

An Coimisiún um Rialáil Fóntais

Commission for Regulation of Utilities

Draft Determination: Revenue Control 4

Uisce Éireann's Allowed Revenue 2025 – 2029

Draft Determination Paper

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CRU2025134

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CRU Strategic Plan 2025-27

Vision, Purpose, and Values



OUR VISION:

Resilient, efficient, sustainable, and safe energy and water services for Ireland.



OUR PURPOSE:

We actively serve the public interest by regulating the provision of energy and water to Irish homes and businesses, while supporting the transformation to net zero.



OUR VALUES:

• Integrity • Professionalism • Openness • Accountability

Executive Summary

Introduction

1. The CRU is Ireland's independent energy and water services regulator. The CRU has a wide range of economic, customer protection and safety responsibilities in energy and water. The work of the CRU impacts every Irish home and business by promoting safe, secure, and sustainable energy and water supplies at a reasonable cost.
2. The CRU's role as economic regulator of Uisce Éireann is to protect the interests of customers, ensure water and wastewater services are delivered in a safe, secure and sustainable manner and that Uisce Éireann operates in an economic and efficient manner. As set out in the CRU's Strategic Plan for 2025-2027 period, a key objective is to enable efficient and effective infrastructure for secure, sustainable, and resilient water and wastewater infrastructure within the constraints of the funding ceiling, as set by the approved SFP.
3. Through the revenue control process, the CRU approves Uisce Éireann's allowed revenue at a level which allows Uisce Éireann to recover its efficiently incurred costs over the revenue control period. In doing so, the CRU sets 'efficiency challenges' for Uisce Éireann to drive cost efficiencies and improve service performance. The CRU also sets specific targets for the different deliverables that Uisce Éireann will meet by the end of the revenue control period, and monitors Uisce Éireann's performance in delivering services and investing in infrastructure in a cost-efficient manner.
4. Uisce Éireann recovers its allowed revenues through a combination of two sources: (i) non-domestic tariffs levied on non-domestic customers for water and wastewater (including trade effluent) services, (ii) Exchequer funding to cover the costs of providing water and wastewater services to domestic customers. This reflects a clear revenue split between domestic and non-domestic customers.
5. Another important role for the CRU in regulating Uisce Éireann is to ensure that there is a fair and transparent system of charging for non-domestic customers. Under the Water Services Act (No.2) 2013, the CRU has the responsibility of approving the charges applied by Uisce Éireann to non-domestic customers for the provision of water and wastewater services (including trade effluent services). The non-domestic tariffs recover the portion of Uisce Éireann's allowed revenue that reflects the costs of providing water, wastewater and trade effluent services to non-domestic customers.
6. This Executive Summary provides an overview of the suite of documents published by the CRU, setting out its proposals for consultation regarding the allowed revenue and the regulatory framework for Uisce Éireann for the RC4 period (2025-2029). This paper should be read in conjunction with the accompanying CRU RC4 Regulatory Framework Draft Determination paper (CRU2025135).
7. The CRU is consulting on the revenues that Uisce Éireann can recover over RC4 for the provision of water and wastewater services to customers, associated targeted outputs and outcomes to be

delivered for that allowed revenue and proposed enhancements to the regulatory framework to support better reporting and flexibility for management of cost uncertainty and transparency.

8. The CRU wants to hear your views on its proposals in relation to the proposed allowed revenue and the associated improvements in water and wastewater service delivery for the RC4 five-year period (2025-2029). The consultation period regarding the CRU's Draft Determination will run for 9 weeks and close on 27 January 2026 at 17:00. All proposals published across these Draft Determinations are subject to consultation. Following consideration of all responses to this consultation, the CRU will publish the Final Determinations for RC4 in Q2 2026.

Navigating the RC4 Draft Determination

9. This document should be reviewed by stakeholders alongside the following detailed and supporting RC4 Draft Determinations documents:

- Revenue Control 4 - Draft Determination (CRU2025134): This document sets out the CRU's detailed Draft Determinations proposals on the RC4 allowed expenditure and allowed revenues for Uisce Éireann.
- Revenue Control 4 - Regulatory Framework Draft Determination (CRU2025135): This document sets out the CRU's detailed Draft Determinations proposals on the regulatory framework, including the approach to managing uncertainty during the revenue control period, the proposed financial and reputational performance incentives that will apply to Uisce Éireann and the strengthened reporting, monitoring and governance arrangements.
- Economic and Technical Consultancy Reports (CRU2025139a to CRU2025139g): These supporting consultancy papers underpin the CRU's RC4 Draft Determinations proposals, relevant to the cost assessment of Uisce Éireann's RC4 Submission on operational and capital costs. Topics include econometric benchmarking analysis, cost efficiency assessments, review of the needs case, deliverability, and governance. These reports also set out a review of RC3 and recommendations for RC4.
- Uisce Éireann's submissions (CRU2025139h to CRU2025139r) on historical and forecast opex, capex and non-network costs, regulatory framework, allowances, performance, incentives and innovation.

RC4 Background and Context

Policy Context

10. The Minister for Housing, Local Government and Heritage sets the Government's policy objectives and priorities regarding the provision of water services in Ireland. This is achieved through the preparation of a WSPS, the most recent of which covers the period 2024-2030 and was published in February 2024.

11. The WSPS sets out the three main objectives and a series of related priorities that define the Government's strategic approach to water services delivery in the period to 2030. This in turn sets the investment priorities for Uisce Éireann across three thematic areas: (i) Availability and Reliability, (ii) Safety and Quality and (iii) Sustainability.

- **Availability and Reliability:** Water services to support regionally balanced economic and social development through access to dependable and reliable water services. The Government's priorities under this objective are focused on improving public and private water services through continued investment in infrastructure.
- **Safety and Quality:** Water services to be safe and protect human health. The Government's priorities under this objective are focused on the protection of drinking water sources, minimising contamination, and providing for robust, effective oversight by regulatory authorities to help deliver on this objective.
- **Sustainability:** water services to be efficient, resilient and sustainable in the long term. The Government's priorities under this objective are to ensure that public water services are sustainable, that climate targets are met for the sector, and that water conservation forms a cornerstone of water policy.

12. In developing its submission, Uisce Éireann has established a list of known assets and service needs requiring investment. These needs have subsequently been categorised and aligned with the above policy and strategic objectives.

