



Social Policy & Strategy for the Water & Wastewater Sectors

July
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This paper presents the RIC's social policy proposals, as they relate to accessibility, quality of service, consumer protection and affordability for the water and wastewater sectors.

Consultative
Document

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1. INTRODUCTION

Social policy aims to improve people's well-being and is especially concerned with the welfare of those who experience some form of disadvantage¹. It provides an overarching framework that guides how societies meet basic human needs such as water, food, health and security². Given the importance of household water supply and sanitation services for human existence, social dimensions need to be considered when decisions are made regarding the provision and pricing of water and wastewater services. As a result, there is a need for regulatory policy to address social factors that may impede consumers' access to water and wastewater services. These factors can be grouped into four (4) main categories; accessibility, quality of service, consumer protection and affordability.

The Regulated Industries Commission (RIC) has a key role to play in protecting and enhancing customer welfare. The RIC Act provides the framework for the RIC's regulatory intervention which includes among other things, promoting access to an acceptable quality of water (and wastewater) services. The RIC is also mandated to have regard to fair and equitable treatment of customers and overall affordability of utility services. The RIC's social policy strategy is, therefore, one of the tools used to fulfil its mandate.

1.1 Purpose of this document

The purpose of this document is to present the RIC's social policy proposals pertaining to accessibility, quality of services, consumer protection and affordability for the water and wastewater sectors. The document also aims to get feedback and comments from the public on the RIC's proposed actions.

¹ Social Policy in Australia: Understanding for Action, 3rd Edition, Alison Mc Clelland, Paul Smyth. March 2015.

² Professor Lucinda Platt, London School of Economics and Political Science, Department of Social Policy.

1.2 Structure of this document

The remainder of this document is structured as follows:

- **Section 2** – gives a background on the legislative framework that forms the basis for the RIC’s Social Policy and Strategy, and provides an overview of the water and wastewater sectors in Trinidad and Tobago.
- **Section 3** – outlines the RIC’s position on various aspects of social policy as it relates to the physical and economic/financial accessibility of water and wastewater services, quality of service, customer protection and affordability.
- **Section 4** – provides closing thoughts on the way forward.

1.3 Responding to this document

All persons wishing to comment on this document are invited to submit their responses in writing, by post, fax or e-mail, to:

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The deadline for submission of comments is August 12, 2021.

All responses will normally be published on the RIC’s website unless there are good reasons why they must remain confidential. Any requests for confidentiality must be indicated. A copy of this document is available from the RIC’s website.

2 BACKGROUND

Trinidad and Tobago's National Development Goals has incorporated the global development agenda by way of the Sustainable Development Goals (SDGs)³. SDG 6 aims to ensure the availability and the sustainable management of water and sanitation for all. In the context of utility regulation for the water and wastewater sectors, social policy is intended to ensure that there is universal access to safe drinking water and sanitation services by addressing various factors which include, but are not limited to access, standards of service, response to consumer complaints and affordability. Although social policy goals are generally stated in "universal terms" they are often implemented through targeted programmes, typically for vulnerable and disadvantaged consumers.

2.1 Legislative Background

The RIC is guided by the legislative and regulatory framework set out in the RIC Act No. 26 of 1998. In accordance with Section 6 of its parent legislation, the RIC's responsibilities related to social policy are as follows:

- To prescribe and publish standards for services;
- To monitor service providers and conduct checks to determine their compliance with the standards;
- To impose such sanctions as it may prescribe for non-compliance with the standards;
- To investigate complaints by consumers of their failure to obtain redress from service providers in respect of rates, billings and unsatisfactory service and facilitate relief where necessary;
- To have regard to the public interest and in particular
 - to maximum efficiency in the use and allocation of resources to ensure as far as is reasonably practicable, that services are provided at the lowest possible cost
 - to equal access by consumers to service
 - to fair treatment of consumers and of service providers similarly placed

³ Government of the Republic of Trinidad and Tobago, Vision 2030.

