



REGULATED INDUSTRIES COMMISSION

**The Regulated Industries Commission's
Public Consultation
on the Water and Sewerage Authority's
Application for a Rate Review**

OBJECTIVES OF THE PUBLIC CONSULTATION

1. To share information with a range of stakeholders on the Regulated Industries Commission's approach to the WASA's Rate Review Application.
2. To obtain feedback, comments and suggestions from stakeholders on the RIC's approach.

Background Information

- The Regulated Industries Commission (RIC) was established by Act No 26 of 1998 to replace the then existing Public Utilities Commission.
- The RIC was in fact one of a new wave of independent regulators established throughout the region and world from the 1990s to the present.

Background Information – *Cont'd*

- Independent Regulation has become the norm in order to reduce the powers of Governments to directly determine how public utilities are regulated.
- The RIC Act, for example, gives it the **ONLY LEGAL** authority to set prices or rates and as well conditions of service

Critical Role of Consumer Involvement in this Process

Consumer involvement is a vital component of the RIC's decision making since, inter alia, the RIC Act mandates such participation as an essential component of its decision-making.

The RIC facilitates stakeholder participation by:

- Website updates and web-based forum;
- Via Print and Electronic Media;
- Written Consultations Documents;
- Public Meetings Workshops; and
- National Consultations.

Background Continued – Cont'd

- The RIC held discussions with WASA for much of 2007 on the requirements for submission of a Business Plan for the coming 5 years.
- On December 17, 2007 WASA formally submitted its Business Plan.
- On December 18, 2007 the Board of Commissioners decided to initiate a Rate Review based on WASA's Business Plan.
- On February 13, 2008 the RIC publicly announced its December decision.

RATE REVIEW PROCESS

The RIC's Rate Review Process consists of three steps:

Step 1:

The preparation of information requirements to be submitted by WASA in the form of a Business Plan

Step 2:

A thorough analysis of this Business Plan.

Step 3: The formal review process.

NOTE: Step 1 is complete and Steps 2 and 3 are currently underway

ELEMENTS OF STEPS 3

- Publication of Policy papers which inform the RIC's approach to evaluation of WASA's Rate application for public comments;
- Finalization of policy papers based on public comments;
- Public Consultations

The RIC's Approach

Three Questions

inform the RIC's approach to this
WASA Rate Review

The Three Questions are:

1. How can consumers receive an improved supply of water within the shortest possible time?
2. How can an improved water supply be achieved at the least possible cost?
3. How can the RIC ensure that vulnerable groups in the society are not disadvantaged?

1. How can Consumers receive an improved Supply of Water within the shortest possible time?

FACTS:

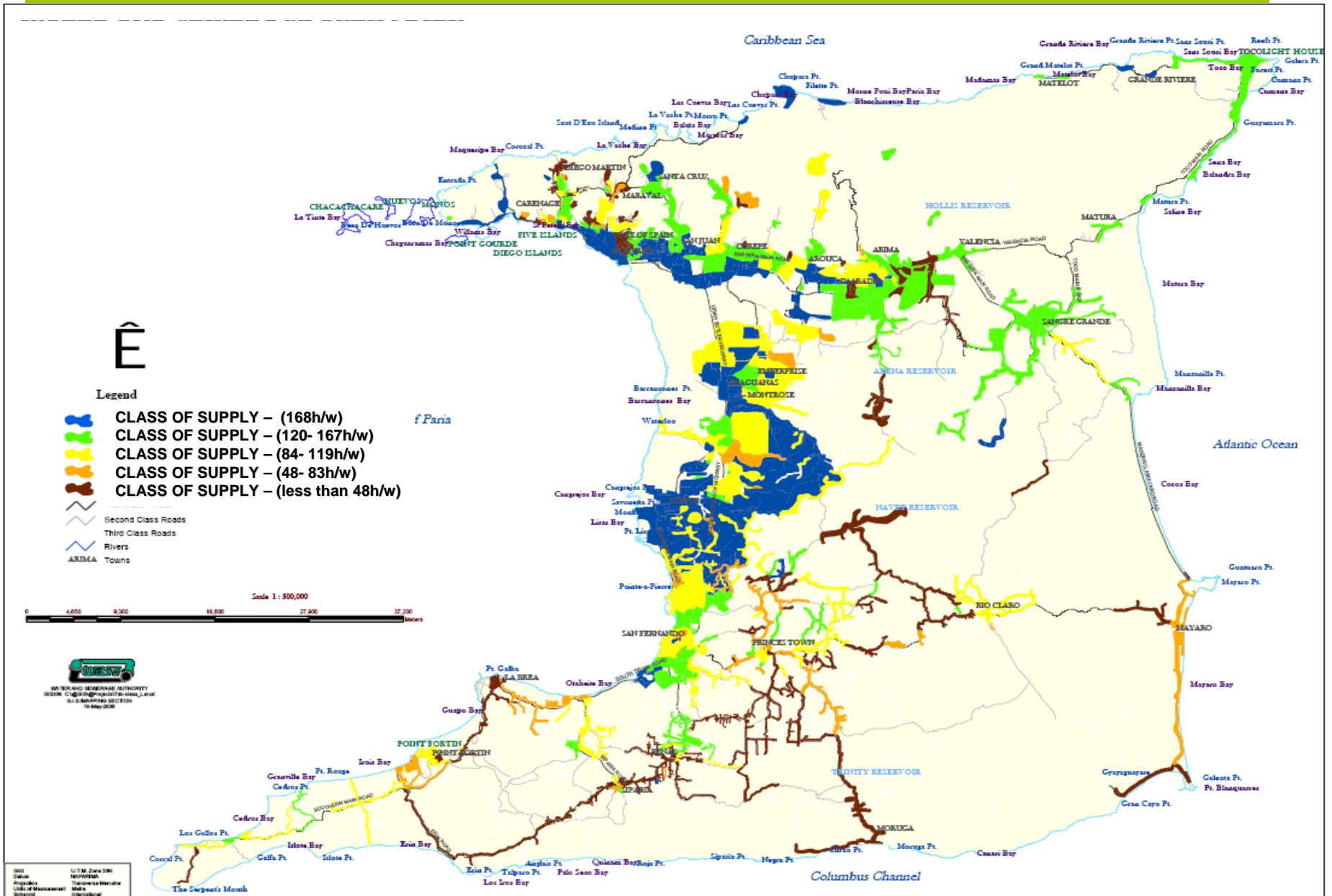
1. Only about 20% of the population has 24/7 supply.
2. About 200,000 persons have less than 2 days per week supply.
3. Nearly 400 communities get once or twice per month supply.

How can consumers receive an improved supply of water within the shortest possible time?

– Cont'd –

4. Existence of low pressure and intermittent water supply to a growing number of the population.
5. Aged infrastructure and years of underinvestment in assets has compounded the problem