Strategic Funding Plan

13. Following the publication of the WSPS, Uisce Éireann is required to submit an SFP to the Minister for Housing, Local Government and Heritage setting out the required capital and operating costs to meet the policy objectives of the WSPS. The Minister approved the SFP submitted by Uisce Éireann for the period 2025-2029 in November 2024. The SFP includes the funding ceiling available to Uisce Éireann to allow it to fulfil its obligations to deliver water and wastewater services to meet those policy objectives. Note that the SFP funding ceiling also sets the upper funding limit on the CRU's revenue control assessment.

14. Following the approval of the SFP by the Minister, Uisce Éireann submitted its forward-looking investment plan to the CRU in December 2024 for assessment. The CRU's statutory role in assessing the Investment Plan is to ensure that Uisce Éireann provides water services in an economic and efficient manner to meet its statutory obligations, achieve national water policy priorities, and deliver value for customers, within the constraints of the funding ceiling approved by the Minister.

National Development Plan 2026-2030

15. The SFP (2025-2029) that was approved by the Minister in November 2024, did not take account of new government policy targets for Uisce Éireann, in the new NDP (2026-2030), which were developed and set after the plan was submitted. The CRU notes that the new NDP allocation provides additional funding to Uisce Éireann on top of the SFP 2025-2029, out to 2030 to support Government policy on growth and housing.

16. The 2025 NDP review allocated capital funding to Uisce Éireann reflecting a strong commitment from the Government to long term, sectoral planning in water infrastructure. The CRU notes that this RC4 review, and the proposals set out in the Draft Determination are based on the submission made by Uisce Éireann to the CRU in December 2024 and does not take account of any additional funding to be provided under the NDP. The CRU has not yet received any formal proposals from Uisce Éireann in respect of incremental deliverables which are funded by the additional expenditure and revenue. However, the CRU has developed a transparent mechanism in its RC4 design to reopen RC4 to update the regulatory evaluation and framework that will apply to Uisce Éireann. The objective as with the current plan is to incentivise Uisce Eireann to deliver its plan in an efficient and timely manner and transparently report on its delivery obligations for the funding it receives.
17. The CRU expects Uisce Éireann will submit an update to its RC4 Investment Plan to reflect this new NDP ambition. A review of the cost efficiency of the incremental investment to enable the connection of more homes and businesses will be undertaken by the CRU.

Uisce Éireann's Funding Model

18. The current approach to funding Uisce Éireann is designed to implement the recommendations of the Report of the Joint Committee on the Future Funding of Domestic Water Services agreed by the Government in September 2017. The report was prepared on the basis that there would be no charges to domestic customers for the provision of water and wastewater services. Non-domestic customers (comprising public bodies, businesses, agriculture, and social enterprises) do pay for the provision of such services.
19. During the period 2020-2024, based on the agreed funding model, all the costs of providing services to the domestic sector were met through exchequer funding. The funding of the provision of services to non-domestic customers was through customer charges and a government debt facility. Uisce Éireann also charges customers for connecting to the public water and wastewater network.
20. Uisce Éireann's funding model does present several challenges in the context of a multi annual regulatory cycle. Funding uncertainty can restrict efficient planning, procurement and delivery of infrastructure. Capital investment requires project and programme pipeline certainty, which is key for the supply chain to retain and grow resources in an area where it is recognised that decades of significant investment are required.

The RC4 Process

21. RC3 was the first time the CRU had set a 5-year revenue control for Uisce Éireann. As a result, the current review represents the first full five-year ex-post revenue assessment. This process comprises three key components; (i) a look back review of Uisce Éireann's actual capital and operational expenditure (capex and opex) during the RC3 period, (ii) a look forward review of forecasted expenditure for the upcoming RC4 period, and (iii) the ex-ante setting of allowed revenues that Uisce Éireann can recover through a combination of non-domestic customer tariffs and government subvention for domestic services.

22. Typically, these historic and forward-looking reviews are carried out in tandem. However, considering the timing of the publication of the WSPS in February 2024 and subsequent approval of the SFP in November 2024, the CRU decided to disaggregate these two processes. At CRU's request Uisce Éireann submitted its historic opex and capex costs for RC3 in April 2024. This enabled the CRU to commence its lookback review in advance of receiving the full forward looking RC4 submission from Uisce Éireann.
23. Prior to the Uisce Éireann's submission of its formal RC4 submission the CRU carried out a period of extensive engagement with Uisce Éireann which included numerous working groups and bilateral discussions that resulted in the issuing of RC4 business plan guidance and Business Plan Questionnaire (BPQ) templates to Uisce Éireann, for submission to the CRU.
24. The CRU engaged extensively with Uisce Éireann in the RC4 process. The CRU's proposals are based on the information that was provided by Uisce Éireann. Following receipt of the forward-looking business plan submissions by Uisce Éireann on 02 December 2024, the CRU conducted an initial assessment of Uisce Éireann's proposals, identifying areas for further engagement. The CRU subsequently held 20 workshops with Uisce Éireann, reviewed more than 300 documents, and carried out a substantial breadth of Supplementary Questions process, which involved issuing 140 questions to Uisce Éireann for clarifications, or where information gaps or errors had been identified.
25. The revenue review process also involves the setting of the regulatory framework, which involves setting the rules and processes for adjusting revenue allowances during the revenue review period, as well as defining the outputs and outcomes that are expected to be delivered by Uisce Éireann, the performance incentive framework, and the reporting, monitoring and governance arrangements.
26. In its December 2024 submission, Uisce Éireann did not submit any proposals regarding the regulatory framework for RC4 including its performance targets, incentives, or the monitoring and reporting framework. As such, the CRU invited Uisce Éireann to make a supplementary submission regarding the regulatory framework. In February 2025, Uisce Éireann submitted a supplemental report setting out its proposals in relation to RC4 incentives and several uncertainty mechanism proposals in relation to cost pass through, index-linked volume drivers and a targeted reopener.
27. The supporting analysis and technical annexes which are incorporated into, and published alongside, the Draft Determination papers were prepared by the CRU's economic and technical consultants, NERA and Arcadis. The CRU engaged NERA and Arcadis to assess the cost efficiency of Uisce Éireann's RC4 Investment Plan, drawing on standard industry approaches and best practice. Arcadis's assessment included a top-down review of Uisce Éireann's investment planning and delivery and a bottom-up review of a cross-section sample of Uisce Éireann's projects and programmes.
28. Proposals set out here are the product of an extensive, multi-year process which has involved wide ranging stakeholder engagement, comprehensive analysis of Uisce Éireann's business plan, and the development of proposals for a regulatory framework that seeks to manage the various risks and uncertainties for Uisce Éireann and its customers, setting revenue allowances that seek to support the critical evolution of Ireland's public water and wastewater infrastructure.

