

DÁIL ÉIREANN

MAOINIÚ AR SHEIRBHÍSÍ UISCE TÍ SA TODHCHAÍ: AN COMHCHOISTE UM JOINT COMMITTEE ON FUTURE FUNDING OF DOMESTIC WATER SERVICES

Déardaoin, 12 Eanáir 2017

Thursday, 12 January 2017

The Joint Committee met at 2 p.m.

MEMBERS PRESENT:

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| Deputy Maria Bailey,* | Senator Lorraine Clifford-Lee, |
| Deputy Mick Barry,* | Senator Neale Richmond,* |
| Deputy Mary Butler, | Senator Lynn Ruane.* |
| Deputy Barry Cowen, | |
| Deputy David Cullinane,* | |
| Deputy Jim Daly, | |
| Deputy Alan Farrell, | |
| Deputy Seamus Healy, | |
| Deputy Martin Heydon, | |
| Deputy John Lahart, | |
| Deputy Kate O'Connell, | |
| Deputy Jan O'Sullivan, | |
| Deputy Thomas Pringle, | |

* In the absence of Deputies Colm Brophy, Paul Murphy, Eoin Ó Broin and Senators Paudie Coffey and Grace O'Sullivan, respectively.

SENATOR PÁDRAIG Ó CÉIDIGH IN THE CHAIR.

Business of Joint Committee

Chairman: We are now in public session. Apologies have been received from Deputy Ó Broin who is being substituted by Deputy Cullinane, Senator Grace O’Sullivan who is substituted by Senator Ruane, Senator Coffey who is being substituted by Senator Richmond, and Deputy Willie O’Dea. I also note that Deputy Barry is substituting for Deputy Paul Murphy.

At the request of the broadcasting and recording services, members are asked to ensure that, for the duration of the meeting, their mobile phones are turned off completely or switched to aeroplane, safe or flight mode, depending on the device.

Deputy Martin Heydon: To clarify, Deputy Brophy sent an e-mail this morning stating he is not available and Deputy Maria Bailey is in his place.

Chairman: I thank Deputy Heydon.

It is not sufficient for members to put their phones on silent mode as this will maintain the level of interference with the broadcasting system. In accordance with the standard procedures agreed by the Committee on Procedure and Privileges for paperless committees, all documentation for the meeting has been circulated to members on the document database.

I now propose to go into private session.

The joint committee went into private session at 2.05 p.m. and resumed in public session at 2.41 p.m.

Irish Water and Commission for Energy Regulation

Chairman: By virtue of section 17(2)(I) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. If, however, they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable. The opening statements submitted to the committee will be published on its website after the meeting.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

At the request of the broadcasting and recording services, members, delegates and those in the Visitors Gallery are requested to ensure that for the duration of the meeting their mobile phones are turned off completely or switched to airplane, safe or flight mode, depending on the device used and not left in silent mode.

We will consider the funding and maintenance of and investment in water services. To assist us in our consideration of these matters I welcome from Irish Water Mr. Michael McNicholas, Mr. Jerry Grant and Mr. Cathal Marley and from the Commission for Energy Regulation

Dr. Paul McGowan, commissioner; Ms Sheenagh Rooney, Ms Aoife Crowe and Dr. John Orme.

I invite Mr. McNicholas and Mr. Grant to make their presentation.

Mr. Michael McNicholas: I am the group chief executive of Ervia, the parent company of Irish Water. Mr. Grant is managing director of Irish Water, while Mr. Marley is Ervia's group finance director. We will make a brief presentation.

We have been asked to address the funding of Irish Water since its establishment and its projected funding for the next ten to 15 years. In our presentation we will set out why this funding is needed, the full amount used to date and the funding we believe we will need in the next ten to 15 years. Most importantly, we will explain what has been delivered to date with the funding we have received and what we will deliver in the future with the funding we are seeking.

I assume everyone has the slides in front of him or her. Looking at slide 4, a review of water services carried out in 2011 as part of the water sector reform programme identified significant shortcomings in water services in Ireland. These shortcomings have been well rehearsed in public in the past 18 months, but I will put them in context. Up to 50% of the water we produce expensively is lost through leakages. In 2013, 24,000 people were subject to long-term boil water notices, that is, they had had to boil water for a number of years. Over 1 million citizens were at risk of contamination of water supplied by 121 water treatment plants. One in three wastewater treatment plants is overloaded, which means that the volume of material they are receiving is greater than the volume they can handle. Therefore we are putting wastewater which is not at a required standard back into our receiving waters and 70% of our sewer network is leaking. We were then pumping raw sewage, which is untreated, into our rivers and our receiving waters in 44 locations and 150,000 properties had lead services and much more in terms of deficits and lack of service quality was identified in that report.

We have been here before. In the 1970s, Ireland's gas network was in a similar condition with cast iron pipes, very poor infrastructural condition, significant gas leakages, actual explosions and the risk of explosion on the network. Bord Gáis Éireann was established as a public utility in 1976 to address this situation. Over the next number of decades, it undertook a massive rehabilitation and network expansion programme to repair the network and to take advantage of the natural indigenous gas that was found off the west coast of Ireland. That investment programme by that public utility has resulted in a situation where today we have one of the most modern and secure gas network infrastructures in Europe. We have a similar situation with our water services but it is a much more complex challenge, mainly because of the scale of the assets on the ground. We have 900 water treatment plants, over 1,000 wastewater treatment plants, 63,000 km of water mains and 32,000 km of sewers serving our water and wastewater infrastructure needs in Ireland today. That scale and complexity right across the country makes it a challenge greater than what was faced by Bord Gáis in 1976. It is exactly the same type of challenge, just much larger. The decision was made to create a single public utility to take responsibility for managing our water services.

The benefit of a utility is that it brings a structured approach to addressing these challenges and a standard approach to asset management. That is the specification, design and the performance expectation that we set out for the assets. There is a standard approach to how we operate and maintain those assets. It also brings a national approach to investing all of the capital that is needed. That means we are optimising the capital and minimising the amount of capital we need to get the greatest benefit in terms of improving our assets, improving our infrastructure and delivering the service. A single public utility also creates a company that can

attract external funding and financing and that has been proven by all of the other Irish utilities we have. They are very attractive as organisations to attract external funding for the significant capital investment needed to repair our infrastructure. The systematic and structural approach to managing those assets and the economies of scale one gets from a single organisation mean we can reduce the costs of those services, deliver much more efficient service and deliver much better customer service to the consumers of the product.

In mid-2012, Bord Gáis Éireann was given the mandate to set up this new public utility. It leveraged its experience and capabilities to set up the Irish Water organisation. One will see from my presentation that we have created in Irish Water an organisational model that is identical to the one that exists in Bord Gáis Networks. It is exactly the same fundamental building blocks that one has in any utility but it was modified to meet the needs of a water utility.

The operation of all modern utilities in the world today is underpinned by eight key systems. It is these systems and the processes associated with those systems that bring the standardised approach to operating, maintaining and running our water utility. This allows us to build, operate and maintain the assets and drive efficiencies in an organised and structured manner. Bord Gáis Éireann has these eight systems in existence, as it did in 2012, within its Gas Networks Ireland business. It built a second version of those systems, modified to suit a water utility, for Irish Water. Over an 18-month period, a programme was put in place in which those systems were built, modified to suit a water company and integrated so they all worked and transferred data between one other. It got them up and running for Irish Water to be able to take over water services at the beginning of 2014. To do that, the company used specialist external companies. These were software engineers, hardware engineers and system integrators to help us build those eight systems over that 18-month period. This is the standard practice for all utilities worldwide. That is the investment of €173 million that established Irish Water. In doing that, just like any other utility, we did use external companies who were experts in systems integration and software modification to put together that full organisation plus those systems and capabilities. That investment of €173 million created a new Irish company with all of those systems and capabilities in 18 months and we have benchmarked this at €100 million less than would have been done by any other company starting from scratch.

As well as creating Irish Water, Bord Gáis Éireann changed from being Bord Gáis Éireann to becoming Ervia, which is a 100% Irish-owned semi-State company. We are owned by the people of Ireland. They are our shareholder but we are represented, if one likes, by the Minister for Housing, Planning, Community and Local Government, who is the shareholding Minister with overall responsibility for Ervia, Gas Networks Ireland and Irish Water. The operation of that company is overseen by an independent board whose role it is to ensure that Ervia and the subsidiary companies are well governed and that we deliver on the objectives that are set for us as an organisation. The final slide sets out the board members who are serving as Ervia's board today. They bring strong financial, HR, business and utility experience to bear on the company. There is strong engineering and infrastructure experience in water, energy, telecoms and transport among the board members of the organisation. The board oversees me and my management team in regard to how we run Ervia, Irish Water and Gas Networks Ireland as subsidiary utilities in order to ensure we deliver on the business plans and objectives that have been set for us.

Mr. Jerry Grant: I am the managing director of Irish Water. I will take a few minutes to talk about some aspects of Irish Water, starting with the period before the set-up of the company. For the previous decade or two, rising standards and the constant challenge of new technologies

had put real pressure on the model that existed. Between complexities around the funding model, the fragmented structure and the lack of upskilling of resources at the level needed within each local authority to be able to manage those assets, what we saw was that big capital investments were made and, over time, those assets degraded and their lifetime performance did not match expectations. This has given rise to the deficits we have in drinking water, particularly the inconsistency of compliance in many parts of the country, the difficulty of meeting capacity, particularly in the greater Dublin area but also in other urban areas, and the very significant compliance issues in regard to wastewater, whereby 70% of all the communities are served by plants that are not compliant. Wastewater capacity deficits are often caused by overloading due to lack of management of trade discharges and the growth in the economy, all of which leads to service outages and breakdowns that absorb too much money and operating costs because of the condition of the assets.

The challenge we face is to achieve catch-up on compliance, particularly around drinking water as an absolute priority initially, because it concerns the safety of the water we drink, but also in regard to wastewater to stop pollution and make sure we protect the environment. I refer to the urgency of meeting housing need and development need, particularly in parts of the country where that is a real pressure, and to making rapid significant changes to our operating model and therefore to the work practices and expertise that is available in our operations. We must be able to use the technology to be as efficient as possible in order to devote resources to making sure that when we spend money on operations, it is delivering service. All of that must be supported by certainty of funding, not for one year or for two, but looking ahead five to ten years, because that is the key to this.

What Irish Water has put in place has delivered an asset management capability which is about having information, standards, policies and specifications that are standard across the industry. We must be able to carry out a needs assessment across the entire asset base and to prioritise that to do the right things with the money we have. One never has enough money to do all the things one wants to do in an infrastructure-intensive business and, therefore, one must prioritise. We are beginning to put together detailed strategic and sectoral investment plans that have national and regional application. This is done with wide consultation with a broad range of stakeholders, particularly statutory stakeholders such as planning authorities and in the context of delivering the data, the analytics and the business information that are now available to every part of the organisation.

Allied to that, we must have a capital delivery machine that drives out very substantial amounts of capital in the most efficient way possible. That means programme and project management. It means having the environmental, legal, planning and engineering skills to be able to deliver very complex statutory processes in regard to planning, site acquisition and all the permits that are required. It means having the supply chain of designers, contractors and specialists that are essential to the delivery of such a programme and, obviously, the contract and procurement arrangements and health and safety and quality management processes to ensure the right result for the expenditure.

In terms of operations and maintenance, we have overall responsibility to co-ordinate the operation of the services across the country. We have to set the targets, define the budgets and ensure that local authorities are working to the objectives we share with them. We want to ensure that the asset maintenance delivery is planned as much as possible so we anticipate and avoid failures. Clearly, we have to respond to outages and look after our critical assets in particular because they have a huge impact when they fail and we see the consequences of that

every day. We need to use the process instrumentation and the control visibility we now have to anticipate problems and send dispatch crews more quickly to deal with issues where that is possible and get resolution for customers.

We have a facility that allows us to take customer calls and transfer them to the individual local authority within seven minutes. Where the system works very well, the work gets done, the report comes back and goes back out to the customer. Increasingly that is happening and that is at the heart of good customer service.

We also have the capacity to deal with the impact of outages, of course, and in particular for vulnerable customers. About 30,000 properties are registered as vulnerable and they are a particular focus whenever there is a problem. Clearly we need to have an efficient means of billing and collection of revenues from the non-domestic sector in terms of traders charged and connections. We also need to have the necessary support services to work effectively and productively with the economic regulator and with the environmental and health authorities, in particular the EPA, which is our environmental regulator.

