Competition and Consumer Protection Commission Submission to the CER Consultation Paper on Irish Water First Fix Policy

1. Introduction

1.1 The Competition and Consumer Protection Commission (CCPC) welcomes the opportunity to respond to the Commission for Energy Regulation’s (CER) consultation on Irish Water First Fix Leak Repair Policy (CER/15/074). In this submission, the CCPC makes some general observations and then addresses a number of the specific questions posed in the consultation document.

2. General Observations

2.1 In May 2014, the Irish Government allocated €51 million to Irish Water to fix leaks on domestic customers’ external supply pipe (leaks within a property are excluded). It is important that these public funds are used in the most effective and efficient manner to ensure that the maximum benefit is achieved, both in relation to water conservation and having a positive impact on consumers. The CCPC notes the CER role in this regard as the economic regulator of the Irish public water and waste water sector. Considering that the CER views the first fix leak repair scheme as an “enduring scheme”, it is vitally important that the most effective and efficient processes and procedures are put in place from the start.

2.2 While noting Irish Water’s objectives for the first fix leak repair scheme, the CCPC recommends the inclusion of an additional consumer protection objective of mitigating the financial impact on those customers who have water leaks on their properties.

2.3 The CCPC notes from the Irish Water first fix leak repair scheme document that it is anticipated that the first fix leak repair scheme will form the first element of a broader framework of customer side leakage policies and the CCPC looks forward to future engagement in relation to these policies. In this regard, consideration should be given to how best to
2.7 The CCPC is of the view that, for properties included in the scheme, all existing leaks on external pipework should be identified and repaired i.e. in situations where multiple leaks might exist, they should all be fixed under the first fix scheme.

2.8 The CCPC seeks clarity on the policy in cases where a leak is identified in a rental property but the landlord takes no action to address the leak, thereby resulting in potentially higher bill charges for the tenants.

2.9 The CCPC also seeks clarity on the policy to deal with leaks in relation to mixed use customers.

Responses to Questions raised in the Consultation.

3. Acceptable time between a leak alarm and receipt of a customer notification letter (Question 2)

Customers should be notified of known leaks at the earliest possible opportunity. This will take on a greater significance in future with the ending of the capped charge regime, due to the cost implications for customers of having unattended leaks.

4. Prioritisation and Clustering (Questions 3)

The CCPC recognises the benefit of prioritisation and clustering to make best use of available funds and maximise efficiencies by fixing those leaks giving rise to the greatest water losses.

The CCPC notes that, with the present capped water regime, any equity concerns between customers benefiting from the First Fix Leak Repair Scheme and those who don’t should be limited\(^1\). However, as highlighted in paragraph 2.4 above, customers not considered eligible for the First Fix scheme or those nor selected for repair, due to prioritisation / clustering

\(^1\) With the current capped water charges regime, delays in the diagnosis and repair of leaks will have a limited impact on individual customer’s bill (i.e. beyond a certain volume of water, customers will not pay (directly) for the extra water consumed and metered).
possible. It would appear from IW's document that surface leaks will not be dealt with if a meter cannot firstly be installed at the property. This approach may prove inefficient and at odds with the principle of water conservation as it will delay the fixing of the problem.

In relation to reported surface leaks, consideration should be given to addressing these, regardless of whether the customer is domestic or mixed use.

8. Irish Water Timelines (Question 10)

Clarity is sought on when the 60 days, referred in section 2.7 of the CER consultation, commences. The CCPC is of the view the system should be sufficiently flexible to not exclude those customers who, for good reason, have not responded within the timelines set out e.g. absence from home.

9. Warranties Regarding Repairs (Question 11)

9.1 The CCPC has a number of suggestions as follows:

- The term "local repair" in paragraph 1.3 of the Terms and Conditions should be defined;
- The 12 months period for the identification of defects following repairs by Irish Water (paragraph 8.1) appears to be short considering the nature of the work. A period of 6 years, in keeping with the statute of limitation, would be more appropriate, and should be considered.