- in respect of consumers similarly placed, to non-discrimination in relation to access, pricing and quality service;
- To establish the principles and methodologies by which service providers determine rates for services. In setting out the principles (for rates to be charged) the RIC shall have regard to:
 - the ability of consumers to pay rates, and
 - the results of studies of economy and efficiency.

The RIC is committed to fulfilling its mandate (through pricing and quality of service standards) to protect low-income and vulnerable groups by employing mechanisms that ensure their basic needs for water and wastewater are met. Notwithstanding the RIC's role, the Government of Trinidad and Tobago has primary responsibility for addressing social issues surrounding the provision of utility services. The Government uses socio-economic mechanisms such as subsidies and welfare programmes to provide support to the poor and vulnerable.

2.2 Overview of the Water and Wastewater Sectors

In Trinidad and Tobago, the state-owned Water and Sewerage Authority (WASA) has sole responsibility for the provision of water and wastewater services to the public. WASA currently faces serious financial, operational and infrastructural challenges, that affect its ability to meet the water and wastewater needs of the country⁴. As a result, many of its customers have become highly dissatisfied with the quality of its services.

In 2019, WASA reported that its water supply coverage was 98%⁵, which implies that 2% of the population, or approximately 27,000 persons, were without access to a pipe-borne water supply of water⁶. Despite its high water supply coverage and abundant annual rainfall in the country, WASA has been consistently unable to provide 24/7 (24 hours, 7 days a

⁴ The RIC last published its “*Review of the State of the Water and Sewerage Authority of T&T 2010-2015*” document, which contains data and analysis on the technical, operational and financial performance of WASA. The RIC will be publishing an updated document for the 2016-2019 period shortly.

⁵ WASA indicated that the 98% coverage comprises 87% internally serviced and 11% standpipe customers.

⁶ Based on a population estimate for 2019 of 1.364 million people, taken from the website of the Central Statistical Office, Trinidad and Tobago “Mid-Year Population Estimate”. See <http://cso.gov.tt/>

week) water supply to all of its customers. In 2019, only 41.5% of the population received a 24/7 supply of pipe-borne water from WASA, as a result of strategies implemented to manage its limited water resources. WASA has organised its customers into five distinct classes, for reporting purposes, based on the regularity with which they receive pipe-borne water. The classes range from Class I to Class V, which receives 24/7 or 168 hours per week supply and less than 48 hours per week, respectively, as shown in table 1. Customers in Classes IV and V, who receive a supply of less than 84 hours per week are the worst served and accounted for approximately 33% of the population in 2019.

Table 1– Class of Supply and Distribution of Consumers

Class	No. of Hours Per Week	% of Population in receipt of supply (2019)	Estimated Population
I	168	41	560,492
II	120 to < 168	14	192,355
III	84 to < 120	12	161,012
IV	48 to < 84	25	347,937
V	< 48	8	114,707

Source: WASA

The prevalence of an unreliable and intermittent water supply from WASA has been protracted, to the extent that affected consumers generally regard this situation as normal. To cope with this situation, many customers have made costly investments to install water tanks and pumps on their properties. The typical cost for a residential customer to have a water tank and pump professionally installed can range between \$4,200 and \$6,210, with an annual recurrent cost of approximately \$1,000 per household⁷. Many customers with on-site storage also resort to purchasing water through private arrangements, when their pipe-borne water supply is insufficient to meet their demand.

In general, the water sector in Trinidad and Tobago is characterised by the following:

⁷ Recurrent costs include electricity, pump maintenance, tank cleaning, and replacement of water filters. Rishi Maharaj - “*The impact of intermittent water supply on domestic consumers – The Trinidad and Tobago experience*”. Paper presented at the 2014 Annual Conference of Caribbean Utility Regulators.

- dilapidated infrastructure - years of under-investment in assets has led to continuous and progressive deterioration of the network and equipment;
- a high percentage of non-revenue water - high levels of water leakage and illegal connections, coupled with collection problems;
- limited and/or intermittent water supply with low pressure; and
- underserved communities - under-investment in water assets is often more severe in some of the rural areas where the rates of poverty are typically higher compared to urban areas. Since Government subventions fund most of WASA's expenditure, residents of such communities who are not connected to, or underserved by WASA's piped water supply network, do not benefit from these subsidies. Moreover, residents in these communities often incur water coping costs as they take steps to secure their household needs, which impinges upon already limited household income.