Irish Water delivers water and provides wastewater services to 1.7 million customers, between domestic and non-domestic premises. That equates to almost 1.7 billion litres of water every day with almost as much wastewater collected, treated and discharged to receiving waters. We have 2,000 significant treatment plants and 95,000 km of network. We dealt with 140,000 customer queries last year. On average 4,000 work orders go out every month to crews throughout the country. We made 3,500 new connections last year and that will rise significantly in coming years.

We manage a pipeline of work in the capital programme of between €3 billion and €4 billion. That indicates the scale of the pipeline needed to deliver the target level of annual investment of €600 million. At any one time we are managing that level of work through the process from feasibility study through to handover. We currently have 20 capital programmes where we are upgrading assets across the country. These include disinfection, cleaning reservoirs, rehabilitating sewerage works, aeration plants and so on. There are nearly 500 projects at the moment. We are spending €7.5 million every month on that work. That is improving health and safety, and improving operation on existing assets. We plan to double that over the next 12 months.

We manage a huge amount of procurement. Between operations and capital, we outsource approximately €750 million a year and that will rise further. We deal with all the budget management issues relating to that. We also manage all of the long-term asset planning, environmental management regulatory compliance and so on.

In the period 2015-16, having published our 25-year plan, looking ahead to the ambitions we have and that we share with members of the committee and the Government for the future of our water services, we established that broadly speaking to bring everything up to the level that would deliver against those ambitions would cost over €13 billion, which is clearly far more than could be spent in any single investment cycle. We have had to prioritise that with an immediate €5.5 billion target by the end of 2021, followed by two further five-year periods of €4.5 billion and €4 billion, respectively. That is based on the anticipated work and capital maintenance needed to keep the assets we are building now up to scratch during that period.

Slide 17 shows the breakdown of that across drinking water, wastewater and general infrastructure, which means leakage management and networks, but critically upgrading and main-

taining the existing assets and keeping those in as-good-as-new condition. That will absorb that €5.5 billion and we will talk later about what that will deliver.

Slide 18 shows that the investment over the past three years and for the next five is well distributed across the country, but there are particular black spots. For example, drinking water has been a particular problem in Roscommon, Galway, Donegal, Tipperary and Kerry. Wastewater has been a particular problem in Dublin, Cork, Donegal and Waterford. Those are counties where specific problems have existed historically for a very long time.

Looking beyond 2021, in the next period we will have to do an enormous amount of work to rationalise our water supply so that we have sustainable sources, with far fewer treatment plants but to the right standards. We will have to continue to deal with leakage and lead and also with critical assets, some of which have been in place since the 19th century. On wastewater, there is a great deal to do in terms of the ambitions in our river basin plans and our EPA licences that we will not be able to get to in the short term. There are significant flood risk issues in urban areas that will have to be tackled and we will have to begin the work of dealing with brick and masonry sewers that have been in place since the 19th century that are in danger of collapse.

Coping with growth and dealing with strategic development zones that are being contemplated in Cork, Dublin and elsewhere will continue to require money. We have identified two major strategic projects for the future water supply and drainage systems for Dublin. The latter will be based in the north of the county. These will be required by the mid-2020s and delivering them will be a major challenge from a funding perspective. We continue to insist that very substantial funding will be needed to maintain the existing assets and to keep rebuilding them. The plants, particularly those built in the past ten or 15 years, will require significant funding just to keep them working correctly.

Looking beyond that, we can already see the sort of work that will have to be done right out into the mid-2030s. Ultimately, the cast iron and asbestos cement pipes must be replaced and that will take a long time. The rationalisation of our regional supplies and dealing with climate change and its impact on our facilities will be a challenge. We know already that some of our current sources in the eastern region will not have the water flows in summer that they have now and we will have to cater for that. Equally, we will have greater flood densities.

The cost and challenge of keeping very complex assets up to good-as-new standard will be there for us. We can say that in the period to 2016 we have already delivered some real and tangible benefits. We have dealt with - put on and taken off - boil water notices for 145,000 people. That represented critical risks for those supplies and while we know that the job is not finished yet, we have gotten much better at identifying the problems and responding more quickly. We have replaced about 840 km of pipe or laid new pipe and a further 1,000 km have been targeted for replacement as soon as possible. We have built nine new water treatment plants and upgraded 18. We have introduced pressure management in almost 250 sites around the country and have installed 884,000 domestic water meters. In terms of wastewater, 32 wastewater plants have been upgraded and 27 new ones built. A lot of monitoring equipment has been installed and plant optimisation is going on in 436 of our wastewater sites. Members will know from the EPA reports that maintenance and operation is a factor in non-compliance at many of our plants. A lot of work is also happening in terms of health and safety at the plants. Our submission contains some pictures of plants which are fairly typical of the treatment plants with which members will be familiar.

We set out very clearly - some might say bravely - in our business plan that by 2021 we

would have delivered a range of tangible benefits for this country from the investment of €5.5 billion with which it was anticipated we would be provided. In terms of drinking water, we committed to eliminating boil water notices and to de-risking the plants that currently serve 700,000 people but which served 940,000 when we took over. In terms of critical capacity in the greater Dublin area and the other growth centres throughout the country, we will have dealt with that sufficiently to meet demand. We will meet the fundamental compliance challenges for which the European Court of Justice is prosecuting us under the urban wastewater directives and will have made a decent start on reducing the leakage. What we have set out in our submission today is the definite progress we have made on that path through to 2016. It is fair to say that we are on track, provided we can keep it going with the funding.

Mr. Cathal Marley: Mr. McNicholas has outlined the condition of the network when Irish Water took it on and the structures that were put in place. Mr. Grant has taken us through the investment requirements over the next five years as well as into the medium and longer term. I will translate what that means in terms of the financial numbers for the business. On page 25 of our submission we look at the growth in the assets being managed by Irish Water. The first chart shows capital expenditure, in 2015 values, for the period 2014 to 2021, with a significant increase in such investment during that time. The level of capital investment is more than doubling in the period to meet the needs outlined by Mr. Grant. Members will see from the breakdown that the €5.5 billion investment is spread over water and wastewater quality and capacity, as well as other critical infrastructure. The second chart shows the value of assets that Irish Water is managing at the moment and the growth in those assets out to 2021. The value rises from approximately €2 billion in 2015 up to close to €5 billion by 2021. That is a massive increase in the scale of the business. It is more than a doubling in terms of the scale of the assets that have to be built, in the first instance, and then operated and maintained. That does not include the €8 billion that is factored in for the post-2021 period out to 2033. The scale of the business is going to grow rapidly. What that means for the operating cost base of the business is outlined on page 26 of our submission. Despite the fact that the asset base is growing - more than doubling over the period 2014 to 2021 - and that the service targets we are setting are improving, the actual cost base is not increasing. The cost base is going to decrease from 2014 to 2015 by €253 million in 2015 values. That translates into €272 million in nominal values. We are targeting these efficiencies because, in benchmarking terms, we know that the legacy costs of running this utility are up to two times more than international practice. We are driving out efficiencies and the regulator has a role to play in that as well.

The growth operating expense, Opex, is highlighted in green on the first chart on page 26. We have factored that in on top and we have also included first fix expenditure in 2015 and 2016. In terms of the efficiencies, it is the up-front investment we have made in terms of the capabilities of the people we have brought in, the processes we have introduced and the systems that we have implemented that is allowing us to scale up the business very rapidly while managing the costs downwards. Without that investment we would not be able to do that. Those efficiencies are going to come from economies of scale and best practice in terms of our operations.

The data on page 27 outlines what all of that actually means in terms of funding requirements. We have broken this out into two cycles, namely 2014 to 2016 and 2017 to 2021. The second five-year cycle in particular is important and is a typical regulatory cycle. We are managing long-term assets so one must look at them over at least a five-year period. In fact, one plans over a much longer period than that. Members can see that the funding to date from 2014 to 2016 was €3.7 billion. In terms of the funding split, €2.2 billion has come from revenue, €700 million has come from State equity and €800 million from external commercial borrow-

ings. That has been used to address operating costs of €2.1 billion and capital investment of €1.6 billion. The data for the five-year period to 2021 shows that the funding requirement is €8 billion. The plan is for revenue of €5 billion, equity from the State of just under €1 billion and borrowings of €2 billion.

From an Irish Water perspective, what is important is that these are long-term assets that are critical for the future development of the State and as such, they require long-term strategic planning. In terms of delivering that, there is a requirement for certainty on funding and not just funding on an annual basis but at a minimum on a five-year basis, which is a typical regulatory price control period. In the UK, price control periods can be up to seven years but in Ireland they are generally five years. One needs certainty of funding so that one can plan the timing and delivery of the infrastructure.

Chairman: I ask that members delay posing their questions because I want to invite Dr. McGowan to make his presentation. We can then take questions and answers.

Dr. Paul McGowan: I am very pleased to be here and I thank the committee for the invitation. I am one of the three commissioners with the Commission for Energy Regulation, CER. I am accompanied by Ms Sheenagh Rooney, director of operations for water at the commission. We will make the presentation together. We want to briefly present to the committee on the CER and its role in regulating Irish Water and holding it to account for the efficient delivery of water services and customer service.

As slide 3 of the presentation shows, our mission as set out in our strategic plan is the regulation of water, energy and energy safety in the public interest. The public interest is at the heart of everything we do. The CER has six strategic goals which relate to ensuring: a reliable supply of clean water and efficient treatment of wastewater; that regulation is the best international practice; that prices charged are fair and reasonable; that energy and gas are safely supplied; that the lights stay on; and that gas continues to flow.

I will now turn to the CER's specific role - under legislation - in the context of water. Our overriding role is to protect the interests of water and wastewater customers, especially in customer protection. The CER ensures Irish Water's compliance with codes of practice and a customer handbook, which is essentially the rules - set by the commission- by which Irish Water must comply with regard to the customer service standard delivered by Irish Water. If the latter fails to deliver to that standard, the CER also offers a dispute resolution service to settle any dispute between customers and Irish Water. Under the legislation we also provide economic regulation of Irish Water. This is achieved by approving Irish Water's proposed water charges plan. The essential elements of that regulation are the approval or setting of a revenue cap on what Irish Water is allowed to earn, how that translates into tariffs, whether they be domestic or non-domestic tariffs and how it translates into a connection policy and the charges which domestic or non-domestic customers would pay for connection to the Irish Water system. The CER also has a role in the monitoring of Irish Water's performance across a range of areas including customer service, water quality, security of supply, and delivery of Irish Water's capital investment plan. We seek co-operation with the Environmental Protection Agency, EPA, which is one of our functions. We have a strong co-operative working relationship with the EPA, although we have different statutory functions. We are about to conclude a memorandum of understanding with the EPA in respect of that role. The CER established, and continues to provide support to and work with, the Public Water Forum, which represents the voice of the water consumer.

I wish to highlight some of the CER's achievements to date. I have already alluded to

customer protection and the fact that the CER has produced a customer handbook that sets out obligations on Irish Water. That has now been turned into a series of codes of practice and the customer charter by Irish Water. We are gathering data, preparing compliance reports on that data and publishing the reports for public consumption. In addition, in protecting the interests of Irish Water customers and ensuring delivery of services at least cost - and specifically regarding the complaints and customer protection elements - the complaints resolution service is now established under the auspices of our customer care team. We have a full customer contact and query resolution service in operation for Irish Water customers. In challenging Irish Water to deliver efficiencies, the CER has now completed two revenue controls. Under the first revenue control, we cut Irish Water's proposed revenue requirement by €183 million or 8.5%. This covered the period October 2014 to 2016. In the second revenue control, which was completed before Christmas last year, we cut Irish Water's proposed costs by 8.2% for the years 2017 to 2018, which resulted in a saving to customers of €165 million.

Specifically referring to its operating expenditure, we now require Irish Water to deliver a 20% reduction in its operating costs in the period 2015 to 2018. As at the end of 2016, Irish Water has delivered 14% of those savings. We have also established a performance assessment framework which is essentially a series of key performance indicators. These are the means by which we will hold Irish Water to account for delivering service improvements while delivering efficiencies at the same time. There is a point at the end of the slide about Irish Water's achievements but they have already been adequately covered by Irish Water.

I will now hand over to Ms Sheenagh Rooney who will talk a little more about how we do our job.

Ms Sheenagh Rooney: I will go into a little bit more detail about how we actually do our job with regard to the economic regulation of Irish Water. As Dr. Paul McGowan said, as economic regulator of Irish Water, we are responsible for all of Irish Water's charges and a key part of that process is assessing and forming a view on Irish Water's costs behind those charges. We do that after Irish Water makes a submission to us, as the regulator. A key part of our ongoing challenge is to get Irish Water essentially to deliver efficiencies, reducing the cost of its operation and the day-to-day running costs of Irish Water. That should help facilitate greater investment, which is much needed, in the capital expenditure and the water service infrastructure on the ground. Ultimately, this should lead to improvements for customers.