9.2 In relation to defects in the Works due to the material used by Irish Water as part of the Works, the lawfulness of the warranty exclusion should be reviewed to ensure that it complies with Part IV of the Sale of Goods and Supply of Services Act 1980 which states at Section 39:

"Subject to section 40, in every contract for the supply of a service where the supplier is acting in the course of a business, the following terms are implied—

(a) that the supplier has the necessary skill to render the service,
Response from the Society of St. Vincent De Paul to
The Commission for Energy Regulation’s Consultation on Irish Water’s First Fix Policy
May 2015

The Society of St. Vincent de Paul (SVP) acknowledges the significant role and workload of the Commission for Energy Regulation (CER) in the regulation of Irish Water utility. The SVP’s main considerations in relation to Irish Water has been the protection of customers in financial hardship, the promotion of customer friendly policies and procedures and, most of all, the need for a fair and sustainable charging structure post the 2018 timeline of the present fixed charges.

Our recommendations in relation to Irish Water’s first fix policy are based on our belief in the need for customer friendly policies and procedures. They are:

Recommendation 1: The need for data on internal stop valves
One of the eligibility criteria for the first fix policy is that the property has an internal stop valve. It appears there is no data on the quantity of homes with or without such valves. It is reasonable to assume most householders do not know whether their dwelling has one, where it is located and how to recognise it. Therefore SVP recommends that:
- Data be gathered on the extent of stop valves and if their necessity will deprive a significant number of homes from the first fix policy.
- In the event that many households are omitted, then a complimentary policy of internal stop valve supply and installation will be required.
- Customer notification of the scheme must a) inform customers of how to recognise and locate such valves and b) provide information on how to supply and install such a valve.

Recommendation 2: Supporting customers who remain ineligible for the scheme
In the event that leaks are identified in homes which remain ineligible for the scheme one must consider the concerns of the household in this regard, particularly where the concern is that the result of the leak is potentially damaging to health, e.g. bronchitis. Such households need to be provided with best advice as how to identify and remedy the problem. The consultation document appears to foresee that many of the water leaks occur internal to the home. This will provide worry for householders as to where the water is going. In such scenarios Irish Water must be responsible for informing householders of where such leaks usually occur and how best to remedy them.

Recommendation 3: The right of appeal for customers who are eligible for the scheme but do not receive a service
The SVP acknowledges the need for the First Fix Scheme to be run as efficiently as possible and recognises that eligible households may still receive no or delayed service. Such customers should a) be informed of the nature of the leak b) the detailed reason as to why they are not receiving a service and c) be given the right to appeal the decision to an independent 3rd party such as the CER complaint process.

Recommendation 4: Households in the Private rented Sector
It is important that households in the private rented sector are not disadvantaged in accessing this scheme. Extra efforts may be required to ensure that tenants and landlords of homes that are identified and eligible for the scheme take up the opportunity that this first fix policy offers.

Recommendation 5: Evaluation and Review
The scheme must be kept under review to ensure its objective meets household needs.
Irish Council for Social Housing

Submission to the Commission for Energy Regulation (CER) on First Fix Policy

Ref CER /15074
14th May 2015

Introduction

The Irish Council for Social Housing (ICSH) welcomes the opportunity to input into CER’s consultation on the first fix policy.

The ICSH was established in 1982 as the national social housing federation to promote the development of good quality social housing in Ireland as a vital social service. The ICSH represents almost 300 housing associations across Ireland. Members of the ICSH are involved in the delivery and management of social housing and related services to families on low incomes, homeless people, people with disabilities and the elderly, over 27,000 units in total.

Submission

The ICSH advocate that the first-fix policy be extended to vacant dwellings.

Landlords are currently liable to pay a vacant unit fee of €125 per annum and are also liable for any excess water usage for metered dwellings.

Under the proposed scheme vacant dwellings are not currently eligible. This means that there could possibly be an unfair situation where owners/landlords are forced to pay higher metered fees despite the only water usage being from a leak.

Including vacant dwellings in the first fix scheme will allow landlords to address any leaks before a re-let takes place and this will also make them more attractive to prospective tenants (and hence encouraging re-lets) as they will be aware that there is a sound water infrastructure in place.

The ICSH advocate that dwellings that are currently vacant should be eligible for the first fix scheme.

Also, the current requirement for eligible dwellings to have an internal stop-cock may prohibit a number of dwellings from being part of this scheme, particularly older dwellings that may only have an external stop vale. This will mean that the source of leaks are not identified in these dwellings and will result in unfair bills being levied on this category of the housing stock.