The wastewater sector in Trinidad and Tobago is in a poor state. In 2019, WASA reported that its wastewater coverage was 34.5%. At that time, WASA owned and operated forty-five centralised wastewater treatment plants. Rehabilitation works on some of these facilities were funded by loans from the Inter-American Development Bank⁸ (IDB), however, substantial investment is still required to improve the state of wastewater services in the country.

New residential developments have typically been connected to the existing infrastructure, especially those close to towns and urban centres, where the centralised wastewater facilities are located. Where connection to centralised systems is not feasible, developers are required to construct small-scale (packaged) wastewater plants. In other cases, on-site septic systems are used for wastewater treatment. WASA developed a programme to adopt 'orphaned' wastewater plants to minimise the potential negative effects of incomplete wastewater treatment. As at 2019, government agencies and private developers owned approximately two hundred (200) wastewater systems, many of which have not been

⁸ The Inter-American Development Bank (IDB) approved funding in 2011 and 2013 for the rehabilitation of centralised wastewater treatment systems in Malabar and San Fernando in Trinidad, and Scarborough in Tobago.

properly maintained. WASA's records indicate that one hundred and eighty (180) plants are either abandoned or are in a state of disrepair. This neglect has resulted in the incomplete treatment of wastewater, which can potentially adversely impact the environment and pose possible health risks.

In general, the wastewater sector in Trinidad and Tobago is characterised by the following:

- low coverage - the majority of the population is not connected to centralised wastewater treatment facilities;
- dilapidated infrastructure - years of under-investment in wastewater assets, poor maintenance and abandonment by private developers have led to continuous and progressive deterioration of wastewater facilities; and
- underserved communities - under-investment in wastewater assets is often more severe in some of the rural areas, where residents are, oftentimes, either underserved or unserved by centralised wastewater treatment facilities.

Some of the factors that may have contributed to the current state of affairs of the water and wastewater sectors are as follows:

- governance challenges and management inefficiencies;
- historically low tariffs which impact WASA's cash flow and profitability, and consequently its ability to carry out expansion of the network and maintenance of its facilities;
- difficulty implementing and sustaining reforms that are necessary to make the sectors commercially viable; and
- ineffective mechanisms to ensure access to services by low-income groups and rural customers.

The factors above have placed WASA in a financially weak position and have constrained its ability to make the necessary levels of infrastructural investment required for the long-term sustainability of the sectors. Underinvestment in infrastructure ultimately leads to poor service and places limits on access, especially for poor and rural households.

3 RIC's SOCIAL POLICY OBJECTIVES

The RIC has a social responsibility to ensure that regulation provides fair and equitable treatment for all consumers, especially those deemed to be vulnerable. In addition, the RIC must ensure that the service provider can achieve:

- Access to water services by all;
- Reliable supply of water of a defined minimum quality at efficient cost; and
- Utility operations that are geared towards water conservation and preservation of the environment.

3.1 Physical Accessibility and Reliability of Supply

Physical accessibility describes the availability of safe and adequate water and wastewater services within reasonable reach of those who need them. Reliability of supply is another important dimension of service delivery that addresses the regularity of service to customers.

WASA is required to submit its proposed capital expenditure plans to the RIC for its approval during the RIC's Price Review process. Capex plans should include the projects that WASA intends to undertake during the regulatory control period, inclusive of the projected costs and the benefits to be derived. The RIC will consider initiatives from WASA that specifically aim to improve physical access for consumers that are not connected to the network. As part of its obligation to ensure rural and low-income groups are treated fairly, the RIC will allow pipeline rehabilitation/extension projects in critical (worst-served) areas as part of the approved capital expenditure (Capex) for the service provider and will monitor the implementation of these projects.

Many of the financing gaps in the water sector exist in the level of investment in rural and low-income communities. Therefore, RIC is of the view that investment in water supply projects will not benefit such groups unless these investments specifically target them. Predictable spending on rural communities is required to close these gaps. Consequently,

the RIC will insist that the service provider includes pro-poor criteria when undertaking such water supply projects.