RC4 Allowances

Review of Historic Expenditure (2020 - 2024)

29. The CRU with the assistance of NERA and Arcadis has applied a rigorous cost assessment process as part of its ex-post (lookback) review of Uisce Éireann's RC3 (1 January 2020 to 31 December 2024) expenditure, that ensures only well-justified and efficient expenditure is recovered from customers.
30. As a result of this review the CRU proposes adjustments to elements of Uisce Éireann's historic expenditure. Uisce Éireann has generally delivered on the agreed RC3 Investment Plan, with most RC3 projects being substantially progressed and delivered. Therefore, no clawback in capex is applied.
31. A summary of RC3 outturn expenditure versus CRU allowance and the proposed claw back (or k-factor adjustment) is provided below:
- **Capex** Uisce Éireann spent €4,320m in total capex compared to CRU's RC3 final allowance of €4,899m (2017 prices), representing a €579m (12%) underspend. Of this, CRU determined an allowance of €4,523m for network capex, while Uisce Éireann spent €3,943m¹. For non-network capex, Uisce Éireann has spent in line with the CRU allowance of €377m.
 - **Opex** Uisce Éireann spent €3,825m in gross opex compared to CRU's RC3 final allowance of €3,926m (2017 prices), representing a €101m (2.6%) underspend. In which, Uisce Éireann underspent its controllable opex by €28.0m, uncontrollable opex by €71.8m and Innovation Funded Projects by €1.1m.

RC3 Capex

32. The CRU's review concludes that on balance Uisce Éireann has delivered the set of delivery obligations and outcomes consistent with the capex allowances under RC3. Uisce Éireann had generally delivered on the agreed Capital Investment Plan (CIP) planned for RC3. This was despite recognised challenges such as the Covid pandemic, planning challenges, supply chain shortages and substantial inflation, particularly in energy costs. Additionally, Uisce Éireann met or exceeded its targets for 20 of its 24 agreed deliverables and made progress towards the remaining four.
33. However, the CRU is concerned that three out of four under-performed deliverables relate to the wastewater sector, which has consistently shown challenge throughout RC3. The CRU is also concerned that Uisce Éireann did not provide leakage data to the CRU in line with the agreed timeline and only submitted 2023 leakage data in June 2025.

¹ This spend is after deducting the additional revenue of €650m collected from new water and wastewater connections during RC3. Uisce Éireann spent €4,593m, before adjustments for new connections and grants for network Capex.

34. The CRU is also concerned about Uisce Éireann's performance in relation to leakage and security of supply during RC3. The CRU's Performance Assessment Framework Report highlighted that Uisce Éireann failed to achieve key performance targets in relation to leakage and security of supply.
35. Leakage: Uisce Éireann substantially failed to achieve the CRU's RC3 leakage reduction targets, incurring the €20m penalty for underperformance. There were also issues in relation to the reporting timeliness and accuracy of leakage data.
36. Security of supply: A significant number of water resource zones in Ireland are currently experiencing water supply deficits. Uisce Éireann's non-compliance to report on security of supply during RC3, coupled with its proposal to defer such reporting until RC5, poses a serious risk that key stakeholders will not have access to critical information needed to understand the scale of any deficits. Arcadis recommends that this risk be more clearly quantified and discussed with the CRU to assess the severity and scale of supply-demand challenges across the various water resource zones. The CRU expects a significant improvement in Uisce Éireann's performance across these key areas of consumer interest during RC4. This improvement will play an important role in supporting government policy objectives including housing, by ensuring secure and reliable water services for the benefit of all consumers.
37. Major Projects: The delivery of the Water Supply Project (WSP) and the Greater Dublin Drainage (GDD) project show a €65m (2017 prices) underspend due to the much slower progress during the RC3 period than forecast by Uisce Éireann. Uisce Éireann RC4 submission also recognised this underspend by applying a reduction to the Regulated Asset Base (RAB).

RC3 Opex

38. The CRU is proposing to claw back additional funding of €31m (based on Uisce Éireann's inflation assumptions, but €6m based on the updated inflation for 2024) made available to cover higher energy and outsource contract expenditures in 2024 that was not fully utilised. It is also proposed to claw-back €12m of funding provided for additional headcount costs under industry transformation that were not subsequently used in 2024. These opex clawbacks will be made via the k-factor correction.

k-factor Adjustments Related to RC3

39. In carrying out this review, the CRU has applied the framework and guidelines that were set out at RC3 Final Determinations. The CRU's k-factor proposals include:

- Leakage performance target – maximum penalty €20m
- 5% non-domestic bad debt performance – approx. €11m

40. Despite these clawbacks and penalties, the CRU proposal on the RC3 ex-post k-factor adjustment² acknowledges that Uisce Éireann substantially under-recovered revenues over RC3. Uisce Éireann is seeking to recover €278m. Taking account of the penalties to be imposed and

² The CRU notes that the RC3 k-factor adjustment is based on outturn data from 2020–2023 and forecast data for 2024. Uisce Éireann did not include forecast incentive data for 2024 in its submission but will provide it for the final k-factor determination.

the proposed clawback, the CRU is proposing to allow Uisce Éireann to recoup €119.7m over the RC4 period.

41. The CRU will revisit these proposals as part of its Final Determinations taking into consideration responses to this consultation, including further information and evidence provided Uisce Éireann.

