

SOCIAL POLICY AND STRATEGY FOR WATER SECTOR REGULATION

SUMMARY PAPER

1. INTRODUCTION

The Regulated Industries Commission (RIC) has a commitment to address social equity and to ensure that the lower income and vulnerable groups are protected by adequate mechanisms that provide them with their basic needs for water.

The RIC's policy objectives, in fulfilling its mandate under its Act, to protect consumer's interests are outlined below. This is a summary version of the document "**Social Policy and Strategy for Water Sector Regulation**", which is available on the RIC's website: www.ric.org.tt.

This paper is informed by the current state of the local water and wastewater sector which continues to be plagued by severe deficiencies with respect to availability, reliability, sustainability and equity of services. The impact of poor service is severest on the rural areas and on the poor who are often not connected to the formal network. The findings of the "Willingness to Pay" survey undertaken by the RIC in 2003, where customers emphasized issues related to accessibility, reliability, affordability, the uncaring attitude of WASA and the feeling of exclusion and marginalization due to lack of attention to their problems, as areas of priority to them in terms of their water supply, also inform this document.

2. RIC'S SOCIAL POLICY OBJECTIVES

2.1. ACCESSIBILITY AND RELIABILITY OF SUPPLY

Currently, due to limited water resources coupled with high physical leakage and other inefficiencies in supply, less than 25% of the population receives a 24-hour piped supply.

Households face low pressure and/or intermittent water supply and often spend large sums of money on expensive and sometimes unsafe alternatives to cope with the poor quality of services.

RIC's Policy Statement with respect to Accessibility and Reliability

i. Improving access to and reliability of water:

- The RIC will promote equal rights for access to water services. This means that the RIC's focus will be on expanding connections to the network.
- The RIC will support any interventions which will lead to improvement and more reliable access to water in the short and medium term with the ultimate objective of direct connections and continuous water supply to all.

ii. Targeting investment for low income/rural consumers:

- Overall, the RIC will put water at the centre of poverty-reduction strategies with predictable fundings.
- The RIC will promote and support strategies designed to assist the poor to gain access to the piped water supply system through funding mechanisms (e.g. including water supply projects when establishing revenue requirement for the service provider) specifically designed to help the lower-income/poor groups.
- The RIC will also instruct WASA to include pro-poor criteria when undertaking investment in water supply projects.

2.2. CODES OF PRACTICE

The RIC is committed to the introduction of Codes of Practice, which are essentially a set of guiding principles that the service provider consistently uses in dealing with specific customer issues. They are designed to improve the delivery of the service provider's social obligations. Under this initiative, WASA will be required to prepare and submit Codes of Practice for RIC's approval on a number of areas.

RIC's Policy Statement with respect to Codes of Practice

The RIC will require the service provider to offer:

- the right to negotiate reasonable payment arrangements for customers experiencing payment difficulties (installment payment plans). This does not mean, however, that customers use payment plans as a matter of convenience or for flexible budgeting purposes;
- access to financial counselling; and
- every opportunity for customers to make payments before disconnection action is taken. A number of steps would be required to be taken before supply is actually disconnected:
 - offering the customer alternative payment options.
 - using best endeavours to contact the customer in person.
 - giving a specified period of written notice of the intention to disconnect.
 - distinguishing between customers who refuse to pay and those who cannot pay.

2.3. SOCIAL TARIFFS AND AFFORDABILITY

Water tariff setting must increasingly focus both on economic efficiency and financial viability. It is important that rates be set to reflect the costs of providing service to particular customer classes in order to meet several important objectives. However the regulator must seek to simultaneously incorporate economic, environmental and social objectives in water pricing and to deliver low-cost services to particular classes of customers, especially low-income and vulnerable groups.

It must therefore address the following socially related issues:

- social protection, specifically protection of the most vulnerable groups of society such as lower income groups/poor;
- standards of service, ; and
- communication with the consumer (duty to care).

2.3.1. SOCIAL PROTECTION, SPECIFICALLY PROTECTION OF THE LOWER INCOME GROUPS/POOR

Policies aimed at improving the affordability of water services must better target the groups most in need through innovative tariff structures and targeted subsidies.

RIC's Policy Statement with respect to Social Objectives

- The RIC will ensure that no residential customer pays more than 3% of monthly family income for water service.
- The RIC will establish a lifeline block¹ (“social block”) in the tariff structure for consumption – related tariff. This block will reflect basic needs to ensure an acceptable quality of life with respect to hygiene and basic household needs.
- The RIC will 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.
- The RIC will 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.
- The RIC will also support any intervention by the Government whereby the poor groups receive a discount on their total bills such as the Hardship Relief Programme.

2.3.2. STANDARDS OF SERVICE

Establishment of minimum standards makes a social policy more transparent and fair to the lower income/poor groups. In order for the RIC to monitor water quality, the service provider will be expected to submit regular reports to the RIC in respect of its operations. The RIC will carry out, if necessary, its own audits to determine the level of compliance, with penalties being applied for non performance. In this respect, the RIC has already implemented its Event Notification and Response Management Plan.

¹ When the rising block tariff is applied for domestic customers, the lowest block band, defined as the lifeline tariff, is set to reflect affordability.

RIC's Policy Statement with respect to Service Standards

- The RIC will promote best practice in achieving water quality which is safe for drinking.
- Overall, the RIC will promote the following minimum standards at the policy level:
 - pressure to be a minimum 20 psi to avoid contamination
 - continuity to be 24 hours/day
 - availability to be a minimum of 20 lpcd (for subsidy purposes)
 - water quality that meets World Health Organization guidelines.
- The RIC will insist that regular disinfection is carried out by WASA when trucking water.
- The RIC will promote consumer awareness of water quality and hygiene issues in collaboration with the service provider and other relevant institutions.
- The RIC will support other water quality and health education initiatives undertaken by any other organization.

2.3.3. CUSTOMER SERVICE AND PROTECTION (DUTY TO CARE)

Public awareness and transparency are generally regarded as the keys to civil society involvement.

RIC's Policy Statement with respect to Customer Service and Protection

- The RIC will ensure that the service provider has in place, systems and procedures to provide appropriate and timely response to customers' concerns and strengthen relations with them.
- The RIC will continue to actively promote the concept of community participation through stakeholder workshops, national consultations and Stakeholder Information days, as well as by obtaining and publishing information to ensure that the requirements of civil society are better observed in the service provider's operations.

3. SUMMARY OF ISSUES RAISED IN THIS DOCUMENT

A summary of key issues raised in this document is presented below. The detailed list of issues can be found in the main document, “**Social Policy and Strategy for Water Sector Regulation**”.

- How can the RIC promote access to water services by all and reliability of water?
- What strategies can be used to target investment for low income/rural consumers?
- How can the RIC ensure that the service provider deals with specific customer issues through the use of Codes of Practice?
- How should subsidies be designed to protect the most vulnerable groups of society such as lower income groups/poor?
- What Standards of Service need to be in place to ensure proper water quality and how can the RIC ensure compliance by the service provider?
- What systems and procedures should be in place to ensure public awareness, community participation and to address customers’ concerns?