Historically, a significant proportion of WASA's projects were funded by the Government or through loans from multilateral lending agencies. The RIC will make allowances for projects geared towards improving the continuity and reliability of supply to all customers, where applicable. The RIC will also include specific water projects to improve supply for the worst served customers (Classes IV and V) when establishing its allowed Capex for the service provider, thereby making funds available to undertake these projects. The RIC will also monitor the implementation of these projects on an ongoing basis to ensure that the allocated funds are used to bring the necessary relief. Finally, the RIC will continue to take an active role in assisting consumers with the resolution of complaints, especially those related to physical accessibility and reliability of water supply, which is in keeping with its regulatory mandate to protect the interests of consumers.

A summary of the RIC's social policy initiatives regarding accessibility and reliability of supply of pipe-borne water and the provision of wastewater services is outlined as follows:

Improving access to and reliability of the water supply

- **The RIC will promote access to water services by making provisions for network expansion and increased connections of disadvantaged customers, towards 100% water coverage, and**
- **The RIC will support specific projects that will improve the reliability of supply to worst-served areas, with the ultimate objective of a continuous water supply to all customers.**

Targeting investment for low-income/rural consumers

- **The RIC will allow adequate and predictable funding for projects which provide access to water for vulnerable groups,**
- **The RIC will promote the expansion of WASA's coverage of wastewater services to low-income communities with poor sanitation/wastewater**

management through its Price Review, more specifically, via approval of specific projects,

- 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 the allowed capital expenditure and revenue requirement for the service provider) specifically designed to help the low-income/poor groups, and
- The RIC will also ensure that pro-poor criteria are incorporated when undertaking investment in water supply and wastewater projects.

3.2 Quality of Service

One of the major deliverables that water utilities are expected to provide is a reliable water supply of a defined minimum quality. The establishment of minimum standards of service by the regulator is useful and important to provide customers with some assurances of service delivery from the water utility. Furthermore, they complement the objectives of social policy, as one of the main principles that inform the actual standards is ensuring that low-income households and rural communities are provided with minimum levels of service. Other key aspects of quality of service standards are outlined below. Standards should:

- be tailored to ensure that the utility focuses on the areas of its service delivery that require urgent improvement;
- address the reliability of supply of water and also guarantee a minimum number of total hours of water supply per week;
- set the maximum amount of time within which the supply of water should be returned to consumers after an interruption;
- set a guaranteed timeframe within which persons should receive a truck borne supply; and
- ensure that customers receive a pipe-borne or truck-borne supply of acceptable quality for human consumption.

The RIC is in the process of implementing quality of service standards for WASA⁹. The RIC will use the audit approach in its monitoring of the quality of service. The service provider will be expected to submit regular reports on its operations, under this arrangement. In addition, the RIC will carry out audits, if necessary, to confirm the level of compliance.

WASA is currently required to report on incidents that may affect the quality of services to customers under the Event Notification and Response Management Plan (ENRMP), which the RIC implemented in 2004. This regulatory measure requires WASA to report any incident or event that may affect or is likely to have an adverse effect on a large number of water and/or wastewater customers. WASA is also required to notify affected customers about the duration and extent of the impact. The ENRMP will be reviewed and revised where necessary, to ensure the stated objectives of the ENRMP are being met.

The RIC is also aware that the ongoing intermittent supply problems and current water-rationing arrangement (implementation of schedules) compromise some aspects of water quality and increase the cost of operation of the utility. Nevertheless, the current state of supply is expected to continue into the short to medium term. Therefore, the utility will be required to take all reasonable measures to ensure that the quality of water to the final consumer is not compromised. Additionally, water quality can be severely compromised by the manner in which water is handled and stored by secondary providers. Contamination can occur at different stages, during water trucking and in the homes of consumers, resulting from unclean storage tanks and containers. Therefore, the service provider will be expected to take responsibility for raising awareness on water quality and hygiene education.