We have completed two revenue controls to date, which were two-year revenue controls. Normally with gas and electricity, we conduct five-year revenue controls. The two-year revenue controls reflect Irish Water essentially being in start-up phase and discovering more data. We have felt up to now that the two two-year revenue controls have been appropriate but we will look at the length of the revenue control going forward. When we have assessed the operational costs and appropriate amount of capital expenditure, as proposed by Irish Water, and formed a view on that and the right amount of efficiency challenge to put on Irish Water, we then calculate the revenue requirement, which essentially is the income that Irish Water should be allowed in any given year to cover its operational costs, depreciation and return on the capital investment to date. As part of the revenue review process, we are always looking at what Irish Water is seeking to deliver for the money invested, both in terms of output and outcomes. We work on the basis that the income will be there to meet the revenue requirement. That is met from a variety of sources at the moment. As part of the water charges plan, we also approved the charges for non-domestic customers and connection charges. At present, they are those that were already being levied by the local authorities but Irish Water is working on proposals for

enduring policies in this regard which would be consulted in the future.

I will move on to the most recent revenue control we submitted. The first revenue control target from 2014 to 2016 was set on Irish Water to reduce its operational costs by 14%. It did this and has sufficiently outlined the service improvements for customers arising out of that. Focusing on the recent revenue control, on which we published a decision paper in December last year, for the forthcoming period 2017 to 2018, the challenge for Irish Water is to continue to reduce costs whilst improving service, but also to facilitate growth at the same time.

One of the key points in terms of the savings we are requesting from Irish Water over the next two years is that a total of €165 million savings has been pointed out.

That comes from a €128 million reduction in operational costs and a €136 million decrease in capital investment that were sought. We will continue to monitor Irish Water's performance *vis-à-vis* these targets.

Some of the detail in the breakdown of Irish Water's operational costs and capital expenditure is relevant when we come to judging what is an appropriate savings target to set for Irish Water. There is a little more detail on that in the slides provided to the committee. There is a chart, on the left hand side, on operating costs proposed by Irish Water from 2017 and 2018. One key point in this slide is that, as has already been alluded to, there is an amount of legacy costs associated with Irish Water and over 70% of the operational costs of Irish Water are associated either with the costs of the service level agreements, which is the cost of the local authorities delivering the services on the ground, or the design, build and operating costs of contracts that were in place and novated to Irish Water to design, build and operate water infrastructure on the ground. That 70% is a large proportion of the overall operating costs.

We have approved a €1.1 billion capital investment programme on the capital side for 2017-18. That came from our review of Irish Water's most recent capital investment plan which covered the period 2017-2021. As has been outlined in relation to the compliance challenge in the water sector, over 50% of those costs are concentrated on projects.

To concentrate a little more on what we do, our process and the level of detail we get into in determining the savings challenge that should be put on Irish Water, we follow a standard regulatory approach. It is the same as that adopted for years in relation to electricity and gas, and which is adopted by independent regulators throughout the world regarding water regulation. We have a lot of experience in revenue reviews of network companies. We regulate EirGrid, ESB Networks, and Gas Networks Ireland, and we have seen the benefits that are there for consumers in terms of regulation leading to decreases in operational costs. This leads to greater investment on the capital side, particularly in, for example, the electricity networks where continuity of supply targets have improved greatly over the years through the investment that has been facilitated by network regulation. That is what we will be hoping to do in Irish Water.

We use a number of techniques to determine the appropriate challenge or saving that we should require from Irish Water in the forthcoming two years. We are always focused on challenging but achievable targets. We want to focus on targets that challenge Irish Water to reduce costs but also that it cannot compromise the level of service customers who are receiving water services already receive. That is particularly challenging in the current environment.

We benchmark Irish Water against other water utility companies elsewhere - I will cover that in a little more detail in a moment - but we also look in detail at Irish Water's costs on a

bottom-up basis. For example, if we were looking at a capital submission, we would be looking at how Irish Water determined the right priorities for investment and how those decisions were made, the process behind them and how the costs were built up. This is part of the analysis that goes into determining whether the costs are reasonable.

A key part of the CER process is consultation. We are required under legislation to consult and we do so on all the decisions that we make. As has been said, we engage with the Public Water Forum and all our documentation is published and in the public domain.

Another key issue for us in the revenue review, as Dr. McGowan stated, is monitoring thereafter the performance of Irish Water on the targets that it states it will achieve. We do that in a number of ways, be it on the customer side or on the capital investment programme side, by putting in place a framework in that regard or through the performance assessment framework. That was mentioned already and will form a good basis of data over time.

Benchmarking is a key piece of the jigsaw in determining the right target to put on Irish Water. We are able to look at the efficiency of Irish Water relative to English and Welsh utilities, looking at all its operational costing, including the costs that I have pointed out. These are mature water utilities which have been in existence for years and they have a particularly good data set. Looking at that analysis, we can look at the gap between where Irish Water is now in terms of efficiency, and obviously there are inefficiencies in Irish Water and it has a lot of legacy costs in place, and where we would like it to get to over time and the standard we would like it to achieve. We then have to determine what it is capable of achieving. One way in which we do that is looking at neighbouring jurisdictions, for example, Scottish Water and Northern Ireland Water, and what they were able to achieve in terms of efficiency at a similar stage of evolution to Irish Water.

After that we look at the particular characteristics of Irish Water, be it the scale of the compliance challenge, the fact it is a two-year revenue review and not a five-year revenue review, or the operating model that is in place. That is how we determine what we believe to be an appropriate target for Irish Water for that period in terms of savings for the customer. As Dr. McGowan has summarised, where that has left us with the revenue review for 2017-2018 is a request for Irish Water to reduce costs by 20% as a global target between 2015 and 2018.

Dr. Paul McGowan: In terms of the priorities we have set for the upcoming period, we will continue to concentrate on customer handbook implementation by Irish Water and its delivery of high levels of customer care. We also have a major project under way to establish a non-domestic tariff framework for Irish Water and a connection charging policy for all customers of the utility. We will also put in place a monitoring framework for Irish Water's capital investment plan by the end of 2017. We will be looking to put in place the key performance indicators, and the measurement and reporting of some of these KPIs, within 2017.

Another of our priorities is to engage with this review process and to continue our engagement with the Public Water Forum, as the voice of Irish Water, and with the Environmental Protection Agency, EPA, and other regulatory authorities. At the end of this year we will need to start determining how we will put together the revenue control for the years 2019 onwards, because it will take in excess of 12 months to carry out such a significant revenue control review. We are happy to address any questions the committee might have and to assist it in any way that we can.

Chairman: I thank the witnesses for their presentations. I invite members of the committee

to ask questions. I ask them to keep their questions as tight and focused as possible. I also ask the witnesses to be absolutely on the button in their replies because I am trying to get through as much as I can. I will take three questions at a time. We have allocated a time structure for this. I will start off with Deputy O'Connell, and then Deputy Cowen and Deputy Cullinane.

Deputy Kate O'Connell: Is it three minutes each? Is that what we agreed before? I cannot remember.

Chairman: There is a total of five minutes between the questions and the answers. I would expect the questions to be much shorter to give a chance for an answer. We are timing this carefully.

Deputy Kate O'Connell: The first question for the CER is on efficiencies and this two-year review. When it is quantifying the amount of money that is being saved, is it looking at what is suffered as result of that saving or just that it expects this efficiency due to economies of scale and such issues? In its submission, I was quite concerned at the mention of the metering process. How does the CER consider that it would be part of its role to consider anything to do with metering? I cannot understand why it would contribute to that. I would not see it as a regulatory issue. The witnesses talk about abandoning metering due to the cost, but 75% of it is finished. Why do the witnesses think it is their role to comment on it?

Deputy Mick Barry: That is incredible.

Deputy Kate O'Connell: I expect a bit of respect when I am speaking.

Why do they think it appropriate to abandon a project that is 75% finished? Do the witnesses have any data from the Industrial Development Authority, IDA, on companies, either indigenous or foreign, that have not set up in Ireland because of the lack of water security to the mid-2020s? The agrifood business and others need a lot of water. What sort of economic impact has the lack of investment in water services by the Government before the last election had? In respect of infringing EU regulations, have we any idea what the potential costs to the Exchequer are if we do not get our supply up to scratch? Do we know how much money will be required to fix it so that we do not get into trouble? What investment is required to comply with the requirements of EU directives?

Deputy Barry Cowen: I thank both bodies for their submissions. Despite the best intentions of Irish Water and the regulator, public confidence in the entity or utility is not what one would expect. The manner in which it was constructed, the funding model and charging regime confirm that. Subsequent efforts by Government have only compounded this issue. It is not the entity or the utility that is in question now, neither are the need for investment in the network and the capital costs associated with that.

The question of Irish Water's performance is contained in a commitment by Government to put in place an independent external advisory body on a statutory basis and legislation should flow in the coming months in this regard, irrespective of this issue. This should include publishing advice to the Government, quarterly reports to the Members of the Oireachtas, with particular regard to many of the issues raised by the regulator. Public confidence is not what it should be and the witnesses have not guaranteed that, nor are they likely to do so despite their best intentions. There has to be cost reduction and efficiency improvements, issues relating to procurement, infrastructure, delivery, leakage reductions, improvements in water quality, elimination of boil water notices, responsiveness to the needs of community and enterprise, and

so forth.

This committee is charged with examining the funding model for the implementation of the programme. The expert commission for example has said it believes the best way to do that is to end charges and allow the Government be the main customer of Irish Water. That being the case we need to establish the impact that has on Irish Water's ability to deliver the service for water and wastewater infrastructure. In regard to metering, the expert commission recommended that Irish Water should complete a comprehensive programme of district metering, which would identify system-wide leakage and would manage the network. Irish Water has stated previously that the ending of metering is in effect the end of water charges. Irish Water's capital investment plan 2017-21 provides for a capital investment programme of €5.5 billion. Will this now be revised? Has Irish Water or the regulator costed a completed district metering system? If so, has that cost been compared with the cost envisaged for a domestic metering system? The capital plan to 2021 references a figure of €574 million in respect of water charges. What is the impact of the loss of water charges? What will be the impact of a district metering system as compared with a domestic metering system?

In regard to capital investment requirements, the €13 billion proposed for address of total deficiencies is an estimated amount. Is it a gross amount that excludes efficiencies? What is the timeframe for the completion of those targets in terms of the proposed €13 billion investment? Will this be affected by the new separate revenue system, as is envisaged? On borrowing capacity, what is the current borrowing cost associated with Irish Water borrowings? If the State is to be a sole customer of domestic water tariffs, is it feasible for Irish Water to borrow on the markets, which it does through its parent Ervia? Has an analysis been undertaken of the shift proposed by the expert commission report? Will the cessation of water metering damage the borrowing capacity of Irish Water? It is widely known that it is cheaper for the Government to borrow through the NTMA than it is for Ervia to do so in respect of Irish Water because of the lack of water charges income based on the initial construct, which has failed. Perhaps the witnesses would comment on that point.

In regard to efficiencies-----

Chairman: We need to move on quickly.

Deputy Barry Cowen: In regard to efficiencies, does the removal of direct customers change the potential in meeting efficiency targets? That question is directed to the regulator in terms of his contention that they will reach 20% and have reached 14% to date. In the regulator's estimation and based on the indicative figures provided to him by Irish Water to date, will the cessation of the water metering programme affect the efficiency drive? My colleagues will pose other more detailed questions to the regulator later.

Chairman: We are focusing today on the cost of providing the service under the headings of capital expenditure and operational expenditure. I will allow questions in regard to metering only in so far as they relate to capital and operational expenditure because we will be coming back to the metering issue in another session.

Deputy Mick Barry: On a point of information, I understand what the Chairman said and I understand that cost needs to be the focus but as we are engaging today with officials from Irish Water and the Commission for Energy Regulator there may be a need for some broadening out of the discussion, bearing in mind the key point in hand.

Chairman: We can and hopefully will invite before the committee witnesses from Irish Water and the Commission for Energy Regulation again on various occasions to deal with particular aspects of the bigger picture.

Deputy David Cullinane: With the Chairman's indulgence I would like, if possible, to use my five minutes to put a number of questions to the witnesses and to then have them answered because the answers I get will determine my follow-up questions. I do not want to put a whole series of questions. That is not a good use of my time. Other people can include preambles to their questions or make political statements but I am only interested in asking direct questions. If that is possible, my first question is-----

Chairman: I do not have a difficulty with that unless anybody else does. Is the committee okay with that?

