



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

02 March 2015

Mr Paul McGowan,
Commission for Energy Regulation,
The Exchange,
Belgarde Square North,
Tallaght,
Dublin 24.

Irish Water Operational Subvention

Dear Paul,

I refer to this Department's letter of 29 July 2014 to Irish Water (published on the Department's website and on your website) outlining proposals in relation to the financing of Irish Water and related conditions of funding. As you are aware, that letter and the decision of the Commission for Energy Regulation (CER) in relation to water charges on 30 September 2014, was set in the context of the Ministerial Direction of 2 July 2014 in relation to Water Charges. Subsequently, the Government reviewed the general policy principles set out in the 2 July Ministerial Direction and the manner in which the Government operational subvention to Irish Water should be used to ensure affordability, certainty and clarity of charges. Following on from the announcement of the Government policy, the Water Services Act 2014 was enacted on 28 December 2014 and domestic water charges to end 2018 will be subject to these statutory provisions. In the light of these developments this letter reflects the current funding position following the November announcement and enactment of the Water Services Act 2014.

Operating Funding being made available to Irish Water by Government

In its November 2014 decision the Government approved the provision of Operating Funding of up to €878m¹ to Irish Water over the two year period 2015-2016. In addition, Government will, as set out in the letter of 29 July 2014, provide interest bearing loans of up to €96 million in 2015 and up to €58 million in 2016 for working capital support, which for the avoidance of doubt cannot be used for the purchase of water by Government.

¹ See 'Financing of Irish Water Factsheet' published on the Department's website

Commencement of Domestic Water Charges

The Water Services Act 2014 provides for the commencement of domestic water charges on 1 January 2015 and not 1 October 2014 as envisaged when the CER made its decision on Irish Water's Water Charges Plan in September 2014. As the deferral of the commencement of water charges from 1 October 2014 to 1 January 2015 is a cost attributable to Government, the level of subvention assigned to the regulatory period (which remains unchanged) needs to be adjusted in respect of the shortfall in accrued revenue² from domestic customers in 2014.

In this regard, it should be noted that operational funding from 2015 onwards will reflect the Government support for child allowances, capping of charges and a product subsidy. Prior to the commencement of charges, the budgetary decisions on funding for Irish Water are based on a combination of the cash flow requirements of the utility and resources from the Local Government Fund which would have been attributed to public water services under previous funding arrangements. Taking these factors into account, of the overall subvention provided to Irish Water in 2014, €179m will now be assigned to Quarter 4, 2014 (an increase on the amount of €111m included in the Department's letter of 29 July 2014).

Yours sincerely,



Maria Graham
Assistant Secretary
Water & Planning Division

² Irish Water did not expect to receive any cash income from domestic charges for Q4 2014 as bills are issued quarterly in arrears.