The relationship between proper wastewater treatment and the quality of source water that is available to WASA for treatment is well established. WASA has reported that as of 2019,

⁹ The RIC's Final Position on Quality of Service Standards (QSS) for WASA was published in December 2020. More information on the development of these Standards can be obtained from the Final Position document, which is available on the RIC's website. The Standards will take effect when they are published in the Trinidad and Tobago Gazette.

34.5% of the population is covered by centralised wastewater. The remainder of the population is either served by private septic tanks or package wastewater treatment plants. As previously mentioned, WASA has developed a plan to take control of abandoned wastewater plants. It should be noted that the rate of adoption by WASA has been slow. The RIC supports the adoption of these abandoned plants by WASA, as failure to do so could adversely affect the quality of source water and the environment. The RIC is of the view that strategies may need to be developed to discourage the abandonment of wastewater treatment plants. As previously mentioned, the RIC is in the process of implementing quality of service standards and has established overall standards therein, that address sewerage effluent quality. The RIC will also ensure that steps are taken, through its price-setting function, to provide funding for improving WASA's wastewater emergency response, as may be required.

The RIC understands that expansion of the utility's wastewater services will require significant financial investment, therefore, the RIC will make prudent decisions to fund such activity, through its price-setting function.

A summary of the RIC's social policy initiatives for the forthcoming regulatory period concerning standards of service is outlined as follows:

- **The RIC will promote best practice in achieving water quality which is safe for drinking.**
- **Overall, the RIC will promote several standards, including:**
 - **water quality that meets World Health Organisation guidelines,**
 - **minimum water supply line pressure to ensure continuity of supply and avoid contamination,**
 - **supply of water at a minimum of 48 hours per week for all areas, with the long term aim of achieving continuity of supply at 24 hours/day, and**

- a maximum time for the repair of blocked sewers to be completed.
- The RIC will promote measures to achieve a high-quality supply of truck-borne water, which would include regular disinfection of water tankers used to provide a truck-borne supply.
- 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 participate in water quality and health education initiatives of other organisations.
- The RIC will engage WASA regarding its processes of granting permission to developers to construct wastewater treatment facilities, including mechanisms to comprehensively address the abandonment of these plants.
- The RIC will support WASA's phased adoption of sewerage systems that have been abandoned by private developers, homeowner's associations and government-owned facilities, to minimise the impacts of untreated effluent on the environment.
- The RIC will support initiatives by WASA to ensure consistent and mandatory maintenance of privately owned wastewater systems/plants that service multi-occupant dwelling or housing developments.

3.3 Consumer Protection

A utility service provider should recognise the mutually beneficial nature of the relationship with its customers and should continually strive to improve consumer satisfaction in delivering its service. Deliberate action by a utility service provider to build the relationship with its customers, such as honouring its duty of care, may help to reduce complaints and improve customers' willingness to pay for services. A utility service provider must also recognise customers' rights to essential information related to the utility service including information about the expansion, rehabilitation, reconstruction and other plans that may affect service costs and reliability. Public awareness and transparency are

generally regarded as key to civil society involvement; therefore, there is a role for non-governmental organizations (NGOs), consumer societies and the media.

Service providers can strengthen relations with customers by:

- providing important information related to interruptions in supply (e.g. timing and duration of planned service interruptions);
- consulting customers when designing service delivery projects to link investment decisions to effective demand;
- responding to oral/written customer queries in a timely manner;
- communicating with consumers and active groups (NGOs, consumer societies, etc.) periodically.

It is important for individuals experiencing problems with their utility service to be heard and taken seriously, and at the very least, to be given an explanation for the intractability in resolving utility-related issues. The RIC will assist in this regard by instituting requirements to facilitate its monitoring of WASA's complaints-handling and other customer response measures.