Review of Forecast Expenditure (2025 - 2029)

Uisce Éireann RC4 request

42. Uisce Éireann requested €13,803m of total expenditure for RC4 (Table ES1):

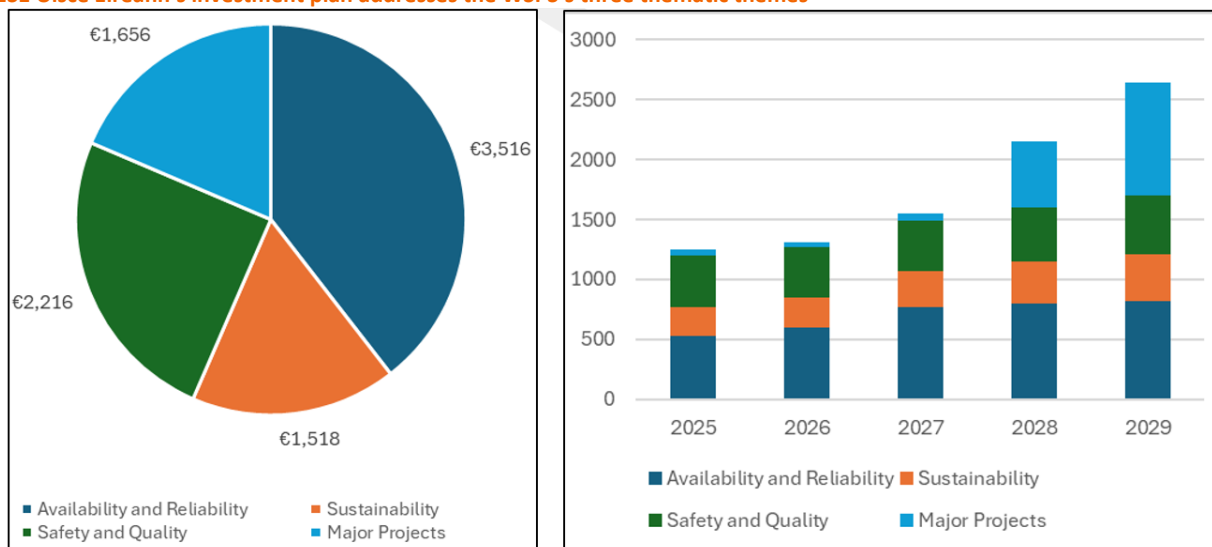
- **Opex:** Uisce Éireann proposes to spend on aggregate €5,242m over the five-year RC4 period, reflecting the increased compliance costs and the growth-related costs.
- **Capex:** Uisce Éireann proposes to invest €8,561m of total capex over the RC4 period to address the Government’s three WSPS themes, representing a substantial increase of capital expenditure relative to RC3 outturn (€4,750m).

Table ES1 Comparison between RC3 and Uisce Éireann's RC4 Proposal

€bn, 2022 prices	RC3 (Allowance)	RC3 (Outturn)	RC4 Business Plan	RC4 vs RC3 Outturn
Opex	4.39	4.29	5.24	22%
Network capex	4.90	4.33	8.07	86%
Non-network capex	0.42	0.42	0.49	16%
Opex + capex	9.71	9.04	13.80	53%

43. Uisce Éireann submitted an RC4 Capital Investment Plan totalling €8,561m over the RC4 period to address the Government’s three WSPS themes, as shown in Figure ES1 below. The Figure also shows expected expenditure on two Major Projects – the Greater Dublin Drainage (GDD) project and the Water Supply Project (WSP) – over RC4, with investment continuing into RC5.

Figure ES1 Uisce Éireann’s investment plan addresses the WSPS’s three thematic themes



CRU Draft Determination Proposals - Expenditure

44. The CRU's RC4 Draft Determination papers set out a €13,579m package of investment across the water and wastewater networks, which represents an approximately 2% reduction against the Uisce Éireann request, while also asking Uisce Éireann to deliver 8% more on outputs.

Capital Investment Plan Assessment

45. As part of the top-down review approach Arcadis, assessed Uisce Éireann's approach to investment planning, including its investment decision making process, costing methods, procurement strategy, risk management etc. Arcadis conclude that Uisce Éireann's investment planning is reasonable and structured, that the system for prioritisation is fit for purposes and that Uisce Éireann's investment addresses the most critical needs, and that the project lifecycle framework provides a clear process for scoping and costing projects and good governance.

46. Arcadis reviewed Uisce Éireann's progress in implementing the investment planning improvements recommended by Scottish Water International (SWI)³ during RC3. Of the 14 improvements required – for example, implementation of an asset data improvement plan, enhanced asset planning team, improving governance and change management - Arcadis found that 12 have been implemented. For the remaining two (cost estimation and risk management), Uisce Éireann has set out realistic plans for their implementation. This reflects meaningful progress in Uisce Éireann's planning capabilities.

47. Arcadis also conducted a series of deep-dives for 34 projects and programmes selected to be representative of the wider RC4 portfolio and covering around two-thirds of the portfolio by value (excluding the WSP)⁴. For the most part, Arcadis concludes that the need case is clearly stated for the assessed projects for the most part, providing confidence that Uisce Éireann has focused its RC4 investment on areas where genuine improvements are required.

48. The deep-dive review identified key areas for improvement, including the need for standardised costing procedures and a stronger optioneering process. On the basis of the assessment of the information provided Arcadis raised serious concerns regarding 15 of the 34 projects and programmes assessed. In its report, Arcadis notes that these issues reflect a maturing organisation that has not yet fully embedded its investment planning processes. However addressing these gaps is essential to meet planning and regulatory expectations.

49. Arcadis also assessed Uisce Éireann's proposed level of capital maintenance, benchmarking it against English and Welsh water companies. Arcadis conclude that the proposed RC4 capital maintenance is reasonable relative to comparator expenditure levels. However, Arcadis notes that Uisce Éireann is in the early stages of transitioning from reactive to planned capital maintenance which will take some time given the requirement for system and data collection.

Capital Efficiency

50. The CRU's allowed revenue proposals for Uisce Éireann incorporate an 8% capex efficiency challenge. Instead of reducing the funding envelope, the CRU propose that Uisce Éireann use

³ [Irish Water Revenue Control 3 \(RC3\) Update – Implementation of Scottish Water International Recommendations Information Note](#)

⁴ The WSP had been previously reviewed under a separate CRU assessment.

the savings to identify and deliver additional projects and programmes. After reviewing Uisce Éireann’s submission, the CRU will require these efficiency gains to be reflected in additional RC4 delivery obligations.