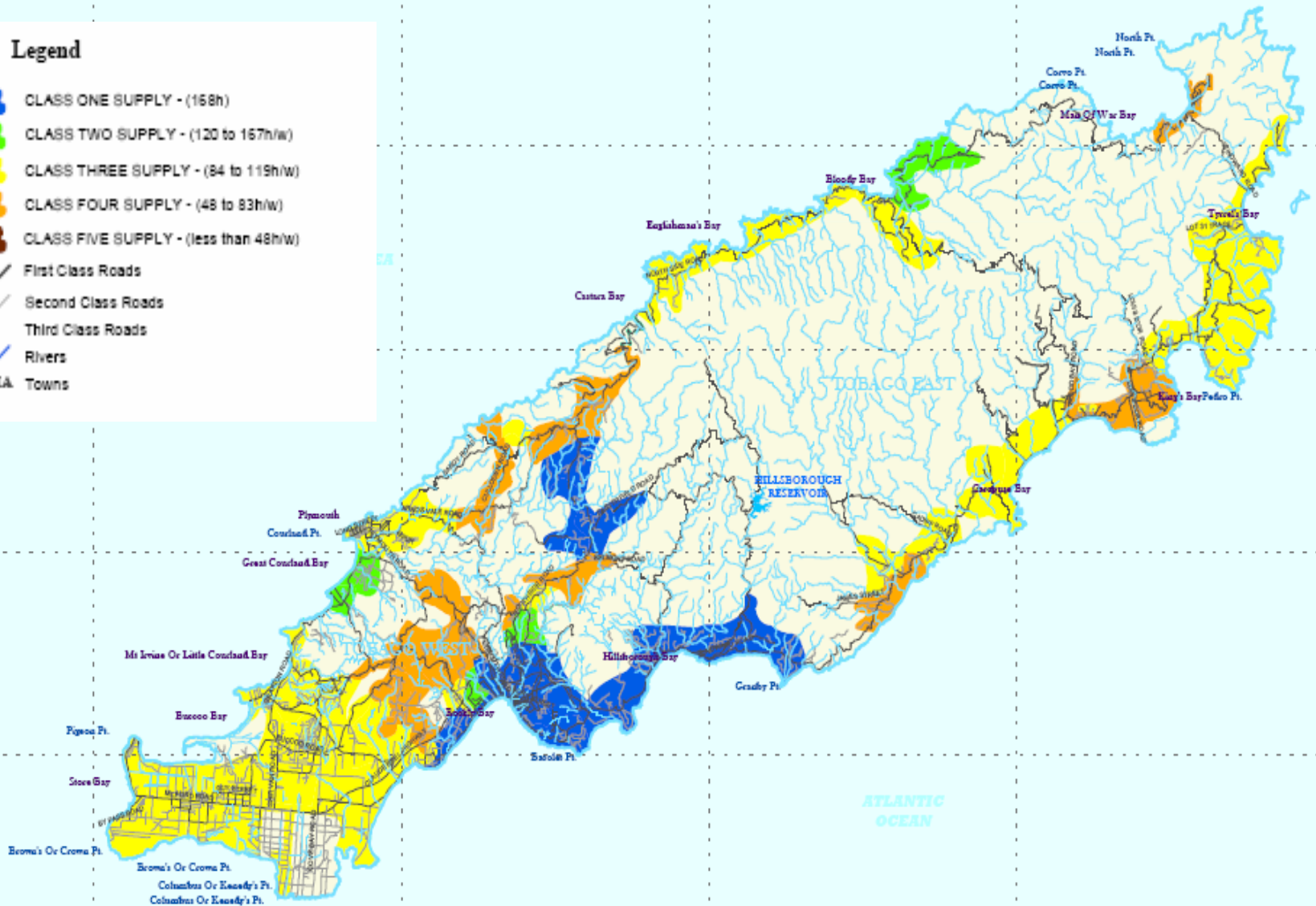
Water Supply Frequency Trinidad



Water Supply Frequency Tobago

Legend

-  CLASS ONE SUPPLY - (168h)
-  CLASS TWO SUPPLY - (120 to 167h/w)
-  CLASS THREE SUPPLY - (84 to 119h/w)
-  CLASS FOUR SUPPLY - (48 to 83h/w)
-  CLASS FIVE SUPPLY - (less than 48h/w)
-  First Class Roads
-  Second Class Roads
-  Third Class Roads
-  Rivers
-  ARIMA Towns



How can consumers receive an improved supply of water within the shortest possible time?

– Cont'd –

RIC's Priority Issues at-a-glance

- Short-term plan to ensure at least 2-day supply per week for all.
- Fast-tracking pipeline (network) replacement to reduce leakage (i.e. comprehensive mains replacement programme) and thereby increasing supplies to water deficit areas.
- Setting timeframes for fixing leaks.
- Establishing community tanks.
- Trucking of water (if necessary).
- Introduction of Metering.

How can consumers receive an improved supply of water within the shortest possible time?

- Cont'd -

The following policy papers would be released for public comment shortly to address this first Question:

- Water Supply/Demand Balance
- Voluntary or Universal Metering – “*A Way Forward*”
- Reducing Non-revenue Water

2. How can an improved Water Supply be achieved at the least possible Cost?

FACTS:

- Tariffs for some were last adjusted in 1993 i.e. about 15 years ago (*for others tariffs last adjusted in 1986*). In fact rates increased only 3 times in last 70 years: 1937, 1986 and 1993(*for some*).
- At present, water rates cover only 40% of WASA's costs.
- Only two sources of funding for improvement in supply: through water rates or direct state funding.