At a minimum, the RIC will continue to foster the following outcomes:

- **public access to the RIC and its processes through its website, social media platforms and particularly its toll-free telephone number, through which the public can lodge complaints and make inquiries,**
- **rules and procedures for resolution of consumer complaints disseminated on the RIC's website and explained where necessary, to ensure they are understood by the public,**
- **public education by the RIC which will involve community/stakeholder participation through stakeholder workshops/forums and national consultations, to disseminate information about:**
 - **public safety (e.g. advisories about water quality);**

- **low-income assistance programmes;**
 - **conservation and demand-side management (e.g. dissemination of conservation tips through various media);**
 - **the role that the RIC plays in consumer protection (e.g. its complaint process, connection and disconnection guidelines, etc.).**
- **fairness and balancing of powers of the stakeholders through the assurance that the consumer has equal standing before the RIC; and**
 - **timely resolution of complaints.**

The RIC will ensure that WASA has systems and procedures in place to provide appropriate and timely responses to customers' concerns and also to strengthen relations with its customers. In the fulfilment of its duty of care, the RIC will obtain and publish key information on WASA's performance, to ensure that the public has access to this information.

3.3.1 Codes of Practice

Codes of practice are essentially a set of guiding principles that the service provider consistently uses in dealing with customer issues. They will provide details on how WASA should interact with its customers, particularly domestic/residential customers, which is an important aspect of translating social policy to tangible and perceptible benefits to the typical customer.

One of the main issues addressed in Codes of practice is access to supply. Access to supply is primarily a function of the price of connecting to the network while maintaining that access is directly related to the price of utilising the service. The ability of a customer to maintain access to a service is also affected by a range of secondary issues including the availability of payment plans and discounts to assist customers having difficulty paying their bills, financial counselling, the forgiveness of arrears, procedures for disconnection of customers for non-payment of bills, and disconnection moratoria, etc. Codes of practice

can be designed to improve the delivery of the service provider's social obligations by addressing issues surrounding customer access.

The RIC is committed to developing and implementing codes of practice for WASA which include, but are not limited to the following:

- Provision of Priority Services for Vulnerable Groups;
- Policies and Procedures for Dealing with Domestic /Residential Customers in Default;
- Disconnection Procedures and Policies;
- Retroactive Billing Policy;
- Interest on Overdue Bills;
- Procedures for the application of approved Rates and Charges for New Owners or Occupiers and Abandoned or Vacant Property;
- Range and Accessibility of Payment Methods; and
- Handling of Complaints.

The RIC will require the service provider to offer its customers:

- **the option to negotiate reasonable payment arrangements (instalment payment plans) for customers experiencing genuine payment difficulties; and**
- **every opportunity to make payments before disconnection action is taken.**

Before a customer's supply is disconnected the utility must:

- **offer the customer alternative payment options.**
- **use its best endeavours to contact the customer through various media.**
- **give a specified period of written notice of the intention to disconnect.**
- **distinguish between customers who refuse to pay and who cannot pay.**

3.4 Affordability and Social Tariffs

Affordability or economic accessibility describes the ease with which the consumer can afford water services. Water that is economically accessible is said to be affordable to all consumers, inclusive of the poor, without encroaching on their ability to purchase other basic commodities. The affordability of utility services is inversely related to utility rates, however, rates must be sufficient to allow the utility to recover the overall costs of providing the service. More specifically, rates should reflect the costs of providing service to particular customer classes and concurrently meet the following objectives:

- allow sufficient revenues to be collected to attract necessary capital for network maintenance and expansion, as well as for operations;
- send efficient price signals to customers; and
- allocate costs of the network fairly among customers.

Pricing of utility services must focus both on the economic efficiency and financial viability of the utility, as this is central to the improvement of water and wastewater services. The “full cost recovery” principle not only leads to cost recovery but is also likely to lead to higher quality and sustainability of service over the long term. Public policy also has a role to play in setting utility rates and service levels, for at least two reasons: to overcome market failures in the provision of water and wastewater services and to promote important public goals. Therefore, a utility cannot be viewed as a social agency and therefore, cannot be expected to provide social support to the detriment of its efficiency or technical capacity.