51. The CRU’s proposed challenge is based on:

- A 10% regulatory challenge related to the issues and shortcomings uncovered in the deep dive assessment, proportionally extrapolated over the network capex programme (excluding WSP and capital maintenance)
- Incorporation of a RPE of 0.8% per annum and a 1% on-going efficiency challenge applied to the total capex programme

52. Uisce Éireann proposed a capital Real Price Effect of 1.1% per annum, based on a hybrid of six construction related indices. The CRU will set the efficient expenditure limits taking into account the expected changes in the input prices faced by Uisce Éireann but is proposing a modest reduction to the allowance to 0.8% per annum, based on the historical analysis of the indices. The CRU is also proposing to allow for an ex-post true-up based on the published indices.

53. The CRU is challenging Uisce Éireann to improve its cost efficiency over time reflecting expected productivity improvements in the sector. Uisce Éireann did not incorporate any improvement in productivity over time (or on-going efficiency) in its RC4 Investment Plan, which the CRU has set at 1% per annum, based on previous decisions for regulated networks in Ireland and the UK. This is consistent with the Draft Determination for energy networks in PR6. The CRU will make a final determination on ongoing efficiency, taking account of Uisce Éireann’s relevant submission and the PR6 decision.

Table ES2 Summary of the CRU’s Capex Proposal

€m in 2022 monies	UÉ’s Capex submission	CRU’s Proposal
RC4 Capital Expenditure	8,561	8,561
Regulatory Challenge	-	-318
RPE + OE	-	-355
Total Efficiency	-	673
Total Efficiency as % of Capex submission	-	8% increase in delivery

Capital Delivery Obligations

54. Uisce Éireann has proposed a total of 39 delivery obligations for the funding request to be approved. Uisce Éireann’s Executive is fully responsible for developing and balancing its RC4 Investment Plan to ensure that Ireland’s water services needs and risks are appropriately addressed. The CRU will use Uisce Éireann’s proposed delivery obligations to hold it to account over RC4. Table ES3 shows a sample of the 39 delivery obligations, focusing on the larger expenditure areas.

Table ES3 Selection of the 39 delivery obligations and associated targets Uisce Éireann over RC4

RC4 Delivery Obligations	RC4 Target	Unit
Water		
Water treatment plants new and upgraded	163	No.
Provide additional water treatment capacity	43	MLD
Provide additional water network capacity	126	Km
Length of water main laid (rehabilitated)	663	Km
Completed works at water treatment plants to facilitate the removal from the Remedial Action List (RAL)	33	No.
Completed works at water treatment plants to resolve specific high risk water quality issues	163	No.
Net Water savings (Leakage reduction)	120	MLD
Metering replacements and new meters installed	280,994	No.
Wastewater		
Wastewater treatment plants new and upgraded	61	No.
Provide additional wastewater treatment capacity	57	No.
Provide additional wastewater network capacity	112.7	Km
Sewer Network Rehabilitation	34.1	Km
Wastewater New and Upgraded Pumping Stations	118	No.
Major Capital Maintenance Site Refurbishments	3	No.
Complete works at agglomerations to facilitate removal from EPA's Priority Urban Area Action List (PAL)	23	No.
Complete works to comply with Wastewater Discharge Authorisation	48	No.
Complete works to address significant pressures in third cycle River basin Management Plan (RBMP 2022-2027)	25	No.
Sustainability		
Energy Efficiency Improvement	25.4	GWh
Renewable Energy - Generation (Installed Capacity)	4.7	GWh/yr
Nature Based Solutions (NBS)	22	No. of NBS adopted
Greenhouse Gas Emissions	49	% of Baseline year carbon emissions

55. The CRU's consultants have highlighted concerns regarding certain aspects of the following delivery obligation targets, and the CRU is seeking further information in relation to the following:

- Sewer network rehabilitation (34.1 km)
- Meter replacements and new meter installations (280,994 units)
- Net water savings (Leakage reduced by 120 Megalitres/Day over RC4)

56. Sewer network rehabilitation: Uisce Éireann has significantly reduced its proposed sewer rehabilitation output for RC4, -85% compared to its RC3 output. The CRU understands that this reflects Uisce Éireann prioritising upgrading wastewater pumping stations and rising mains. However, the CRU is concerned by this reduced ambition, particularly given that Uisce Éireann delivered only 69% of its equivalent RC3 target. Uisce Éireann reports that underperformance in sewer rehabilitation has been driven by the complexity of works in man-entry sewers, limited contractor availability and a lack of progress in the 'Taking in Charge' scheme. The CRU expect Uisce Éireann to fully assess the risks associated with sewer network failures and to have appropriate mitigations and contingencies in place.

57. Metering: The CRU's consultants challenge the scale of the metering programme as provided in the RC4 Investment Plan. Arcadis question the value for money of the large domestic component (43% of proposed meters) in the absence of domestic charging. Additionally, Arcadis raise concerns about the high risk of under-delivery and/or overspend, without clearly understanding the need and outcome. Uisce Éireann has brought the metering programme in-house, and

Arcadis note challenges with the supply chain for the availability of materials and meters on the market. Arcadis believe that the programme should be significantly revised, with a focus on maintaining billing, and minimum number of replacements to support water balance and leakage calculations.

58. Net water savings (leakage): The CRU's consultants note the proposed leakage target appears ambitious, and that it is unclear how it will be achieved. Arcadis note that supporting data is still being developed, with no integrated plan outlining how various interventions will contribute to the targeted MLD reductions. Deliverability remains a key concern due to ongoing resourcing challenges within Uisce Éireann's Leakage Team, which have persisted since RC3. Additionally: Uisce Éireann informed the CRU in July 2025 that they will seek to significantly revise the RC4 leakage target from the RC4 submission.
59. Significant aspects of Uisce Éireann's RC4 Investment Plan lacked defined delivery obligations and associated targets. These were 'Major Projects', 'Reactive and Maintenance Work', 'Early-Stage Projects', and 'Projects and Programmes yielding outputs post RC4'. The CRU will take a targeted approach to reporting arrangements on these areas to ensure Uisce Éireann remains accountable.

