



## WASA RATE REVIEW

### *Developing a More Efficient Water Sector – Key Issues and Challenges*

As an independent statutory body that regulates the water and wastewater sectors, the Regulated Industries Commission (RIC) is working to ensure the development and the delivery of the highest quality of utility service to the customer at an affordable cost, while ensuring that the WASA can manage and operate in an economic and efficient manner.

#### RATIONALE

Access to potable (drinkable) water is a critical determinant of the quality of life of all citizens and a major component of the infrastructure base that supports industrial development for economic growth and expansion. As it stands, the local water and wastewater sector continues to be plagued by severe deficiencies with respect to availability, reliability, sustainability and equity of services.

**In fact, while 92% of the population has access to potable (drinkable) water; Only about 20% receives a 24/7 supply; Over 80% receive scheduled supply, and 30% is served by central sewerage systems.**

The RIC is seeking to have three (3) questions answered in evaluating WASA's Rate Application:

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 the poor and vulnerable groups in the society are not disadvantaged?**

The details now follow on these three (3) questions.

## Question #1

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

### a. The Facts are:

- i. Only about 20% of the population has 24/7 supply.
- ii. About 200,000 persons have less than 2 days per week supply.
- iii. Nearly 400 communities get once or twice per month supply.
- iv. Existence of low pressure and intermittent water supply to a growing number of the population.
- v. Aged infrastructure and years of underinvestment in assets has compounded the situation.

### RIC's Proposals At-a-Glance

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

The RIC will release papers for public comment in relation to the first question as follows:

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

## Question #2

## 2. How can an improved water supply be achieved at the least possible cost?

### a. The Facts are:

- i. The current organizational culture (WASA's) lacks strong incentives for high performance.
- ii. Tariffs were last adjusted in 1993 i.e. about 15 years ago (1986 for some consumers).
- iii. Currently, tariffs cover only 40% of WASA's costs.

- iv. Only two sources of funding improvement in supply: through tariffs or direct state funding.

The RIC's 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.
- By setting Quality of Service Standards to ensure that WASA does not sacrifice quality of service in its bid to lower costs.
- By setting out what WASA should achieve (via standards, incentives etc.) and then reaching decisions about how this can be done at the lowest overall reasonable cost.
- By setting unit costs on the expectations of improvements in operational efficiency (manpower utilization, energy efficiency, leakage control and revenue collection improvements).

#### **RIC's Proposals At-A-Glance**

- Benchmarking with other well run utilities.
- Setting targets to encourage a minimum level of performance.
- Monitoring and making reports public.
- Setting targets for leakage reduction, staffing levels, collection ratios, water quality etc.
- Incentivising WASA's senior management via mechanism such as Performance Related Pay.
- Other trigger mechanisms, whereby any shortfall in level of service/targets would result in financial penalties for WASA.
- Compensating customers (based on guaranteed standards) who fall victims of bad service.
- Establishing a hard budgetary constraint.

The RIC will release a number of documents in relation to question two as follows:

- How the RIC can create incentives to improve performance
- How the RIC decides on the level of efficient costs (both operating and capital) that WASA should be allowed.
- How best to ensure that customers receive an appropriate level of service.

The RIC has released its document entitled:

**"Improving Performance – Efficiency Incentives for a Public Sector Monopoly"**, which is available on the RIC's website: [www.ric.org.tt](http://www.ric.org.tt).

## Question #3

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

- a. **The Facts are that the current approach to general subsidies with low tariffs has many limitations.**
  - i. Currently, 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.

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

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

The RIC's policy will:

- Ensure that no residential customer pays more than 3% of monthly family income for water service.
- Include an explicit subsidy to the lower income groups/poor for meeting the connection charge (e.g. a fixed dollar discount on connection charge) and would require the service provider to develop and use an appropriate credit system to spread the payment for connection charge over time.
- Establish a special low-income assistance programme whereby a separate fund will be established by the service provider to cater for the special needs of the poorest and most vulnerable consumers in the society.
- Support any intervention by the Government whereby the poor groups receive a discount on their total bills such as the Hardship Relief Programme.
- Support strategies designed to assist the poor to gain access to the piped water supply system through funding mechanisms specifically designed to help the poor.

In order to determine what subsidy mechanisms should be adopted to cushion the impact on vulnerable groups the RIC has released its document entitled "**What is the most efficient and**

**effective subsidy mechanism for the poor?"** A detailed paper is available on the RIC's website: [www.ric.org.tt](http://www.ric.org.tt).

### INVOLVING YOU THE CONSUMER

Consumer involvement is a vital component of good utility regulation since consumers can enhance the regulatory decision-making process. The RIC provides many opportunities to encourage stakeholder participation:

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

### RATE REVIEW PROCESS

The RIC has an established Rate Review Process that facilitates transparency of information, public consultation and participation before decision-making. In its efforts to educate and empower consumers, the RIC's Rate Review Process consists of 3 steps:

- **Step #1:** The preparation of information requirements in the form of a Business Plan to be submitted by WASA.
- **Step #2:** A thorough analysis of this Business Plan.
- **Step #3:** The formal review process.

### Upcoming Consultations:

These consultations are being held to encourage more focused debate, as well as more direct opportunities to explain and hear views. All documentation relevant to these consultations will be posted for download on the RIC's website: <http://www.ric.org.tt> prior to the consultation.

#### The details of these consultations are as follows:

- 6<sup>th</sup> May - **Penal** - Siparia Civic Centre - 3:00pm – 5:00pm
- 14<sup>th</sup> May - **OWTU** – San Fernando – 7:30am – 10:30am
- 20<sup>th</sup> May - **Tobago**
  - Argyle Community Centre – 10:00am – 12:00 non
  - THA Lecture Room – Scarborough – 4:00pm – 6:00pm
- 27<sup>th</sup> May - Chamber/Business Community - Regional Sports Complex, Saith Park  
**Chaguanas** – 7:30am -10:30am

- 28<sup>th</sup> May - SWWTU – Port-of-Spain – 2:00 – 4:00pm

## Visit our online Discussion Forum

Visit the RIC's Website at [www.ric.org.tt](http://www.ric.org.tt) sign in and join the discussion forum today and be among those having a louder voice on issues affecting them.

## Your views are important to us!

Call us: **800-4RIC** (4742)  
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Email us: [comments@ric.org.tt](mailto:comments@ric.org.tt)  
Write to us: The Executive Director,  
Regulated Industries Commission,  
1<sup>st</sup> & 3rd Floors, Furness House,  
Corner Wrightson Road & Independence Square,  
Port of Spain