One of the main challenges for an economic regulator is 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. Higher tariffs have an obvious social impact on these low-income groups, reducing their already limited disposable income. However, higher tariffs that are cost-reflective; are consistent with ensuring the utility has sufficient revenue to operate now and into the future. One of the options available to regulators is to introduce a “lifeline” tariff block, which establishes a consumption threshold for water that a typical household requires for

its basic needs¹⁰, and to set a tariff for this block that is affordable to low income and vulnerable households. The Government uses socio-economic mechanisms such as subsidies and welfare programmes to provide support to the poor and vulnerable. There are two aspects of affordability of household/domestic water services that the regulator has to consider. Aggregate (or macro) affordability involves relating average water charges to either average household income or average household expenditure¹¹. The micro aspect concentrates on affordability for low-income groups and addresses the issue either by appropriate tariffs solutions or by targeting individual/groups of households (subsidies), where assistance may be provided via tariff discounts or income support. The tariff-based approach is generally financed through some form of cross-subsidisation, while subsidies are financed by Government and include a variety of “safety nets” (Payments Assistance scheme, Pension Rebate scheme, etc.) to assist consumers experiencing financial difficulties.

3.4.1 Tariffs

The RIC’s interventions must ensure that low-income and vulnerable households receive a minimum level of supply. In its pricing decisions for the water and wastewater utility, the RIC will use various measures to achieve a wide range of economic, environmental and social objectives. The use of tariffs, in general, and different elements of water pricing structures (connection charges, fixed charges, etc.) will be utilised to best achieve social policy and affordability objectives.

3.4.2 Subsidies

The RIC is of the view that the poor will be better served by gaining access to pipe-borne water through direct assistance with their bills, rather than receiving global/general subsidies. The RIC’s position concerning subsidies is that:

¹⁰ A study by Howard and Bartram estimate that between 50 and 100 litres of water per person per day are needed to ensure that most basic needs (consumption & hygiene) are met and few health concerns arise. Howard G., Bartram J. (2003) Domestic Water Quantity, Service Level and Health. World Health Organization.

¹¹ Internationally, a figure of 5% of household income has been accepted as a realistic ceiling on affordability for water and wastewater services.

- they need to target poorer consumers transparently, as in the case of the Government's Utility Assistance Programme (UAP)¹², rather than through general subsidies;
- they should aid consumers in meeting their basic needs and should not support excessive consumption;
- they should not distort incentives; and
- they should be (in the case of a Government subsidy to a utility) predetermined and disclosed, and paid on a timely basis to the service provider, preferably out of general tax revenues.

A summary of the RIC's approach to these issues is as follows:

- **The RIC will seek to ensure that residential customer tariff levels are within internationally established affordability thresholds.**
- **The RIC will establish a lifeline block ("social block") in the tariff structure for consumption-related tariffs. This block will reflect basic needs to ensure an acceptable quality of life concerning hygiene and basic household needs.**
- **The RIC will include an explicit mechanism to assist eligible vulnerable /low-income/poor customers with connection charges (e.g. a fixed discount on connection charge) and/or require the service provider to develop an appropriate credit system for eligible customers, to spread the payment of connection charges over time.**
- **The RIC will also support the Utilities Assistance Programme (UAP) and similar targeted subsidy schemes established by the Government. It is advised, however, that the qualifying criteria of these programmes must be properly assessed and applied to ensure high targeting performance.**

¹² The Utilities Assistance Programme provides bill payment assistance to eligible vulnerable citizens. The Programme is administered by the Ministry of Public Utilities.

4 THE WAY FORWARD

It is in the interest of public health, to ensure the provision of safe water and access to proper sanitation. Regulators must, therefore, be concerned with access to affordable and quality services by the poor and vulnerable in society, when establishing policy for the provision and pricing of these services. In this regard, the RIC will address issues surrounding accessibility, quality of service, consumer protection and affordability within the water and wastewater sectors.

Overall, the way forward for the water and wastewater sectors must focus on the following:

- ensuring poverty-reduction strategies are appropriate within the context of the water and wastewater sectors;
- expanding investment in water and wastewater sectors for rural areas;
- setting clear goals and targets and holding the service provider accountable, with penalties for non-performance;
- expanding the current regulatory framework to include regulatory tools to protect the public interest through its pricing and investment decisions; and
- formulating water tariffs to deliver affordable water to all, through the use of “lifeline” tariffs and targeted subsidies, where possible.