Major Projects

60. The Water Supply Project (WSP) will transfer water from the River Shannon via a new pipeline to the Greater Dublin Area and other parts of the region, to secure a sustainable and resilient water supply. The Greater Dublin Drainage project (GDD) will improve wastewater capacity in the Greater Dublin Area to support future population growth and economic growth. These projects are subject to a separate approval process under the Infrastructure Guidelines, with oversight by the DHLGH Project Tracking Group and Major Water Infrastructure Group.
61. Both Major Projects form a key part of Uisce Éireann's RC4 Investment Plan and are expected to complete in RC5. Arcadis agree with Uisce Éireann that the GDD and WSP are essential programmes of work to satisfy long term needs and strengthen resilience of the overall Greater Dublin and Midlands areas. Without these projects in place, there is a material risk to future growth and supply challenges in these regions.
62. Funding for both Major Projects will be ring-fenced within the CRU's overall determination, meaning that the funds can only be drawn for these specific projects. This follows the approach taken in RC3.
63. Recognising their critical nature, the CRU proposes enhanced annual monitoring of spend and progress for both Major Projects. This is additional to the monitoring and risk management undertaken by Uisce Éireann, and through the Infrastructure Guidelines.
64. The CRU is consulting on a mechanism to enable Uisce Éireann to request access to redirect any forecasted underspend. This will require Uisce Éireann to provide clear proposals for reallocating the funding to alternative investments.

Additional Recommendations

65. Arcadis identified 32 recommendations across 14 thematic areas during the RC4 capex review, as listed in Table ES4. These recommendations are a response to issues Arcadis identified, primarily through its deep-dive assessment.
66. The CRU is proposing that Uisce Éireann implement all 32 RC4 recommendations during RC4, along with five additional recommendations Arcadis identified in its RC3 lookback review concerning Asset Health, Strategic Wastewater and Drainage Planning, Cross-Portfolio Learning, Community Engagement, Data Quality and Reporting. The CRU will monitor implementation progress through a standalone report to be provided by Uisce Éireann.
67. The CRU notes that both sets of Arcadis’ recommendations highlight that Uisce Éireann’s understanding of Asset Health is a recurring concern.

Table ES4 Recommendation themes under which Arcadis propose 32 recommendations for Uisce Éireann

1	Measuring Performance	8	Capex Projects and Programmes
2	Managing Change	9	Resilience of Water Supplies
3	Improving Asset Intelligence	10	Asset Health and Capital Maintenance
4	Estimating Costs	11	Funding Major Projects
5	Shortening Project Development Timelines	12	Complying with Environmental Regulations
6	Managing Risk	13	Information Technology (IT)
7	Procurement Processes	14	Connections

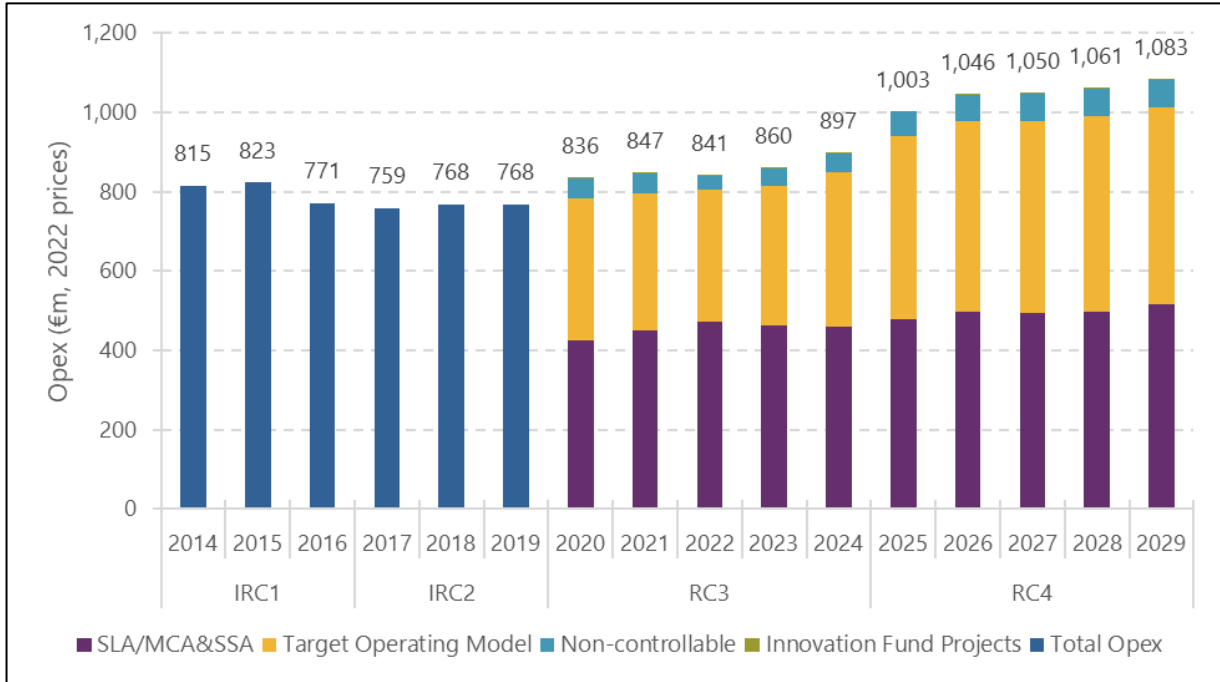
NDP Reopener

68. The NDP, which captures the government’s strategy for capital investment in national infrastructure, has been substantially updated since Uisce Éireann’s submission to the CRU in December 2024. Notably this relates to greater funding for, and delivery of, increased housing capacity.
69. The CRU expects that Uisce Éireann will update its RC4 Investment Plan to reflect this new NDP ambition. A review of the cost efficiency of the incremental investments to connect more homes and businesses will be undertaken by CRU.

Operational Efficiency

70. The increase in Uisce Éireann’s proposed opex for RC4 reflects upward pressure on costs from new obligations, such as compliance with the recast Drinking Water Directive, industry transformation costs, as well as costs related to the investment programme (e.g., opex stemming from increased capex), and increasing growth in the network (e.g. with connection and load growth of around 6-8% over the period).