Deputy Alan Farrell: If Deputy Cullinane is going to take that approach, I would like to mimic it. I suggested that the sets of questions that have been asked be answered and that Cullinane come in afterwards.

Deputy David Cullinane: It is "Deputy Cullinane".

Chairman: Is that okay with Deputy Cullinane?

Deputy David Cullinane: Yes.

Chairman: It is a good point. I will leave it to the witnesses to answer the questions that have been asked and then I will go back directly to Deputy Cullinane.

Dr. Paul McGowan: I am happy to kick off. First, to answer Deputy O'Connell's points specifically about metering, we were asked a number of questions concerning metering by the committee. We offered ideas and views regarding the future of metering on the basis of the committee's request. That was the genesis of those answers. Metering is a regulatory matter. It forms the basis in utility regulation for a large element of charging regimes right across energy, water and other utilities. We recognise that the first phase of the metering was a decision taken by Government. The decision was novated, so to speak, to Irish Water and to us. Future consideration of further roll-out of metering - for example, to customers in apartment buildings and those houses that had not been metered in the first phase - was always going to be something that we would consider in due course in terms of its overall cost benefit, the cost of doing it and what its benefits would be. Ultimately, we would have worked with Irish Water to determine the most efficient approach to close out the metering programme. A regulator would have a very close interest in this.

Deputy Kate O'Connell: If I may, I apologise - I probably phrased the question incorrectly at the start. What Dr. McGowan is saying is that when he talks about stopping the metering programme, this concerns areas where there are challenges with metering. He is not referring to metering overall.

Dr. Paul McGowan: To come back to-----

Deputy Kate O'Connell: I would like Dr. McGowan to clarify his statement.

Dr. Paul McGowan: -----the Deputy's specific question, and to be absolutely clear, we did not say it should be abandoned. What we said was that to proceed with another major programme of metering investment, given that, as we see it, the expert commission's proposal was

that the vast majority of water should be paid for by the State and that only excessive use should be charged to customers, in that context, at this time, there are other priorities for capital investment. However, we said we could come back and consider whether there is a case for further metering in due course but, in the meantime, other options could be considered. This was the context in which we replied to the committee. We did not boldly state that metering should be abandoned. We just said “at this time”.

Deputy Kate O’Connell: Parking, rather than-----

Dr. Paul McGowan: Yes, if the Deputy wishes to characterise it as such, I would use the word “parking”.

Deputy Kate O’Connell: It is a question of parking rather than abandoning it.

Dr. Paul McGowan: Deputy O’Connell also asked about efficiencies and the two-year review, which I ask Ms Rooney to address.

Ms Sheenagh Rooney: I wish to highlight that we fully expect that the targets we have placed on Irish Water, though challenging, will be achievable. This would mean that despite the savings we have requested from it, we still expect it to achieve the customer improvement targets it has set out for itself. We have come to this judgment because we have considered what other water utilities have managed to do at the same stage of evolution as Irish Water. Scottish Water managed to achieve cuts and savings while improving service, as did Northern Ireland Water, and we expect the same from Irish Water.

Deputy Kate O’Connell: How can one determine excessive use without metering? Is that based on the percentage of homes already metered and the extrapolation of that data?

Dr. Paul McGowan: We addressed that question in our response to the committee’s questions. We do not have a definitive answer as to how excessive use will be targeted in the absence of metering. We do know that 58% of Irish Water’s customers have a meter, so excessive use can clearly be identified in those cases. What we have said-----

Deputy Kate O’Connell: Dr. McGowan is saying one can determine excessive use by examining the data on 58% of homes.

Dr. Paul McGowan: This is because metering data is available for those homes. We would look to work with the committee, Irish Water and others to identify whether there are means by which other users, or the profiles of other users, who may be excessive users might be metered in order to determine the level of excessive usage or whether there is some other means by which excessive use could be determined.

Deputy Kate O’Connell: Such as?

Dr. Paul McGowan: We have no definitive position on this. Based on Irish Water’s metering data, it would know the characteristics of certain households and what characteristics would lead to high usage. It could be possible that this could be used in some way to identify excessive use, but it will be difficult.

Deputy Kate O’Connell: Perhaps, to put it in plain language, that means Dr. McGowan would say somebody with two children would use this, as opposed to putting a meter at the door.

Dr. Paul McGowan: No, because it probably would be more to do with other factors. For example, it might be fair to say people in apartment blocks would not be excessive users unless they had a leak because they do not have gardens-----

Deputy Kate O'Connell: So, guessing.

Dr. Paul McGowan: I would say analysis.

Chairman: I want to move on with this because we are going to have a section on conservation and a section on metering. I am really focused on the expenditure side of it, both capital expenditure and operating expenditure. I am also keen to try to give as many people as I can an opportunity to contribute. Is there anything else regarding the questions that were asked? Please focus on the capital.

Dr. Paul McGowan: I will address the third question from Deputy Cowen on the achievement of efficiencies if people are not being directly charged. We should be holding Irish Water to account for the same level of efficiencies regardless of whether they are directly charging customers. There are many jurisdictions, Northern Ireland being one, where there is not a direct charge to households for water, yet Northern Ireland Water has been held to account for delivering sizeable efficiencies. We would expect the same of Irish Water.

Mr. Michael McNicholas: I think that Deputy O'Connell had two questions for us. One was to ask if there were data which would suggest that companies have not come to Ireland because of a deficit in infrastructure. We have no knowledge or information of that. In fact in Ireland, IDA Ireland, all the utilities and the local authorities have an incredibly positive track record of making sure infrastructure is in place when new industry or investment needs it. While we have no information on that, we are working with a lot of foreign direct investment companies today which need significant capacity for expansion. We are working and will make sure that no company coming into this country will have a problem with a deficit in either water or wastewater infrastructure. We also have been approached by a number of foreign direct investment companies which have seen our investment programme and state that if they saw the resilience in clean water supply that Irish Water is aiming to get, they would be interested in bringing more industry to the country. The proof of the value of the utility is coming to bear in this regard. I will pass the Deputy's second question on EU infringement to Mr. Grant to answer.

Mr. Jerry Grant: Broadly speaking, it is going to take €1 billion to solve the drinking water issues, some of which the EU has drawn attention to and started proceedings on, and approximately €1.25 billion for wastewater. That is why those figures are represented in our plan to 2021. We hold out the prospect that if we do everything we have committed to do by 2021, we would be broadly compliant on those issues on which we are currently being challenged by Europe. On Deputy Cowen's query on metering, we have concluded and wound up the contracts at 884,000 meters out of an initial target of 1.05 million and, as stated previously, have delivered 58% meter coverage. Of the balance, many of those could not be found and were complex. That speaks to the point that any further metering gets progressively more difficult and no country can have 100% metering. There always is a default position where there are unmetered properties. We could address that over time.

On district metering specifically, it is something we will have established right across the network as part of the leakage management programme. A good deal has been done already. Over the period from 2000 to 2010, approximately €130 million was spent on district meter

establishment. These are meters into defined areas of roughly 1,500 premises. It is very important that I make the point that these do not find leakage on premises. It is not possible from district meters to conclude anything about individual premises. There are typically approximately 1,500 premises within a district meter area. It gives a very good idea of leakage as a whole. Follow-up operational activity may well find high usage in a particular premises or a leak on a premises but that is the *ad hoc* process of going around. One has to have a default position. If there was a charging regime for those, it would have to be a default position, except in those cases where, through the normal work of leak detection, one finds somebody using a lot of water and then can follow up on it. There is a process for that already.

Deputy Barry Cowen: It is interesting to hear Mr. Grant state that in the years from 2000 to 2010, some €130 million was spent on district metering as a form of leakage detection and that one now sees district metering as part of an overall solution and a great percentage of it in doing the same thing. What percentage was spent then compared with what has been spent since or is likely to be spent? Was a spend of 60% or 70% already in train before this programme began?

Mr. Jerry Grant: When we took over in 2014, we assessed the district meters across the country and approximately 50% of them were no longer fit for purpose because the leakage teams that were put in place in local authorities had largely dissipated, not everywhere but in many counties. As a result, boundary valves had been opened and, unfortunately, those systems were no longer working effectively. Our job has been to reinstate them, complete the work and use them to drive our find-and-fix programmes, which is what we are setting up now.

Deputy Barry Cowen: What funding remains committed by Irish Water for the provision of district metering considering that it is the road it will travel from now on?

Mr. Jerry Grant: It is within the overall leakage budget but it is probably of the order of €40 or €50 million, on top of what was done already.

Deputy Barry Cowen: On top of what Irish Water has done and on top of the €130 million between 2000 and 2010?

Mr. Jerry Grant: Yes, and we are currently spending around-----

Deputy Barry Cowen: The spend on domestic metering, therefore, was huge in comparison.

Mr. Jerry Grant: They are two different things because district meters measure flows into defined areas that one segregates. What we try to do is break a network up into defined areas of about 1,500 premises and that allows us to target leakage and to prioritise. That is all that does. It does not take us any further. Obviously, domestic metering is about the individual premises and its use. It is probably fair to say, and we will come back to it in the next session, that we have saved approximately 70 million litres a day on domestic premises because of following up the first fix programme.

Chairman: We have a particular focus on metering and will have a session and a section on that. I call Deputy Cullinane. Sorry, Mr. McNicholas wants to reply.

Mr. Michael McNicholas: The Deputy asked two questions. The first was on the cost of borrowing and the second was when we will finalise the numbers in terms of the €13 billion. I will take the first part. The €5 billion is fixed and we have delivered the programme up to 2016 on target. The remainder of that stays because the metering programme was phase one, which

we have completed. We have nothing in metering for phase two, so that will not change. The €13 billion is our best estimate based on the state of the assets we found. We will refine that every planning period. Will it go up? It is quite possible. We do not know but it is a fair estimate for the work we have done to date as to what we need. I will hand over to Mr. Marley who will talk about the cost of borrowings.

Mr. Cathal Marley: Currently, Irish Water is borrowing on a one-year rolling basis. That would not be typical for a utility but it would be typical for a start-up utility. We fund our gas business on a ten-year, 15-year or 20-year basis, so that is the type of money one would get. If we compare the current cost of Irish Water borrowing on a one-year basis with that of Government borrowing on a one-year basis, there is a difference of approximately 1.4%, which is in the region of €13 million. In reality, if the Government were to fund us, rather than us getting one-year facilities that we have with eight international banks, it would not fund on a one-year basis. Very little money is raised by the State on a one-year basis. It is more likely on a ten-year plus basis so the difference would be more likely 0.5%, which is approximately €5 million. If we compare the cost of funding our gas business on a ten-year basis with the State borrowing cost on a ten-year basis, there is a difference of approximately €4 million or 0.5%.

Chairman: Can we get clarity on that? Currently, the cost is approximately €20 million. If it was funded in the long term by the State it would be approximately €5 million. Is that correct?

Mr. Michael McNicholas: No, in reality, we borrow short term.

Mr. Cathal Marley: We borrow short term.

Mr. Michael McNicholas: If the State borrowed the same short-term money, it would be a difference of about €15 million. The State does not borrow short term; it borrows over a ten-year period. We would be getting funding out of a ten-year fund and the difference would be about €4 million between us borrowing at short term and the State giving us its more long-term borrowing. It costs about €4 million to €5 million.

Deputy Barry Cowen: The bottom line is that it is cheaper for the State to borrow.

Mr. Cathal Marley: Yes, it is.

Deputy Barry Cowen: End of story.

Chairman: For the third time I call Deputy Cullinane.

Deputy David Cullinane: I should have taken the five minutes earlier and come in a second time, but we are where we are. My first question is to Ms Rooney. She talked about revenue and cost controls, both operational and capital. Are domestic water meters operational or capital costs?

Ms Sheenagh Rooney: Capital costs.

Deputy David Cullinane: My next question is to Dr. McGowan. In response to a previous question on his commentary about another phase of rolling out domestic water meters, he said that in the context of the expert commission's report, it would not be prudent to proceed with another roll-out because it has proposed, by and large, that domestic water would be provided by general taxation. That is his position. Has he examined this from a cost control perspective? If that is the case, does the commission see savings being made regarding the non-roll-out of

domestic water meters? In an answer to an Teachta O'Connell's question earlier, the possibility of parking the roll-out was mentioned. Could that actually increase costs? We could have increased labour or contractual costs, so could that add costs? If this has been looked at from a cost control perspective, has it been looked at from the point of view of reducing costs in terms of revenue controls?

