish Water having being established: Irish Water will conclude the supply agreements for boundary boxes.

Irish Water will have responsibility for the management of the installation work, the procurement of meters and meter reading technologies, and the linking of this to the customer billing system (see work-stream 12).
Installation of meter boundary boxes and meters:

Irish Water will be responsible for the management of the installation contracts for boundary boxes and meters. This is a complex capital programme, requiring strong workflow management, quality assurance and customer communications. There are important links between this work-stream and the customer service and billing work-stream (WS 12). A national communications strategy is required to inform customers on activity and a call centre will have to be mobilised in advance of the commencement of installation to respond to specific enquiries.

Milestones & Deliverables

Department and local authorities:
- Development of metering survey database and recording application (Q3, 2012).
- Commence the procurement process for supply of boundary boxes (Q3, 2012).
- Commence the procurement process for framework - installation contracts (Q3, 2012).
- Commence national rollout of metering survey (Q4, 2012).
- Creation of framework panels for installation contracts (Q1, 2013).

Bord Gáis (Irish Water):
- Commence installation of boundary boxes, followed by the installation of meters (Q3, 2013).

Key tasks

13.1 Connections survey
- Finalise Departmental arrangements for project management.
- Completion of meter survey database and web application.
- Carry out pilot surveys in three local authority areas.
- Address issues arising from pilot surveys.
- Development of guidelines for survey by local authorities.
- Liaison with local authorities in relation to resources and communications for survey.
- Deliver training to local authority surveyors.
- Liaison with local authorities during survey roll-out.

13.2 Procurement of Boundary Boxes
- Finalise technical specifications.
- Prepare Request for Tenders.
- Issue RFT and manage tender process.
- Evaluate tender responses.
- Notify tenderers.
- Conclude supply agreement.

13.3 Installation Contracts
- Develop standard contract documents/invitation to tender.
- Prepare framework prequalification documents.
- Advertise framework competition.
• Evaluation of framework competition submissions.
• Create framework panels and notify contractors.
• Establish contract management and supervisory arrangements.
• Prepare specific works packages.
• Procure works packages utilising framework contractors.
• Implement supervisory arrangements from regional project offices.

13.4 Meter Procurement

• Carry out technical assessment of meter/AMR options.
• Complete technical specifications.
• Prepare Request for Tender.
• Issue tenders and manage tender processes.
• Evaluate tender responses.
• Notify tenderers.
• Conclude supply agreements.

Interactions

Other work-streams the Metering Programme work-stream will interact with

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