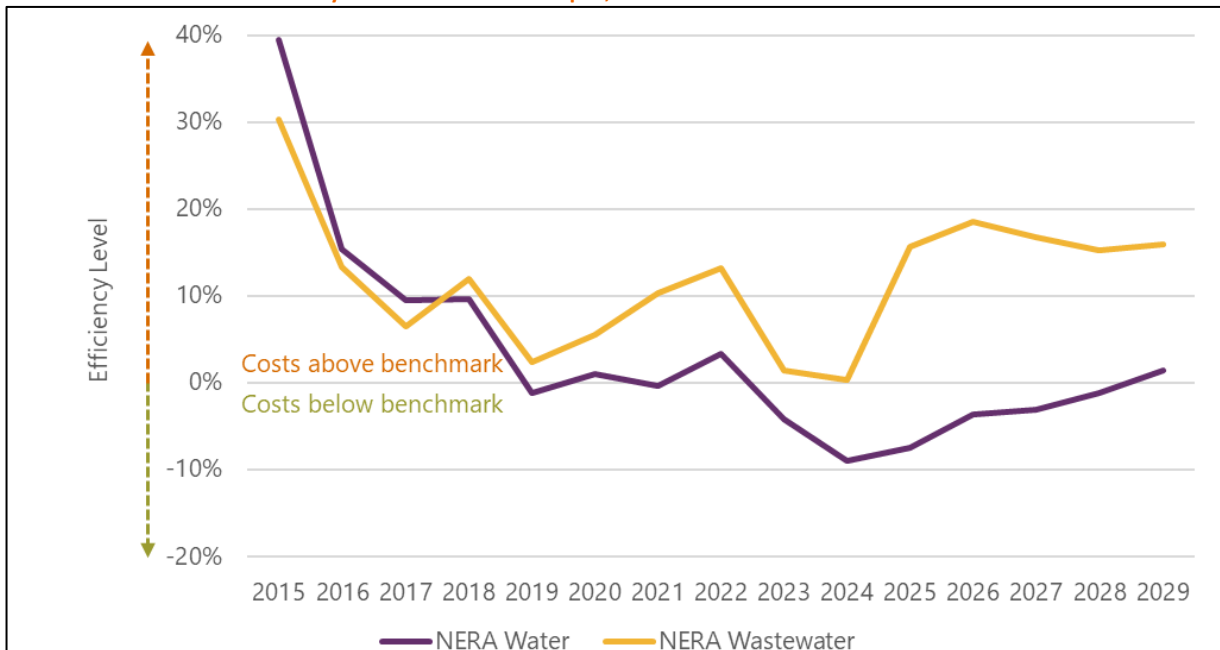
Figure ES2 Uisce Éireann’s Actual and Forecasted Operational Expenditure



Note: During RC4, through the UÉT Programme, the original Service Level Agreement (SLA) structure will be replaced by the implementation of Master Cooperation Agreements (MCA) and individual Support Service Agreements (SSA). Source: UÉ (2024) UÉ (December 2024), Uisce Éireann Revenue Control 4 (2025-2029) Operational Expenditure Look forward 2025-2029, p.13

71. To inform the assessment of Uisce Éireann’s proposed opex, the CRU considered the approaches developed by regulators in UK and Ireland to assess cost efficiency. Figure ES3 the results of the benchmarking models developed by NERA, the CRU’s economic advisers, to assess Uisce Éireann’s efficiency over time compared to English and Welsh water companies.

Figure ES3 Econometric Benchmark Analysis of Uisce Éireann’s Opex, 2015-2029



Source: NERA analysis of UÉ and Ofwat data.

72. NERA's analysis shows that Uisce Éireann has made significant improvements in its cost performance since its formation in 2014. The analysis suggests that Uisce Éireann has performed comparatively well at containing upward cost pressures over recent control periods relative to the set of English and Welsh water companies included in the benchmarking exercise. For example, the benchmarking models indicate that Uisce Éireann's costs were at the time of Uisce Éireann's formation in 2014/15 up to 40% higher than the efficient benchmark cost and are now no more than 20% higher than the expected cost for the wastewater service and approximately in line with expected cost for the water service. Taking the services together NERA conclude that Uisce Éireann's costs are around 11% higher than the benchmark.

- **Water service opex is estimated to be on average 3% efficient** relative to the sector average. They are about -18 – 17% higher than the benchmarking level over the RC4 period. The wide variation across different models for water is due to different definitions of the density variable.
- **Wastewater service opex is 13 – 21% higher than the benchmarking level** across the RC4 period.

73. The CRU notes that Uisce Éireann's wastewater service is inefficient, and this is a consistent concern. The CRU also notes that efficiency in water cannot offset the inefficiency in wastewater.

74. As with setting capital allowances, the CRU set efficient operating costs allowing for changes in input prices (or Real Price Effects, RPEs). For RPEs, NERA has adopted Uisce Éireann's own forecasts to reflect the reduction in energy and Design-Build-Operate (DBO) contracted plant unit costs over the RC4 period from the elevated levels over RC3, which are partially offset by a slight real increase in real labour costs.

75. As with capex, Uisce Éireann has not included any opex improvements⁵ in terms of on-going efficiency or productivity improvements. In recent regulatory decisions, Irish and UK regulators have set an on-going efficiency challenge of around 1% which forms the basis for the CRU's proposals. The 1% improvement per annum equates to a compounded 5% improvement by the end of RC4.

76. Uisce Éireann acknowledges that the Uisce Éireann Transformation (UÉT) programme will deliver significant change during RC4 and beyond, driving efficiencies and service improvements. Key elements include consolidating service delivery from 31 Local Authorities into a single public utility, reducing organisational layers from 15 to 7, cutting full-time equivalents by up to 10%, and introducing standardised ways of working. Uisce Éireann has identified several levers to improve cost performance, such as enhanced scheduling and work optimisation, improved organisational design, streamlined crew sizing, and transformation of stores, inventories, and fleet. Therefore, the CRU is challenging Uisce Éireann's claim that its UÉT programme cannot deliver further cost savings over RC4.

⁵ Uisce Éireann has only proposed an anticipated efficiency saving of €7.4m (0.13% of its requested opex), with €3.4m from IT efficiencies through the implementation of a single supplier managed service, and €4m from potential operational and procurement efficiencies related to the transfer of third-party Design Build Operate contracts to Uisce Éireann.

77. In terms of the quantification of costs, Uisce Éireann’s has set out cost efficiencies associated with UÉT of less than €40 million cumulatively by the end of RC4 or around 4% of the requested opex of around €1 billion per annum. These efficiencies are also predominantly scheduled ahead of UÉT implementation in 2027. The CRU’s view is that the proposed cost efficiencies are modest in the context of the transformational nature of the UÉT.