The ICSH advocate that this requirement be removed from the eligibility criteria for the scheme.

For further information, you can contact Kevin Ryan, Compliance Development Officer at 01 661 8334 or kevin@icsh.ie
14 May 2015,

Ms Clare Mulcahy,
The Water Team,
Commission for Energy Regulation,
The Exchange,
Belgard Square North,
Tallaght,
Dublin 24.

Re: CER Consultation on Irish Water First Fix Leak Repair Scheme
CER/15/074

Dear Ms Mulcahy,

Further to the publication of the CER Consultation on the Irish Water First Fix Policy, ICMSA would like to make the following comments;

- Farmers are classified as Mixed Use customers and have been paying for water on a volumetric basis coupled with a standing charge for meters for many years.
- ICMSA do not believe the eligibility criteria used by Irish Water is reasonable and we believe that Mixed Use customers should be included as eligible under the Irish Water First Fix Leak Repair Scheme.
- As a First Fix Leak Repair Scheme for Mixed Use customers will need to be tailored specifically for this set of customers, ICMSA believe Irish Water must immediately publish details of a First Fix Leak Repair Scheme for Mixed Use customers for consultation.

ICMSA believe our comments should be taken on board and are available to meet with you to discuss these matters if required.

Yours sincerely,

[Signature]

John Comer,
President.
Submission to CER in relation to CER/15/074

By Eamonn Grennan

Preface

It is my understanding that this “First Fix” proposal has two over-arching objectives: - 1) Water conservation (p20 IW, “the water conservation objectives of this scheme); and, 2) Lower bills when metering charges commence. Anything which hinders either of these objectives should be discarded.

For reasons detailed throughout this submission and summarised at the end, I believe that except for the undertaking by Irish Water to fix all leaks as they arise over the next 3 years and for which there are very good reasons, not least of them water conservation, that the present proposals be withdrawn. Irish Water should use the intervening period to re-draft a leaks-fixing regime, with particular attention being paid to amending the extremely onerous (first) leak fixing criteria in favour of the consumer. This would allow Irish Water, CER and the general public to assess the data gathered during this period by Irish Water, who would also compile and present other data which is presently either not to hand, requires further elaboration or is not yet published.

There is a short (Executive) Summary below, after which each of the questions posed by you in CER/15/074 is addressed. In regard to the term “First Fix Leak Repair Scheme”, throughout this document unless otherwise stated any combination of these five words should be taken to mean the same thing.

Summary

There is no joined-up thinking by Irish Water, everything is being left to the Regulator. This is grossly unfair to both CER and the public upon whom they depend for engagement, and is at variance with the practice of both the ESB and An Bórd Gáis. The acceptance by the public of the role of CER is paramount in this process and so nothing must happen that would endanger the confidence that CER has built up with the public since its inception under the tutelage of Tom Reeves, and particularly so in regard to “customer protection” and its reputational risk must be protected at all costs. Allowing this proposal...
contrary to government policy and therefore all decisions such as the one under consideration should be postponed until they fully implement government policy and directives.

Let's now look at these points in more detail.

Section 2.4

Q.1.

I agree with the intent of the CER question. What does "Constant Flow Notification Letter" mean to the average person? The word "notification" is usually associated with something bad e.g. a speeding fine or something difficult e.g. jury service. Quite frankly on receiving a "notification" letter from Irish Water, most people would assume that they had either omitted to do something or had have done something wrong; whereas the intent should be to make sure that they read it. Everything is being put back on the shoulders (and pockets) of the householder, Irish Water seem intent on frightening people - to what purpose? Having said that, the text isn't bad, if one got around to reading it. However, "We may be able" is too indefinite, if there's an external leak 'we will be able to help you' and if there's an internal leak (never mind the water cost) what about the damage to the foundations and 'we will be able to alert to it'. Irish Water appear to be incapable of thinking positively on behalf of the consumer. I'll give them one piece of advice, change the word "notification" to "advice", and that will achieve a much higher response rate and ultimately save water.

The sentence "Therefore Irish Water has proposed a free first fix leak repair model where pipe replacement is viewed as a more efficient model" (p8), the objective of this statement / decision therein, of this is not clear.

I am however pleased to note that Irish Water will issue a booklet. However I believe that they should go one step further and that all of their documentation which is submitted to CER should be available in hard copy, post free, to all interested parties.