Dr. Paul McGowan: To be clear, we have not carried out a detailed cost-benefit analysis on a further phase of domestic water metering. What we said was that if we were going to look at a further phase of domestic water metering, it would require a detailed analysis, with a public consultation to determine the overall cost benefits.

Deputy David Cullinane: However, the CER has formed an opinion that, to use Dr. McGowan's words, it could be parked. There would obviously either be a saving or an additional cost.

Dr. Paul McGowan: There is no cost if no further water meters are installed. What we have said is that we have done a two-year price control for 2017-18.

Deputy David Cullinane: Sorry, there is no cost if it is abandoned. There is no cost if the project is ceased completely. If they are parked temporarily but at some point in the future rolled out again, that would involve a cost. Has the CER looked at whether that cost would be greater or less?

Dr. Paul McGowan: No, we have not done that analysis.

Deputy David Cullinane: That is fine. My next question is to Mr. McNicholas. Given that we are obviously focused on funding, is Irish Water of the view now that it is no longer possible to base its future funding on an off-balance sheet funding model in the short, medium or long term? The same question goes to the commissioner as well.

Mr. Michael McNicholas: Based on the recommendation of the expert commission that it is funded through taxation, it certainly would not be possible to have it off-balance sheet based on a general taxation model.

Deputy David Cullinane: So the off balance sheet is now dead in the water?

Mr. Michael McNicholas: Not on a general taxation model, but the expert commission made recommendations in terms of having a specific line of taxation and having a guaranteed line of funding. It would have to be looked at very carefully. It is not in the remit of Irish Water to do that, but it could be looked at in that context. It may be possible to look at off-balance sheet funding on that basis.

Chairman: The fact of on-off balance sheet is something we will look at in some detail when we are looking at the funding sources of it, if that is okay, Deputy.

Deputy David Cullinane: It is obviously important to get clarity from Irish Water. Again, this question is for Mr. McNicholas. On this year's capital contribution from Government, which is €270 million in 2017, with the balance to be supported through borrowing, is there a breakdown of details on that in terms of the levels of borrowing?

Mr. Michael McNicholas: I will hand that over to Mr. Marley, if the Deputy does not mind.

Mr. Cathal Marley: For 2017, the funding as proposed would be €713 million from Gov-

ernment, with equity of €270 million and €200 million from non-domestic billing and connection fees. The increase in borrowing will be around €400 million.

Deputy David Cullinane: In terms of the design, build and operation of wastewater treatment plants, Mr. Grant spoke about potentially rationalising some of the existing wastewater plants on the basis of improving standards. First of all, from a cost perspective, has there been any cost-benefit analysis of that? Second, if there is to be rationalising, will those assets remain under the control of Irish Water or would they be farmed out to private companies? Is it the intention that they would remain in public ownership under Irish Water?

Mr. Jerry Grant: First of all, all our assets are in public ownership as part of the assets of Irish Water, and any new assets are built as publicly owned assets, of course. The design-build-operate type contract has been used for the past 15 years or so to build and operate plants for a defined period, the larger plants in particular. We have changed the model a bit to make it more flexible in order that we are not committed to long-term private sector operation. As we build capacity of the utility, we would hope to do much more of that and bring it back within the operation of the organisation itself. Rationalisation is something we see as a key feature of drinking water supplies going forward, with larger, more sustainable sources. We do not see rationalisation of wastewater as a prospect. Wastewater has to be treated in the town or village that it is produced at.

Deputy David Cullinane: On group water schemes, the CER has noted that the Irish Water submission did not include a request for additional operating costs associated with taking in charge the group water schemes. Irish Water noted that the level of such a requirement would be dependent on a number of factors. What are those factors and has Irish Water made a recommendation to the Department or Minister in that regard?

Mr. Jerry Grant: A joint working group involving Irish Water and the Department of Housing, Planning, Community and Local Government is examining the challenge in respect of group water and taking-in-charge schemes. The broad approach is that the group would bring these schemes up to scratch and raise standards with the support of the State and Irish Water would then take them in charge. This would be addressed with the Commission for Energy Regulation in terms of any additional costs arising from the taking in charge of assets generally and, in particular, group water schemes.

Deputy David Cullinane: My final-----

Chairman: No, the Deputy may contribute again later.

Deputy David Cullinane: I wish to make an important point.

Chairman: I am sure it is important; they all are.

Deputy David Cullinane: Other contributors spoke for much longer than I have. With respect, I would like to make one final point, which I will direct at the Chairman. The expert commission's report refers to a NewERA report which was prepared for Government on funding options. It stated this was a very important report because it dealt with a range of different options. The expert commission described the report, which was not available to the commission, as "essential to a complete and accurate assessment of financing options". When Sinn Féin submitted a freedom of information request for a copy of the report, we were informed that this is not yet possible, although it may be possible to furnish a redacted version. I ask the Chairman to contact the Department asking that it furnish the report to members.

Chairman: I will definitely seek copies of the report. The next speakers in sequence will be Deputy Mick Barry, Senator Lynn Ruane, Deputy Mary Butler, Deputy Jim Daly and Deputy Alan Farrell.

Deputy Jan O’Sullivan: I understood speakers from individual groups would contribute in the first round before a second contributor from the same group would be allowed. Is that not the case?

Chairman: The position has changed in that regard.

Deputy Mick Barry: I will ask my questions in one block if that is okay.

Chairman: That is a good suggestion, which should apply to all speakers.

Deputy Mick Barry: I probably owe a debt of gratitude to the gentlemen from Irish Water. They say it is good for one’s health to get up early in the mornings. There are many communities in Cork city and county who force me to get up very early to meet some of the Irish Water metering crews at the entrances of various housing estates.

On the issue of operating costs, the expert commission report states that the majority of ordinary households should not have to pay the water charge through direct charges and that only a minority of what are described as water wasters should do so. It suggests a couple of ways of achieving that outcome. It posits the idea that perhaps 90% of domestic users would not pay water charges and perhaps 10% would pay a water charge. From the point of view of costs, is it not crazy economics to then meter, bill and collect data from every home simply to collect charges from 10% of domestic users? Any ordinary person would conclude that such a proposal amounts to crazy economics. I ask the witnesses to comment.

Representatives of the Commission for Energy Regulation spoke about parking the metering programme. Do the representatives of Irish Water agree that the programme should be parked? Do they also agree that this would mean, *ipso facto*, that the charges must be scrapped, by which I mean that all charges, including the so-called excessive usage charge, would be impossible to pursue without-----

Chairman: Sorry, Deputy, I am focusing on the cost or expenditure side of it rather than the income side of it, which relates to charges or no charges to customers. Perhaps you will focus on that.

Deputy Mick Barry: There is a correlation between the two. The roll-out of the metering programme is a cost, so there is a relationship between the two.

Chairman: Yes, that is why I am comfortable with that but not the revenue side of it, because we will have another meeting to deal with that.

Deputy Mick Barry: Yes, but there is a relationship with the roll-out of metering. Is it not crazy economics to roll out a metering programme for 10% of households?

Chairman: That is a fair question. I accept that.

Deputy Mick Barry: However, there is also the question of rolling out metering to a greater number of households. Let us consider that for a moment. According to the *Irish Examiner* of 5 January last, the Minister said that he expected the free water allowance per adult to be agreed by the Dáil to be 123 litres per day, or a little more. I do not know how the Minister knows

that, but we will leave that aside. The document sent to us during the week for this meeting, the response to the Joint Committee on the Future Funding of Domestic Water Services, contains a graph on page 10 regarding the consumption levels per number of leak and non-leak households per day. If one takes a figure above the 123 litres - this ties in with metering and the costs relating to metering - and pitches it at 130 litres, for example, one will see from the graph that a majority of one-person households would still pay a charge, a little more or a little less than 50% of the two-person households would pay the charge and there would be a lesser number for the three, four and five-person households. On the issue of costs, it appears from those figures that it is really only viable to roll out the metering programme in its entirety if Irish Water opts for something like that. The proposal of the Minister, Deputy Coveney, would mean that somewhere north of half a million households in the country would continue to pay the water charge. Will the witness comment on that as it relates to meters and the operating costs of the meters? Does the witness agree that, on the basis of 123 litres per person per day, a relatively large percentage of the population would continue to be asked to pay water charges and will he give an estimate of the number of households that might be? Am I correct that it would be more than half a million households on the basis of the proposal of the Minister, Deputy Coveney?

Chairman: I ask Mr. Grant to be brief because the Deputy has gone over time. He has 90 seconds or so for his response.

Mr. Jerry Grant: It is quite easy, really, because we do not determine policy on metering. We will only install meters if it is the policy and we are directed to do so. Obviously, one must meter every household if one wishes to find leaks or flows above a certain level. That is the only way to do it. Our meters show, for example, that there are night-time flows in 7% of houses. Regarding the 123 litres, that is the average *per capita* consumption. It is right in the middle of consumption levels. As to who would pay, that is purely a matter of policy.

Chairman: Thank you.

Deputy Mick Barry: I am sorry, Chairman, but I need clarification on this. If we were to opt for 123 litres per person per day or even a little higher at 125 litres or 130 litres, and this relates to metering and operating costs, looking at that graph, am I correct that on the basis of such a policy a large minority of households would still pay some direct charge and that it might amount to approximately half a million households? Will the witness comment on that?

Mr. Jerry Grant: As I said, 123 litres is roughly the average *per capita* consumption. It follows, therefore, that half the people of the country use more and half use less.

Chairman: Thank you. I call Senator Ruane.

Senator Lynn Ruane: I thank the witnesses for their presentations. I am seeking clarification. Mr. Marley spoke about assets in his presentation so perhaps he will respond. With regard to borrowing, is that borrowing against the assets? Given that the assets are not protected at all in the Acts in respect of being borrowed against, unlike the capital shares, does that effectively mean there is potential for those assets to be stripped, which would be *de facto* privatisation? Has the borrowing to date been against the assets or will it be into the future? Could he explain that further?

Mr. Cathal Marley: The borrowing is against the revenue of the company. People lend to a utility on the basis of the certainty of the revenue of the company. People lend to us because they can see the five-year regulatory price control and know there is a relative certainty on the

revenue and they know the company will be able to pay back the money. The loan is not made on the basis of the assets.

Senator Lynn Ruane: Would Irish Water seek to borrow against its assets in the future or is that a no-go scenario?

Mr. Cathal Marley: No.

Chairman: I thank Senator Ruane for that very focused question. I invite Deputy Daly.

Deputy Jim Daly: I thank the witnesses for their presentations. The debate on Irish Water was brought into stark focus when I was telling my nine year old son that I would not be at home for his birthday because I had an important meeting in Dublin about water. He said: “Are ye still arguing about that, Dad?” I said: “I am.” In a nod to the nausea that many people are experiencing, I will be brief and I will get to the point as quickly as I can.

Deputy Mick Barry: Did he ask if you were winning?

Deputy Jim Daly: No, he did not but I might get that question tomorrow when I get home. I have a question for both Irish Water and the Commission for Energy Regulation. Can either confirm the cost of the provision of water to the people of Ireland prior to 2014? I would appreciate an answer before I ask the next question.

Mr. Cathal Marley: The operating cost was in the region of €700 million in total. In terms of the services that Irish Water took on, expenditure on operations and maintenance was somewhere in the region of €650 million to €660 million.

Deputy Jim Daly: Have savings been made by the Exchequer as a result of the establishment of Irish Water *vis-à-vis* the provision of water from the local authorities? My understanding is that the cost of providing the households of Ireland with water was in the region of €1.3 billion prior to the establishment of Irish Water.

Mr. Cathal Marley: That figure includes capital as well. I was just referring to the operating costs. In terms of the operating costs, there has been a €70 million saving since Irish Water took it over.

Deputy Jim Daly: That figure for savings of €70 million is from Irish Water’s figures from 2014 to 2016. However, what was the figure for 2013 when 34 separate local authorities ran 34 separate billing systems? Is Irish Water aware of the cost of the provision of water to the households in Ireland in 2013?

Mr. Michael McNicholas: We can only measure from when we took responsibility for it. The Commission for Energy Regulation set targets for Irish Water for a 14% reduction and since we took responsibility, we have delivered that 14% reduction. They have given us a target of a 20% reduction for the next two years.

Deputy Jim Daly: I appreciate that.

Mr. Michael McNicholas: We are very clear. Of course there are efficiencies when one moves from 34 different organisations providing water services to one organisation doing that job. The best way we can articulate that is from our starting point which is 2014. We do not have the figures for the period prior to that because we were not responsible for the service before that.

Chairman: Would it be helpful to the committee if we were to request the Department for that information from 2010 and make it available to members?