How can an improved Water Supply be achieved at the least possible Cost?

Cont'd -

The RIC's Water Rates (Price) Control Regulation is designed to achieve least possible costs:

- By restricting the amount of revenue WASA can raise from customers' bills.
- By providing incentives for WASA to improve efficiency and service delivery.

How can an improved Water Supply be achieved at the least possible Cost?
– **Cont'd** –

- By setting Quality of Service Standards to ensure that WASA does not sacrifice quality of service in its bid to lower costs.
- By setting unit costs on the expectations of improvements in operational efficiency (leakage, control and revenue collection improvements, energy efficiency and manpower utilization).

How can an improved Water Supply be achieved at the least possible Cost?
– **Cont'd** –

RIC's Proposals at-a-glance

- Benchmarking (comparison) with other well run utilities.
- Setting targets for leakage reduction, staffing levels, collection ratios, water quality etc.
- Setting targets to encourage a minimum level of performance.
- Monitoring and making reports public.

How can an improved Water Supply be achieved at the least possible Cost?
– **Cont'd** –

- Other trigger mechanisms, whereby any shortfall in level of service/targets would result in financial penalties for WASA.
- Compensating customers (based on guaranteed standards) when such standards are breached.

How can an improved Water Supply be achieved at the least possible Cost?

- Cont'd -

The RIC will consult on the following documents to address the second question:

- Financing of Water Sector and Investment Plan
- Efficient Level of Operating Costs
- Efficient & prudent level of Capital Costs
- Improving Performance – Efficiency Incentives for WASA (*released*)

3. How can the RIC ensure that vulnerable groups in the society are not disadvantaged?

FACTS:

The current approach to general subsidies with low tariffs has many limitations including:

- i. Nearly all subsidies go to customers with 24/7 and industrial/commercial customers.
- ii. Access rates have remained low and are systematically lower for rural and poor households who pay a substantially higher price to buy water and who remain unconnected to the public network

How can the RIC ensure that vulnerable groups in the society are not disadvantaged?

– **Cont'd** –

In exploring subsidy arrangements, the RIC's position is that:

- a) Subsidies need to target vulnerable consumers in a transparent manner, rather than across-the-board subsidies;
- b) A subsidy should be established at a level that does not support excessive consumption;
- c) The subsidy scheme should not distort incentives; and
- d) A subsidy source needs to be predetermined and disclosed and paid to the service provider preferably out of general tax revenues.

How can the RIC ensure that vulnerable groups in the society are not disadvantaged?

– **Cont'd** –

The RIC's policy will:

- i. Ensure that no residential customer pays more than 3% of monthly family income for water service.
- ii. Include an explicit subsidy to lower income groups for meeting the connection charge.
- iii. Establish a special low-income assistance programme including a separate fund to cater for the special needs and most vulnerable consumers in the society.

How can the RIC ensure that poor and vulnerable groups in the society are not disadvantaged?

– **Cont'd** –

- iv. Support strategies designed to assist vulnerable groups to gain access to the piped water supply system through funding mechanisms.
- v. Support intervention by the Government whereby the vulnerable receive a discount on their total bills such as the Hardship Relief Programme.

How can the RIC ensure that poor and vulnerable groups in the society are not disadvantaged?

– **Cont'd** –

The RIC will consult on the following documents to address this third question.

1. RIC's Social Policy and Strategy for Water Regulation (*released*)
2. Water Pricing Principles and Measures to Mitigate Impact on Vulnerable Income Groups
3. Efficient Subsidy Mechanism

TO RECAP

The **three questions**, which inform the RIC's approach to this WASA Rate Review are:

1. How can consumers receive an improved supply of water within the shortest possible time?
2. How can an improved water supply be achieved at the least possible cost?
3. How can the RIC ensure that vulnerable groups in the society are not disadvantaged?

Thank You



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