Q.2.
(as indeed do Telecom Éireann) and on gas smells which have been detected. Irish Water seem to have a disdainful attitude towards Third Party reports and indeed the public in general. What happens if a Third Party reports a water leak?

Reporting on someone who may be under severe financial pressure (Irish Water’s history so far does not engender confidence that they will deal with such people in a sympathetic manner), and can’t afford a fix and are under such financial pressure that they do the unthinkable, where does that leave the public spirited person who reported the leak in the first place? This doesn’t happen with either the ESB or An Bórd Gáis. Is the reason that Irish Water are not proposing something which their parent company relies heavily upon, a tacit admission that they don’t know how to deal with the public?

Q.3.

The simple answer is NO. The detailed answer is basically within some of the other answers given below, where it was thought that the information was more relevant.

Q.4.

I agree entirely with the CER inference that “there should be a process whereby a new owner is not excluded from the scheme as the previous owner had not responded to the Customer Notification letter”, (p9). As indicated elsewhere I believe that there should be no restrictions or exclusions. Because as CER states “This would (aim) to reduce the level of leakage in the system and result in an overall benefit of reducing the cost of water supply in the future” (p9).

Then there is the question of what is meant by “first fix”? Is it for the owner or the property? If it’s the house, how long does it last - forever? Does a potential buyer have to be informed that a first fix has been completed and will it be incumbent on the solicitor to check out if there has been a first fix?

If it’s for the owner, does it follow him/her to his/her next property?
Section 2.5

Q.6.

Quite frankly there should be no eligibility criteria, other than the tautological of one of “does a leak exist”. In the Executive Summary (p3, CER/15/074) there are 8 criteria which the consumer must fulfil, failing just one will be sufficient to disqualify the “applicant”, quite frankly this is anti-water conservation and anti-consumer, and as we will see below there are at least another 7 criteria ‘hidden’ within the Irish Water submission.

Thus for at least the next three years and for as long as the fixed charge continues, all leaks should be fixed for free; after all, effectively the cost of water to each household has been fixed for the next five years. This will allow Irish Water to do the following:- (a) Fix the bulk of their own serious leaks which will allow them to take the high ground in relation to water-charging and leak-charging; (b) to measure the true extent of household leaks; (c) to measure the effect of increased pressure on neighbouring pipes after a leak has been fixed; (d) the effect of increased pressure and/or change in the water chemistry on old pipes; and (e) the amount of recidivism, (if the recidivism is anything more than 0.001% I’d be surprised). This is another example of something that is noted in the Irish Water submission, but is not addressed anywhere else in their document, and indeed many of the UK water companies carry-out more than one free fix, this indicates that there is very little recidivism and Irish Water are introducing unnecessary criteria and obligations on property owners, to the detriment of the principle of water conservation.

One of the arguments used in favour of the creation of Irish Water was that it would favour water conservation measures, (they have already conceded on the water usage / conservation issue), and since that concept has been totally discarded, I would argue that it is more in the interest of Irish Water and indeed of conservation, for Irish Water to fix all leaks for free rather than become involved in legal battles over who pays for what and at the same time they would be doing what they are supposed to be doing, helping to conserve water, because it would not be in their interest to allow leaks to persist. The cost of fixing all leaks is far far less than the cost of the consultants charged with coming up with this proposal on first fix leaks.
Gás networks or supplies, why are these criteria being applied here, when the ultimate objective is water conservation.

How can one rely on or put trust in a company that sends it bills to the wrong address and more of its bills for the incorrect amounts.

There is a further serious omission, there is no appeal system if one is deemed not to have met all 12 criteria, remembering that just 1 is sufficient to deem one ineligible.

Q.7.

As indicated earlier, everyone should be eligible for a first leak repair, indeed I go further and say that it should not be confined to just the first leak, which conforms more closely to the position in parts of the UK. 'Let's stop the leaks', because in the long run that will mean less water being processed, less costs to Irish Water and ultimately do away with the necessity to develop more water processing plants.

Let's be clear about this, I am in the "Have registered, Can pay, Will pay" category. A basic question that arises is at what stage does the house-holder own the water? Because ownership of the water appears to be fundamental to this leak fixing scenario. Is it Irish Water's contention that a non-registrant owns the water by default? If so the question of non-eligibility of an unregistered consumer or one who doesn't pay is null and void.