Deputy Jim Daly: Yes.

Chairman: We will do that.

Deputy Jim Daly: My understanding is that the cost to local authorities was €1.3 billion versus less than €800 million under a single utility. I want that fact established, if that is the case. I would like that information to be articulated. It is my guess that the regulator is not aware of the information I am looking for either. Is that correct?

Ms Sheenagh Rooney: No, we do not have information prior to 2014 but as part of the process of the look-back on how Irish Water has performed from 2014 to 2016, which we have just completed in December, we have a breakdown of the savings. As expected, savings have been made in procurement because now one has one utility procuring versus 34 previously, and in the region of €34 million has been saved. Other savings one would expect to see is in the cost of labour and savings of €21 million have been made. In regard to the roll-out of minor capital works, one would see the benefit of a greater level of national co-ordination and there was a saving of €5 million. There have been process improvements, as well as efficiencies in energy and chemical usage. We can see savings in the areas in which we would expect to see them because one is moving from the provision of services across 34 local authorities doing different things to different standards *vis-à-vis* it being controlled by a single utility. What we do not have is the cost of what was delivered by the local authorities.

Deputy Jim Daly: Can we quantify the savings?

Ms Sheenagh Rooney: Only for the two years of regulation we have seen. So far, they have achieved the target there but we do not have figures for the costs before the model was set up.

Deputy Jim Daly: It would be important that those would be obtained. I am not sure why neither body dealing with it has not provided them. I appreciate the Chair's offer to try to get those figures.

On the same topic, I ask Irish Water to elaborate. Mr. McNicholas spoke about the set-up cost of Irish Water. As practising politicians, we deal all day, every day with myth versus reality. Commentators, including elements of the media and all sorts of politicians, are good at hyping myth, getting the public's anger up and so on, and there is a general perception abroad with a certain cohort, certainly egged on by an enthusiastic media in many quarters, that Irish Water is an expensive waste of time and money. I ask Mr. McNicholas to elaborate on the €173 million in set-up costs, particularly the €60 million on consultants that caused all the furore back in the day with Mr. Grant's predecessor, Mr. Tierney. Perhaps Mr. McNicholas would lay out the cold facts. He stated that it cost €100 million less than any other utility of its type to set up. I refer to the savings at the time. Perhaps Mr. McNicholas would provide clarity on that and some media might portray that side of it as well in the interest of balance.

Chairman: I will give Mr. McNicholas less than a minute.

Mr. Michael McNicholas: I knew the Chair would. Deputy Daly is correct. There is a view that €70 million was spent setting up Irish Water. That is not correct. We invested €70 million in building these eight utility systems that have delivered the efficiency, the service and the capital projects. The €70 million was spent on international experts, software engineers,

hardware engineers and systems integrators, as in every other utility, to build those eight utility systems. The €173 million was the total cost of everything, from the design of the organisation, the set-up of the organisation, the definition of the processes, the creation of the organisation to putting these eight systems in place in order that a modern utility could be run and could take responsibility for everything that is happening nationally. No other utility has done anything of that scale for the same cost.

The €173 million benchmarked is €100 million less. For example, Thames Water in the UK took one of those systems and spent £150 million on it. From my own 35 years experience in utilities, I know one cannot deliver that level of software, that level of systems and that level of process without significant capital investment. The €70 million on those experts - they were international experts who do it for every utility - was necessary and, ultimately, was really efficient and delivered at the end of the day a national utility with the systems and processes which comprise a national asset. The committee has heard the regulator, not us, set out the efficiencies and the level of work we are doing to repair that infrastructure. We did not waste €60 million on consultants. We invested €70 million with systems experts and software engineers and hardware engineers. We delivered a utility, we delivered the systems and the processes in 18 months for at least €100 million less than any other utility could do it and we did it because another Irish utility, Bord Gáis, had that experience and capability. An Irish company built a new Irish company faster and better than anyone would do it internationally. I am stopping at that.

Deputy Mary Butler: My questions relate to the €13.5 billion Mr. Grant spoke to on page 16 of Ervia's presentation. Mr. Grant spoke about the short term, the medium term and the long term and what was required for long-term investment. Deputy Cowen asked whether this €13.5 billion was a draft figure and Mr. Grant replied that it was a fair estimate. I ask Ervia to expand a little on that. Is this a gross figure excluding efficiencies? What is the timeframe for the completion of the targets in this €13.5 billion in long-term investment Ervia states is required?

Similarly, I address this to the Commission for Energy Regulation. Has CER reviewed the €13.5 billion investment requirement outlined by Irish Water? Will this €13.5 billion be subject to the 20% cost-efficiency saving target? Does CER believe that the recommendations of the expert commission to place the Government as the primary customer of Irish Water will harm the efficiency drive of Irish Water?

Mr. Jerry Grant: In explaining that, it is important to look at some examples. In the next five years, we will basically be involved in upgrading water and wastewater treatment plants to meet the compliance targets for safe drinking water, as well as meeting basic requirements for treating wastewater to the required standards. We will be dealing with leakage and will be meeting growth requirements. We will do practically nothing in those five years to deal with some of the old culverts which are under Dublin, Cork, Waterford and Limerick, and which are leaking salt water and freshwater. We are pumping that to treatment plants and it is making matters both difficult and expensive. Very little of the work will get done, but we are spending money on investigating the position so that we can quantify the priorities and define where they will be.

In the second period from 2022 to 2025 or 2026, we are suggesting that a major new water source for Dublin will be required. We are also suggesting that a major new north Dublin drainage scheme will be required because we will have reached the limit of what the arterial system serving Ringsend can now deliver. These are the kind of examples about which we are talking.

The sum of €13.5 billion was based on using a standard pricing tool against all the upgrades

that we can now identify as being needed across the country's entire asset base. The sum of €5.5 billion is set out between now and 2021. We will give that to the regulator in tranches of expenditure or periods that the regulator will examine. For example, we have a two-year period from 2017 to 2018 that the regulator has looked at in detail. The following period will hopefully be for five years. We will submit that five-year period for detailed scrutiny, including the projects we have prioritised, and so on for the succeeding periods. In its own time, each period will be sent forward as part of a prioritised package to be scrutinised in detail. The €13.5 billion is our current view looking at the entire landscape of things we need to do, including, for example, the old Victorian sewers and water mains that need to be replaced. All of those projects are aimed at getting leakage down to at least 25% and arguably as close to 20% as we can get. That means getting rid of cast iron and asbestos cement. It basically means getting our assets up to the level where instead of an average age of 70 or 80 years, we get it down to 25 or 30 years.

Dr. Paul McGowan: We have not reviewed the €13.5 billion programme in total because we have looked at two-year tranches of capital investment. However, part of the two-year capital investment that we have just signed off was on the basis of a five-year capital investment programme they submitted to us. We needed to look at projects that were already in flight and those just beginning, so we had to look at a longer period.

The 20% Opex efficiency that was referred to is an efficiency in the four years 2015 to 2018. We looked at separate Capex efficiencies. For example, in the decision we issued on Irish Water's capital investment programme for the next two years, we included a 10.2% overall efficiency on their capital programme. Effectively that means we expect them to deliver the same amount of capital investments at 10% less. These efficiencies then become available to plough into other capital projects.

As regards the efficiency drive, there are fully-metered and non-metered models throughout the world where utilities have been challenged with delivering efficiencies. We still expect Irish Water to deliver substantial efficiencies. It is our task to challenge them to deliver those efficiencies. It will, however, be a challenge to also examine the whole area of conservation at household level. That is why in a separate session we put forward some ideas as to how conservation measures might be brought in under various areas, such as building regulations or other avenues, to continue the conservation element at household level.

Chairman: I am sorry but I have to move on if that is okay. I will call Deputy Farrell and then Deputy Pringle.

Deputy Alan Farrell: I thank our guests for attending. I appreciate that Mr. McNicholas efficiently covered the question of the €100 million savings benchmark. Some of my questions relate specifically to the contractual position that has been reported in the media on metering, which I am not entirely sure is the case. Perhaps Mr. McNicholas can clarify that.

Irish Water entered into a contractual position to install 1 million meters, is that correct?

Mr. Michael McNicholas: Yes.

Deputy Alan Farrell: Okay. Some 884,000 meters have been installed so, give or take, 116,000 meters have yet to be installed. I understand that the total cost of installation is €465 million, which, I appreciate, based on a wholly inappropriate average, works out at €526 per meter. The installation of the remaining 332,000 meters would - on the basis that meters cannot be installed in 20% of premises - bring us to 80%. What is the estimated installation cost

in respect of those 80% of domestic households? Will our guests indicate the estimated cost of installing each meter in order that the committee might come up with a figure in respect of both economies and an on-demand meter installation programme?

Mr. Michael McNicholas: We were given responsibility for the phase 1 metering programme, which involved installation of approximately 1 million devices. We have completed that programme, with 870,000 meters installed. The remaining 200,000 plus installations are technically complex and, therefore, we do not believe we will install them in this phase. As I said, the phase 1 metering programme is complete. We have no contractual or material obligations to any contractor or any cost associated with anything beyond that. No contract was given for any committed amount of work. Contractors were paid only for work done. We had no obligation to give them work and, therefore, we have no wind-up costs associated with regard to phase 1 metering. My colleague, Mr. Grant, will respond to the Deputy's question on the cost of each meter installed.

Mr. Jerry Grant: In terms of what we have delivered, the cost of each of the 884,000 meters installed was €526. The budget was €584 per unit and so the final cost was efficient. It is important to point out that this large programme of work was possible because we were able to identify the number of properties to which it was possible to make a single connection. The difficulty from here on in is that there are all kinds of complications in terms of backyard services, shared services, old buildings and so on. If, therefore, an attempt was made to force the pace on metering in the future, it could be inefficient and expensive. It would make more sense to have meters installed as the network is developed. For example, we will be replacing a lot of pipes as part of the leakage programme over the next ten or 15 years and, therefore, it would be much more economical to install meters as part of that programme of work. New developments should always have the capacity for metering. The meter is very cheap once the right box is installed. Approximately 11% of properties are apartments in shared buildings and these can never have individual meters but they can have bulk meters. There are different approaches that could be taken. It would be a much more sophisticated, longer-term and better-managed process to extend metering beyond where we are now.

Deputy Alan Farrell: Of the 330,000 plus remaining households that can have meters installed, would it be fair to say that these are properties in which it is slightly more difficult to install meters?

Mr. Jerry Grant: In general, yes, but we did pass over areas for safety and other reasons. There may be some properties in respect of which meters could be installed easily enough, technically speaking. Many were passed over because the stopcock could not be found or because it was not possible to prove a connection to a household, all of which costs money. The Deputy is correct that, in general, future metering, except in situations of redevelopment of the network, will cost more proportionately.

Deputy Alan Farrell: Based on experience and knowledge of metering gained over the past two and a half years, the potential cost of on-demand metering to Irish Water would be in excess of the current average cost per unit.

Mr. Michael McNicholas: Yes, it would because we rolled out a national programme very efficiently with competitive tendering to eight different contractors. That said, we are a multi-utility and we also install gas meters. We are doing a lot of work. As stated by Mr. Grant, we would look at doing the work as efficiently as possible. For example, if we have a crew on site carrying out other work we would have the benefit of that crew but no cost in that regard

in terms of getting water meters installed. If a policy decision is made to have more meters installed, we will deliver them in the most efficient way possible.

Deputy Alan Farrell: In regard to district metering, Mr. Grant mentioned earlier that a district is made up of 1,500 houses.

Chairman: The Deputy must confine his questions to the cost of the service. We will focus on metering at a separate meeting. Also, I can allow only one final question from the Deputy as we need to move on.

Deputy Alan Farrell: My earlier question was specific to Irish Water's funding requirements and capital plans. I will take as an example the single biggest water supply pipe in the country, which, if I am not mistaken, is in Dartry in Dublin. The delegates should correct me if I am wrong. The pipe is more than 100 years old and could collapse at any moment. The total capital cost, the potential impact on more than 300,000 customers in Dublin city and the constant deferral of repair plans, heretofore by Dublin City Council and more recently to a certain degree by Irish Water, must be considered. Is there a fear or concern within Irish Water that as a result of deferral or having to bear the capital cost of such a huge job, it will continue to be pushed back until such time as a specific grant is given by the Government for one specific project in the absence of domestic water charges and an additional revenue stream for Irish Water?

Mr. Jerry Grant: To be clear, the Vartry scheme-----

Deputy Alan Farrell: I thought it was Dartry.