So when does the house-holder own the water? Whereas there is a vertical planar division between the provider and the house-holder within gas/electricity meters; the water which has passed the measuring point in the water meter continues to flow in a horizontal fashion within Irish Water owned equipment, so at what point does the householder become responsible for the water? Unless it can be clearly indicated that the householder owns the water, then I fail to see how they can be held liable for water leaks.

Q.8.

Their silence on this type of (human) reporting and upon the accuracy of human observations is very worrying, and
the leak is identified on the External Supply Pipe between the point of entry to the house and the property boundary", which is I believe the intent of the Scheme. However on Page 9, Line 17, "Irish Water intends to exclude from the Scheme customers that have internal leaks in their property . . . ." With respect, a leak in a pipe between the meter and the house is an ‘internal leak in their property’. Property is being used in two senses by Irish Water, on Page 3 it means the whole property as it is registered at the Land Registry, including inter alia, the house, gardens, garage etc, (N.B. I am deliberately avoiding the word “curtilage", because it is not described in the Glossary of Terms and it is subject to a variety of legal interpretations) whereas on Page 9 “property” appears to mean the “house” or dwelling. However since this goes to the core of a distinction that Irish Water is making, and which makes it fundamentally different from both the ESB and An Bórd Gáis, I believe that there should be no ambiguity in the use of important terms such as “property”;

These errors and omissions would not be tolerated in a Fourth Year Project Thesis. In regard to my own typographical errors, I may not have picked-up all of them due to time constraints, which is not a factor in the case of Irish Water, and their lack of attention to detail, whilst hiding behind excessive bureaucracy is deeply worrying.

Section 2.6

Q.9.

No, because it is too time consuming and bureaucratic, there are 13 steps before they get around to fixing it!!! They talk about saving water, how much water has been lost while they are thinking and passing bits of paper around about it? With all of these criteria, over 12 of them and nearly 20 bureaucratic steps, it’s almost as if the process is being set-up to either justify the expenditure of €57m, or set-up to fail!!

The sentence before the question on p13, goes to the core of a recurring problem with Irish Water, “Repair of all leaks internal to the house remains the responsibility of the customer”, what responsibilities has Irish Water? By signing the agreement, the customer loses most of his/her rights, Irish Water are not proceeding with their own responsibilities in a proper fashion and are constantly trying to dodge them.
As anyone can tell you, Irish water are not available on the phone from Friday evening through to Monday morning. Sometimes you may be directed to a Local Authority number, but mainly one goes around in circles. In addition some Irish Water email addresses do not accept emails, so one has to be an email expert as well if one wishes to contact Irish Water.

They would be ill-advised to proceed along the present schedule. They should look long and hard at both the psychological aggravation to the consumer and the hugely negative PR cost to themselves. Their proposal varies from ill-thought out to not thought out.

Q.11.

The answer is NO.

The fixing contract is way over the top. The householder would be well-advised to obtain legal advice before signing this agreement, which would cost as much as the repair itself, so why not leave the water running? This contract needs to be severely amended, with nearly all of the obligations falling back on Irish Water. I’ve read it, but with the time constraints on submissions and addressing the exaggerated claims by Irish Water in their submission, I have not critiqued it a manner that allows me to comment further on it.

What’s the position in regards to leaks induced by Irish Water? Two examples are set-out below, but there are lots of others.

We know from the biological water problems in Galway circa seven years ago, that when an attempt to rectify the situation by lowering the pH was introduced that it induced an enormous number of leaks within houses, for which there is a simple chemical explanation, but which Irish Water are choosing to ignore, despite repeated requests to guarantee that the quality of water presently being supplied will not be altered. So who is responsible for a leak which has been induced by Irish Water? To ask the house-holder to pay for this, whether it be inside or outside the house is absolutely untenable, but who is going to protect the householder?

The second scenario, is where a leak at House A is fixed, but because of the increased pressure in the mainline,
than relying on humans. Why should people have trust in a company that comes at the bottom of 100 companies in Ireland for trustworthiness, lower than even the banks! No, this submission should be sent back to Irish Water with the old Irish teaching comment of ‘must try harder’.

People should be treated with respect, something that Irish Water have failed to do since it was first set up e.g. How does one engage with an Irish Water email address which does not accept replies?