Mr. Jerry Grant: The recovery of the Vartry scheme, specifically the Callowhill tunnel, is a priority. We have identified the critical assets, the loss of which would knock out huge numbers of people and have enormous consequences. We are working on the basis of the plan we have set out to 2021 on the basis that there will be replacement funding for the domestic funding we had anticipated to receive. We are working on the assumption that our total revenue will be the same.

Chairman: I will move on. Deputy Thomas Pringle has been waiting for a while.

Deputy Thomas Pringle: I have a number of questions and hope we will get through them within the required timeframe. I refer back to the question asked by Deputy Jim Daly. I gather from the responses that neither Irish Water nor the Commission for Energy Regulation can state whether a single utility is providing the service at a lower cost than the 34 local authorities. All they can actually state is that Irish Water has reduced its costs by 14% since 2014. Is that a fair reflection of the answers to the question?

Mr. Michael McNicholas: We can absolutely state we are providing it at a lower cost. What we cannot show is the quantum. We have looked at the benchmark heading into 2014 based on costs in 2013 and know that we are delivering it at a lower cost. We are not claiming that we are delivering it at anything less than the number the regulator is validating - the saving of €70 million to date. It is on a like-for-like basis for the 34 local authorities at the end of 2013 and based on Irish Water working with the local authorities at the end of 2016. We have made a saving of €70 million in procurement in terms of how we organise the work and overall headcount reductions.

Deputy Thomas Pringle: Yet Irish Water cannot state what the figure was in 2014.

Mr. Michael McNicholas: We cannot go back to 2010 because we were not involved in 2010 or 2011.

Deputy Thomas Pringle: They were also asked for the figure for 2013.

Chairman: The commissioner would like to come in.

Dr. Paul McGowan: While we do not have the figures for 2010 and 2011, we know from our analysis that at this stage of its evolution Irish Water is a high cost utility. We expected this because it inherited 34 water authorities. Our analysis indicates that it is up to twice the cost of an efficient utility. Through this and the following revenue controls, we will ensure Irish Water will deliver efficiencies to get the level of cost down to that of an efficient operation. We expect that reduction to be delivered in time. That is part of our role.

Deputy Thomas Pringle: The presentation by Irish Water showed that nine water treatment plants had been delivered, that 18 had been upgraded, that 32 wastewater treatment plants had been upgraded and that 27 new plants had been built. How many of these projects were initiated by Irish Water since 2014, brought through design and planning stages to construction and delivered?

Mr. Jerry Grant: I cannot tell the Deputy, but I can tell him that we took on the programme of work under the public capital programme and kept going to the point where many of those projects were started in some shape. Planning permission had been received and we proceeded to contract. We modified many more, including, for example, the Waterford plants, and they have been completed. I cannot give the exact number, but it is increasing all the time. It was a continual programme. We continued with the projects that had been committed to and contracted. We rescoped and reprioritised the rest and continued with the ones we wanted to continue.

Deputy Thomas Pringle: Therefore, Irish Water benefited from the design work that had been done by the 34 inefficient local authorities.

Mr. Jerry Grant: Of course. We threw nothing away.

Deputy Thomas Pringle: It picked up on and benefited from it. It is not really fair to quote the figures for what Irish Water has delivered because the work was done by somebody else.

Mr. Jerry Grant: I can tell the Deputy that at the end of 2013 a huge number of projects were stalled as a result of the lack of a commitment by local authorities to go ahead with them because of the particular way they were funded at the time. There was a 25% local funding requirement. Many projects that we took up and got going had previously been stalled. That fed into the 2014 programme and also the 2015 programme. More and more of our projects that came through in 2014-2015 are now being completed, going to site and so on.

Deputy Thomas Pringle: The difference is that the Government gave Irish Water the ability to raise the money to do it whereas it did not give local authorities that ability.

Mr. Michael McNicholas: It made absolutely no sense for us to stop the work that had been done or the public money that had been invested in designs and projects that were what we called “in flight”. Regardless of whether some of those projects made sense, at least they were delivering improved services. The first thing we did was to maintain continuity of service. Nobody experienced any diminution in service during the transfer of services from 34 local authorities to a single utility on the operational side, and the front-line services. This is a credit

to the local authority staff. We took hold of the capital works and rationalised them. It would have made no sense, however, and it would be scandalous for us to have stopped and thrown out work that was done. We have added significant new projects also. We do not know the mix of them but there were some in flight and some were at the early design stage. We took that over and added to that. This is the total commutative outcome to the end of 2016.

Deputy Thomas Pringle: I thank the witness. My other question relates to costs. The expert group recommendation is that we do not bill households for individual bill charges. In order to feed into the committee's work, will the witnesses give a breakdown of the cost of the billing cycle, the reading of meters, sending out the bills, the revenue collection process, and the costs of the tender for selecting the debt collection agency? We also need the costs for operating the call centre. We need a breakdown of those figures because it would have an impact on the ongoing savings that could be achieved from cancelling the project. Do the Irish Water representatives have those figures to hand or can they provide them to us?

Mr. Cathal Marley: The cost of domestic billing was €25 million, €13 million of which is everything connected with bill processing, €10 million relates to the contact centre and there was €2 million in staff costs.

Deputy Thomas Pringle: I thank Mr. Marley. The final question - I believe I am still just about within time - relates to the metering programme and the efficiency of the expenditure on the metering programme. According to Irish Water's own figures, the first-fix scheme has saved 70 million litres of water at a cost of €465 million by means of the installation of the meters to detect the 1% of unaccounted for water in total in the system. Does that represent efficiency and value for money?

Mr. Jerry Grant: Clearly, the meter programme was not installed to find leaks; it was installed as part of the whole process of Government policy-----

Deputy Thomas Pringle: So the metering programme was not a conservation measure.

Mr. Jerry Grant: It was not installed to find leaks alone. The metering programme was installed to-----

Deputy Thomas Pringle: We were told it was a conservation measure and that the programme was important in terms of saving water.

Mr. Michael McNicholas: The metering programme is part of Government policy around the whole establishment of the utility and charging for water. One of the benefits of the metering programme is that it gives us absolute clarity on the usage of water in each household and this allows us to accurately pinpoint the leakage. That is a benefit.

Mr. Jerry Grant: Water utilities such as Welsh Water and Thames Water have established that, when meters are installed, a first-fix or customer-fix programme is the cheapest in terms of the water that will be recovered. This is proven by the 70 million litres that have been saved. There is no way we could have recovered that as quickly or as cheaply than by using the meters to find the leaks and target them.

Deputy Thomas Pringle: It was not cheap.

Chairman: I need to proceed because I want to give other people a chance to contribute. Deputy Jan O'Sullivan has been waiting quite a while.

Deputy Jan O’Sullivan: I thank the Chairman. My first question has largely been answered through responses to queries by Deputy Butler so I will not go into detail on the matter to which it relates. That matter involves the healthy tension between the CER, as the regulator, and Irish Water - Ervia - as the deliverer of services. I note the difference in the presentations between Irish Water’s plan up to 2021 and beyond and the CER’s covering the two years 2017-2018. Perhaps the witnesses could comment on the balance of public interest in getting value for money and efficiencies and in the delivery of clean water and waste services.

My other two questions relate to borrowings. The witnesses gave the figures for borrowings and the various timeframes involved. The Irish Water submission to the committee - in response to questions put to the company - says that a commitment to retain the company in public ownership would, in general, be regarded favourably by external financiers. We did not deal with public ownership today but this is an issue to do with funding so I ask again whether Irish Water and particularly Ervia, because of its experience with gas, could confirm that a commitment for long-term public ownership can be a positive in terms of external borrowings.

The Chairman pulled up other speakers on the issue of metering-----

Chairman: So you are not to ask it.

Deputy Jan O’Sullivan: -----but I will link my question to the capital side, to keep him happy. Other speakers managed to do that as well. Dr. McGowan said that metering is a regulatory matter but I presume the reason he is suggesting that it be parked is partly because of the deliberations of this committee and the questions we have to answer. He also said he does not have a position or an answer as to how excessive use would be measured. I know that is a topic for a future meeting but we should put both bodies on notice that for this committee to make any decisions on the question of whether metering is an appropriate way to measure excessive use, we would need some information before that particular session from the Commission for Energy Regulation, CER, in terms of its role with regard to regulation and from Irish Water. In this document it supplied to us it suggests that from the metering it has done it has a good deal of information on what should be a generous and appropriate free allowance to householders above which excessive use would be charged, if we so decide. Can the witnesses confirm that they would be able to give us that information? It is suggested in this document that it be given to the CER but that information would be useful for this committee. We will hear from representatives of other bodies such as Scottish Water etc., who presumably will be able to give us that kind of information but it is important. We are talking about capital but in terms of our future decisions and while we have the witnesses here, I do not want to be told at the next meeting that they still do not have any information on that area. I want to put that on the record and ask them to comment on whether they would be able to give us what would be useful data on dealing with a fair and generous household allowance, which everybody agrees with, and how it deals with excess-----

Chairman: If it is agreeable to the Deputy, we can request that information and discuss it at the appropriate meeting.

Deputy Jan O’Sullivan: Yes, but those are the two points I want to make.

Chairman: The witnesses might feed that information back to us.

Mr. Jerry Grant: The only point I would make is that we have data for 58% of households and we can provide those data, perform analytics and so on. We do not decide the policy. The

data will be available. It is important to say, in terms of the 42% of people who are not metered, that if they do not have a meter there is no way practically to determine excessive usage. One has to have a default position on that. Over time, we may find somebody by the normal purposes of operational control but we will not be able to determine the user's usage unless they have a meter.

Chairman: All we can do is get the evidence-based data and make decisions based on the information that can be reasonably made available to us. Is that fair enough from Deputy O'Sullivan's perspective?

Deputy Jan O'Sullivan: Yes. We are not a post-truth committee.

Chairman: Absolutely.

Deputy Jan O'Sullivan: We are a "truth-truth" committee so we need data and evidence before we make decisions.

Chairman: I am keen to move on. I call Ms Rooney, and other speakers are offering also.

Ms Sheenagh Rooney: Briefly, we are happy to provide information on how such a charge would be determined but I want to point out one relevant piece of information on cost. Irish Water put a submission to us in terms of the money it needed for 2017-2018. That is what we recently made a determination on. In that, there is only €2 million available that Irish Water has sought with regard to meters. One of the key points we were making is that if more money was to be made available to roll out further phases of metering, particularly in the time period we have just reviewed, that money would either have to come from somewhere else or something else that was a priority would no longer be able to be done. There is only €2 million there at present.

Chairman: I call Mr. Marley for a final word on this area.

Mr. Cathal Marley: On State ownership, in general, that is considered very positive because in terms of the way they look at it, if something went drastically wrong with the company there is an anticipation that the State may step in at some point. It is lending us money for ten or 15 years, which is a very long-term view, and in general it is positive. During the recession, it was negative.

Deputy John Lahart: I thank the officials from Irish Water and the regulator for their presentations and for the information they provided. There are varying reports circulating in the media on the cost of the abolition of charges, some have gone as high as €200 million or €250 million in respect of loss of revenue to Irish Water. The costs given in replies to parliamentary questions have varied, depending on who is replying, from €58 million to the Department indication in October that it would be €130 million. The Minister said in recent a radio interview that it would cost approximately €110 million. What is the cost of abolishing charges?

Mr. Cathal Marley: In terms of lost income?

Deputy John Lahart: Yes.

Mr. Cathal Marley: For 2017, the additional replacement income we would have to get from the State if we do not have domestic income is approximately €232 million.

Deputy Barry Cowen: That is in the case of full compliance. It is not estimated or actual

on the basis of customers having paid.

Mr. Michael McNicholas: In 2017, no customers are paying.

Deputy Barry Cowen: The cost to the State and to Irish Water are two different things. Is that not correct?

Mr. Michael McNicholas: We need €270 million to fund our business plan in 2017. As no customers are paying charges, that funding must come from the State and the total funding required for 2017 is €232 million.

Deputy Barry Cowen: The cost to the State is different. Irish Water collects the charge and that determines how much the State pays in subvention thereafter. There is a water conservation grant that has been done away with too. For fear that people might think there is a €270 million loss to the State, that is not necessarily the case.

Deputy John Lahart: In the view of the energy regulator, is the conservation grant connected in any way to conservation?

Mr. Cathal Marley: The introduction of the water conservation grant was a matter of Government policy. We had no-----

Deputy John Lahart: I am asking the witness, as the energy regulator, if it is connected in any way to conservation.

Mr. Cathal Marley: We have not gathered any evidence about the success or otherwise of the water conservation grant. I could not possibly give a view on it.

Deputy John Lahart: How would the regulator measure it?