Irish Water are also under an illusion that they and only they and their consultants have the knowledge and the expertise. They need to be disillusioned. Asking questions should not be seen negatively - I want water production reduced by 49%, this set of proposals is not the way to achieve that.

There is no conservation rationale for this proposal. I strongly suggest that the €57M, continue to be spent on fixing (all) leaks and then the whole scheme should be reviewed when there is sufficient data gathered to evaluate the scheme. This comprehensive review should be initiated after about three years, and the report and the (new) proposals submitted to CER, with the possibility of a new regime being put in place 6-12 months thereafter. At a minimum a decision by CER should be postponed until Irish Water addresses all of the issues raised and the omissions identified within their submission.

**Irish Water’s Comparative Studies**

Irish Water’s use of water utility companies in England is at first glance okay, but when reviewed in detail, it fails because the English companies are all privately owned and it should be far more appropriate to look at Irish state-owned utility companies, which have throughout their history delivered a very good service to the Irish people. Irish Water’s proposal is totally at variance with that of either the ESB or An Bórd Gáis, and they have provided no explanation for that. It is peculiar to say the least that Irish Water believes that its parent company’s leak reporting arrangements are not worthy of comparison with theirs.

It is important to note that in regard to the (repair) work of the ESB and An Bórd Gáis, one seldom if ever hears a complaint. The national gas network is about 40 years old, the national electricity scheme is operating
repairs" (p5). It has to be said that this is a very good idea, it's the implementation that is the problem.

When will the macro data (p5) being gathered by IW be released to the public, having particular regard to the size of dwelling, number and age of occupants, socio-economic status of the household, water quality parameters etc.

Other than drawing attention to the existence of a 'subsidy based model' for repairs (p6) the matter is not addressed further by IW.

"These policies are typically limited by the time period or an absolute number per property" (p6). This is in fact a gross over-simplification and totally incorrect summary of the data presented later in the document (cf pages 13 and 14, Pilot Study). Most (13) are NOT limited by "an absolute number" and a half are open-ended time wise. This is discussed in greater detail below.

IW don't address the question of a property owner who doesn't agree to a leak investigation and indeed it's not clear why an owner should agree. We also know from the Property Tax situation, how hard it was for the Local Authorities to contact property owners.

The closing section of 3.2.1 is over-stated, where is the data to support the statement that 'it would be extremely difficult to identify any leak occurring at a CF of <61h’ .'. What about ground seepage, internal leaks etc? For example, can you have a visible surface leak which is not manifested by a CFA?

Page 13 too many 'ifs', when 'when' is a much more consumer friendly term. It raises the question, why are IW constantly trying to antagonise people? For example on p20, 4.3, if the "if" (a very negative term) was replaced by "when" (a much more positive term), it would actually give a truer picture of IW intent.

"It is expected that the largest leaks . . . the greatest benefits in terms of water conservation" (p15), but this excludes ineligible consumers, who I suspect are living in older houses in the more rural parts of the country, with older pipes which are more prone to leakage; this is a bad decision by IW and should be reversed.

"The leak investigation will be deemed to be closed by IW", (p16) does that mean that the right to a first fix is also closed off?
this figure and a rounded figure such as 300l always worries me.

On p6 (Pilot), there is an equally worrying phrase “to an assumed ‘normal usage’ of 325ld” (which is repeated on p37), where is the 300 ld gone? Indeed it raises the question, which if either is correct?

On p10 “IW intends to assist customers”, it omits to say provided you have fulfilled all 12 criteria.

In regard to the Tables on pages 13 and 14 it’s unclear whether any Scottish or Northern Ireland Water companies are included.

In addition, as an amateur psephologist, on my count there are 13 of the “listed” 20 companies which offer more than one “free fix”, that to me is a majority and quite frankly the statement that “the majority of companies limit the number of free repairs to one per property/occupancy” is fundamentally incorrect. It is also patently incorrect to state on p17 that “the offer of one fix per property/occupancy is the most commonly applied limit”. (The only logical explanation is that IW personnel were looking at another set of Tables different from those submitted to CER).

The data on p15 supports my contention that since the “free repairs” declines year-on-year, fixation (pun intended) on first repairs is over emphasised.

Respectfully submitted,

Eamonn Grennan