Mr. Cathal Marley: I presume a survey would have to be done of the people awarded the grant and what measures might have been taken, for example, in the context of the sale of water conservation appliances, etc. We do not have that analysis so I could not give an opinion.

Deputy John Lahart: Ervia used the model of Bord Gáis Eireann but it must see now that there is a world of a difference between water and gas. Would the witnesses accept that the installation of a gas meter promotes conservation?

Mr. Michael McNicholas: In many ways, there is not much difference between a network company that puts pipes in the ground for gas and one that puts pipes in the ground for water. There is a fundamental difference between how gas is funded because it is a utility-----

Deputy John Lahart: I am asking the question as to whether there is a connection - because I do not see one - between a domestic meter for gas and any kind of potential for conservation of gas by the household. I am reinforcing the point Irish Water made, namely, that it was set up essentially as a business to install water meters that would charge for water. There was no conservation element to it. I will come to the funding element.

Mr. Michael McNicholas: We need to step back. Irish Water was not set up as a metering business, it was established as a utility to address the infrastructural deficits that exist. Its primary responsibility was to fix the problem with water and wastewater. One element of that was to install water meters but its primary responsibility is to do as Mr. Grant has outlined, that is, to get at the state of the infrastructure, put plans in place and deliver the infrastructure.

Separately, the question is whether meters installed incentivise conservation. All of the evidence will determine that if a person is charged for a service and knows how much he or she is using because it can be measured, it incentivises conservation. The key issue with conservation and meters is that if there is no direct charge for the service, it is more difficult to see how it can be conserved. Metering drives conservation for two reasons, namely, people have information about their usage and if they are paying for a service, they know they can make savings. There is a direct and simple correlation between a meter, a charge and conservation.

Chairman: I need to move on.

Deputy John Lahart: I asked a short question. I would like to contradict the answer I received because there is a substantial body of evidence that contradicts Mr. McNicholas's view. There is no suggestion that a gas meter promotes conservation of gas and there is no evidence that an electricity meter promotes the conservation of electricity. On the contrary, if Irish Water considers its brother and sister companies, for example, the ESB, it will find that it is alternative and additional conservation measures, whether solar energy or energy-saving appliances, that help consumers to conserve energy, not meters. This is one of the opportunities Irish Water missed in terms of introducing smart metering to allow people to see how much water they are consuming. The only way a household can determine how much water it is using with the metering system installed by Irish Water is by reading their water bill or lifting up the lid of the meter and reading it. There is no other way of knowing what is the water consumption of household appliances. Irish Water missed a golden opportunity to implement a seriously smart metering project.

I have two questions on commercial water rates.

Chairman: We will not go there.

Deputy John Lahart: This is key.

Chairman: I accept that but other members must be allowed an opportunity to contribute.

Deputy John Lahart: When will commercial rates transfer to Irish Water?

Mr. Jerry Grant: On domestic charging-----

Chairman: Our brief is to deal solely with domestic charging.

Deputy John Lahart: The question relates to funding.

Chairman: Yes, we are dealing only with domestic funding.

Deputy John Lahart: This issue goes to the heart of the funding model.

Chairman: The decision made by both Houses was to address domestic funding. That is the direction the Deputy and I have been given.

Deputy John Lahart: Commercial funding is related to future funding.

Deputy Alan Farrell: Funding is spent on the same things. While I know where the Deputy is coming from, he is referring to the name of this committee rather than domestic water metering. Irish Water does not differentiate between the two sources of funding. It is the same money.

Chairman: That area does not come within the committee's brief.

Deputy Alan Farrell: I know where the Deputy is coming from and I agree with him but-

Deputy John Lahart: My question relates to the future funding of water.

Chairman: It is the future funding of domestic water in Ireland. Read it.

Deputy John Lahart: There is no need to be testy about it. May I ask one further question?

Chairman: I apologise but the answer is "No".

Deputy John Lahart: Even a short one?

Chairman: The Deputy may ask his question at our next meeting. I invite Deputy Seamus Healy, who has been waiting for a long time to contribute, to put his questions.

Deputy Seamus Healy: I will first seek some basic information. It is my understanding that 58% of households have had meters installed and 42% have not had meters installed. Is that correct?

Mr. Jerry Grant: That is correct.

Deputy Seamus Healy: What is the percentage of leakage through the network?

Mr. Jerry Grant: It is approximately 45%.

Deputy Seamus Healy: The expert commission indicated that usage of water in Ireland is significantly lower than thought and lower than in other countries. The figures on daily usage were 125 litres per individual in Ireland, 146 litres per individual in Britain and 160 litres in North America. Are those figures in or around ballpark?

Mr. Jerry Grant: The figure for Ireland is 125 litres, which is very close to the European average. The figures quoted in Britain are higher, at approximately 134 litres per person per day. In many cases, the figures are quoted on the basis that there are no meters. Scotland, for example, does not have meters and the figure of 145 is, therefore, an estimate. Ireland's daily usage figure of 125 litres per person is very close to and probably slightly higher than the European average.

Deputy Seamus Healy: It may be slightly higher than the European average but it is significantly less than usage in Britain and North America.

Mr. Jerry Grant: The figures for North America are much higher because of lifestyle and so on.

Deputy Seamus Healy: That is correct. It is obviously a significant problem that only slightly more than 50% of households are metered. In the submission Irish Water has made to the committee, it is indicated that only about 3.35% of households use more than 800 litres of water. The submission further states that if leaks are excluded, the figure falls to 1.27% of households. It further states that other factors might reduce the figure further, for instance, age and health. It is further stated that the excessive use charge will not generate significant income. I ask Irish Water and the regulator how it can be cost-effective to implement an excessive use charge on the basis of such very limited excessive usage. Surely, it cannot be cost-effective.

The regulator has stated that Irish Water should not proceed with metering, that it should stop it or park it or whatever but not go ahead with it in any case. I think it was suggested that if metering were to continue, it would make less money available for other water and wastewater related services. I would like confirmation as to whether this is correct.

Chairman: The witnesses have about a minute to respond because I want to bring in at least one more member if I can.

Mr. Jerry Grant: Obviously, any revenue from an excessive use charge would depend completely on the point at which the allowance is set and the amount of the tariff. The assumption is that if it is taken as given that 1% of households use about 20% of water, many people use a lot of water. There must be an assumption, and we have made the assumption, that an excessive use charge will solve this problem as people will fix their leaks.

Deputy Seamus Healy: Is it correct that the cost of collecting the excessive use charge is completely disproportionate to the potential revenue? It is stated in the submission that the excessive use charge will not generate a significant revenue.

Mr. Jerry Grant: We can only assess the cost when we know what the allowances and tariffs will be.

Dr. Paul McGowan: To address the Deputy's questions, what we have said is that in the current price control, a nominal allowance for metering has been made. If a decision were taken that metering was to be rolled out, it would be a significant capital programme, and either additional capital would have to be made available or capital would have to be diverted from other projects. That is what we have stated.

Deputy Seamus Healy: In other words, capital would have to be diverted from other projects to allow metering to continue.

Dr. Paul McGowan: As I said, either additional capital expenditure would have to be made available or capital would have to be diverted from other capital projects.

Chairman: I will have to continue with the questions. Two members have been waiting for a long time to contribute. I ask the committee to hang in there with us to allow them to speak. The next speaker is Senator Clifford-Lee, who will be followed by Deputy Heydon.

Senator Lorraine Clifford-Lee: I will keep this very brief. The commission proposed that water be funded through general taxation and that each household be given an average allowance determined by the regulator. Dr. McGowan has said the CER will consult the public before the allowance and the penalties for excessive usage are decided upon. Does the CER have a timeframe for that public consultation?

Dr. Paul McGowan: A project of that scale would typically take between six and 12 months, depending on its complexity. The Deputy is right that we would consider the level at which the allowance would be set and how it would fit within the context of the overall settlement. This would be a significant project because it would involve a lot of public consultation through the gathering of views from the likes of the Public Water Forum and other users.

Senator Lorraine Clifford-Lee: Does Dr. McGowan have any timetable for the commencement of this?

Dr. Paul McGowan: We do not because we would look to the policy decisions of the

Oireachtas and the decisions taken in that context. For example, a policy decision could be taken on what the allowance should be. Then we would have to work with that. Alternatively, we could be tasked with determining what the allowance should be. We have said we could do that but, as I said, that is a significant piece of public consultation and would take between six and 12 months, approximately, depending on the complexity of the issue.

Senator Lorraine Clifford-Lee: After the Oireachtas has made a decision on the basis of the committee's report, the CER could undertake a project which could take up to 12 months.

Dr. Paul McGowan: We will only be able to assess the project once we know the policy position.

Deputy Martin Heydon: With regard to the figure of €232 million for the funding of Irish Water in 2017, does it take account of ongoing commercial water rates?

Mr. Cathal Marley: Yes, it does. The correct figure is €239 million.

Deputy Martin Heydon: There are 44 points from which raw sewage is being pumped untreated, while 70% of the sewer network is leaking. It is up to this committee to ensure we come up with a way in which Irish Water can continue to do the work it needs to do to fix these problems.

A point was made about metering. Does Irish Water have a figure for the amount of treated water that has been saved under the first fix programme?

Mr. Jerry Grant: About 28,000 repairs have been carried out and the saving now stands at more than 70 million litres.

Deputy Martin Heydon: Is there a figure for how much it costs to treat a litre of water?

Mr. Jerry Grant: It varies considerably. It can go up to €1, but it varies a lot.

Deputy Martin Heydon: Is that where the figure of 70 million litres has come from?

Mr. Jerry Grant: The figure of 70 million litres is the amount of water saved.

Deputy Martin Heydon: Surely, the roll-out of meters has resulted in a significant saving by making consumers more aware of how much water they are using. If we are to go with the commission's recommendation that consumers be charged for excessive use, as Irish Water has outlined, we will have no way of knowing how a household is performing. I would hate to think of how this committee would manage if 58% of households in the country did not have a meter because we would have no statistics showing how we could improve. It costs €1 or thereabouts to treat a litre of water. We are talking about treated water; the water that falls out of the sky is not free. It is an important point on which to finish.

Chairman: Ba mhaith liom buíochas a ghabháil le baill Uisce Éireann agus an coimisiún. I thank them very much for coming, their presentations and answering the questions asked so honestly. Our next meeting will be held this day week-----

Deputy Seamus Healy: I wish to make a point. We have been given some very significant information by the CER that it has effectively recommended that the metering programme be stopped and that, if it is not, moneys will have to be found elsewhere or diverted from other purposes. In the circumstances, on the basis of the information we have received from the CER,

it would be appropriate for the committee to make an interim recommendation to the Government that the metering programme be stopped immediately.

Deputy Barry Cowen: It has been stopped.

Deputy Seamus Healy: Will Irish Water confirm that it has been?

Deputy Barry Cowen: Yes.

Mr. Michael McNicholas: We have completed the first phase of the metering programme. It has been finished since February this year, or the end of the year-----

Chairman: I am going to-----

Deputy Seamus Healy: I seek confirmation. When was the programme stopped?

Mr. Michael McNicholas: It finished at the end of-----

Mr. Jerry Grant: In fairness, the last work orders are still being worked out.

Deputy Seamus Healy: Exactly.

Mr. Jerry Grant: It will finish at the end of this month.

Chairman: It is finishing-----

Deputy Seamus Healy: Can I receive clarification?

Chairman: The Deputy has received it.

Deputy Seamus Healy: I have not. I was told the metering programme had been stopped. I am now being told it has not been stopped completely. Can we receive confirmation as to when it will be completed and when it will be stopped?

Chairman: I ask the regulator to offer an opinion.

Deputy Seamus Healy: No. When will Irish Water stop the metering programme?

Chairman: No, I am asking the regulator.

Mr. Jerry Grant: At the end of the month.

Chairman: The end of the month.

Deputy Seamus Healy: At the end of this month. I thank Mr. Grant.

Ms Sheenagh Rooney: I think it is important to clarify that when we were making the point, we were talking about further phases of the metering programme within the context of the expert commission's report.

Deputy Seamus Healy: We have now received confirmation that the metering programme will finally be stopped on 31 January this year.

Chairman: I will finish-----

Deputy John Lahart: What about the-----

Chairman: Le bhur dtoil. We will have plenty of opportunities to meet and discuss these issues.

Deputy John Lahart: Not with Irish Water.

Chairman: Yes, with Irish Water.

Deputy John Lahart: Okay.

Chairman: Let us work as a good, solid and professional committee, which is what I know we will do. We have started well.

The joint committee adjourned at 5.05 p.m. until 1.30 p.m. on Wednesday, 18 January 2017.