78. The CRU has set out two scenarios for operational efficiency and proposes a 10% reduction by 2029 which recognises the transformational nature of the UÉT programme, the fact that Uisce Éireann incorporated relatively minimal cost efficiencies into its RC4 opex submission and offered no improvements for on-going efficiency. The CRU is proposing to profile the opex efficiency challenge in a stepwise fashion from 2027-29 (i.e., no opex efficiency challenge for 2025 or 2026).

79. Table ES5 shows the CRU proposed RC4 operating costs against Uisce Éireann’s submission. As shown, the CRU calculate a total RC4 operating cost allowance (i.e., including non-controllable and innovation funded opex) of €5,018m relative to Uisce Éireann’s €5,242m.

80. Our overall funding level is based on assuming that Uisce Éireann achieves a 10% reduction as per Scenario 2 by the end of RC4, with the intention that Uisce Éireann will achieve further efficiencies associated with narrowing the gap to the benchmarks over the subsequent review.

Table ES5 Uisce Éireann’s Request and CRU’s Proposal on Opex Cost over RC4, (€m 2022 prices)

	2025	2026	2027	2028	2029	Total
UÉ submission	1,003	1,046	1,050	1,061	1,083	5,242
CRU proposal (10% lower in 2029)	1,003	1,046	1,001	986	982	5,018

Allowed Returns

Cost of Capital

81. During RC3 and consistent with the approach in the energy sector, the CRU sets the allowed return based on the Weighted Average Cost of Capital (WACC), which reflects the weighted average of efficient debt and equity costs, with the weights determined by the respective weights (or gearing) of debt and equity. At RC3, the CRU determined a regulated WACC of 3.61% (real pre-tax), based on detailed analysis of WACC parameters.

82. Given Uisce Éireann’s funding model, the implications of the allowed return differ from other regulated networks. Uisce Éireann does not need to raise debt from private capital markets or provide returns to equity holders, nor does it have an obligation to pay dividends to the Government. However, setting a market-based WACC plays an important role in providing a source of external funding for Uisce Éireann, which is otherwise Exchequer funded, as the equity return is re-invested and covers part of its capital programme financing need.

83. At RC4 the CRU is proposing to apply a “benchmark WACC” approach, drawing on the WACC parameters proposed in the recent energy network Price Review 6 (PR6) Draft Determination⁶. This proposed approach minimises the regulatory burden of undertaking a detailed WACC

⁶ See CRU’s draft determination for ESNB Distribution System Operator and the Transmission Asset Owner at PR6 ([CRU202587](#)).

estimate parameter-by-parameter while providing additional cash-flow to meet Uisce Éireann's capital expenditure requirements, and ensuring charges reflect the economic cost of service provision.

84. The CRU's consultants have estimated that the benchmark WACC based on Uisce Éireann's cost of debt finance, where the payment to the exchequer is based on 10-year government yields plus 50 basis points, and cost of equity drawing on the PR6 Draft determination. Overall, the CRU estimate a return of 3.69%, similar to the RC3 decision.

85. The CRU has also assessed alternative considerations when setting the allowed return and notes that any reduction to the WACC will reduce Uisce Éireann's revenue and hence its operating surplus. Such a reduction will reduce the revenue from non-domestic customers and have the effect of increasing Uisce Éireann's funding gap and thus its requirement for government financing, i.e. higher government contributions and government loans. Therefore, the implementation of a reduced WACC (i.e., a cost of debt approach) would require decisions beyond the CRU's remit, leading to increased certainty of Uisce Éireann's funding via government support to address any resulting funding gap.

RC4 Regulatory Framework

Assessment and Lessons Learned from RC3

86. RC3 represented a significant change for the regulatory framework for water. RC3 was the first 5-year control with a focus on outputs-based regulation and the introduction of a comprehensive Performance Assessment Framework (PAF) with specific metrics and targets. The RC3 framework also introduced a financial incentive regime across a small number of specific metrics which included leakage reduction and billing. The CRU considers that, on balance, the RC3 framework has reported positive, but mixed, results for Uisce Éireann's customers.

87. At RC3, as with previous water price controls, the CRU determined Uisce Éireann's allowed revenues based on a forecast of HICP and there was no mechanism for updating allowed revenues for outturn HICP within the control period. Similarly, the CRU RC3 framework sets allowed revenues based on a forecast of wholesale energy and Design-Build-Operate (DBO) unit costs. The DBO costs involve the provision of contracted services, such as the operation of water treatment plant, where some contract payments are linked to the Central Statistics Office Wholesale Price Index (WPI). The DBO and energy costs are recognised as real cost drivers for Uisce Éireann that are difficult to forecast accurately. Consequently, the CRU is consulting on proposals around streamlining and making more transparent the process of annually updating these drivers using latest available forecasts.

Managing Uncertainty in RC4

Mechanistic Adjustments

88. As a consequence of the high and volatile general price and energy inflation during RC3, Uisce Éireann requested updates to operating costs to reflect changes in HICP, energy and DBO costs assumed at the time of the RC3 Decision.

89. For RC4, the CRU propose mechanistic rules to address changes in general price inflation, energy and DBO price indices relative to those assumed at review. The approach will mitigate within-period reopeners and ensure Uisce Éireann's allowances more closely track latest available cost forecasts. Specifically, the CRU proposes to annually update Uisce Éireann's allowed revenues for:

- Revenue allowance for HICP
- Legacy DBO contract costs based on forecasts of the CSO's Wholesale Price Index
- Energy unit costs, based on Uisce Éireann's own realised unit energy cost (and thereby allowing for wholesale and network price changes).

For both DBO and energy costs, the CRU's proposed approach retains strong incentives for Uisce Éireann to minimise both energy usage (e.g. MWh) and DBO contract payments, as the proposals involve the mitigation of unit cost but not volume risk.

90. In making annual updates for HICP, DBO and energy unit costs factors, the CRU notes that it will need to rely on various economic forecasts. Any forecast deviations from outturn values will be corrected for at the end of the period, as part of the wider RC4 ex post review of Uisce Éireann's performance. The CRU also proposes that certain capital input real price effects (comprising a "hybrid index") are addressed as part of the ex-post k-factor review and the CRU has proposed the mechanism for making such a variation in the allowance, as with these other mechanistic changes.

Reopeners

91. The CRU is also consulting on an Expenditure Uncertainty Mechanism which will provide a structured process to manage unforeseen, materially significant changes to the RC4 operational and capital expenditure and/or the RC4 delivery obligations. The Expenditure Uncertainty Mechanism is reserved for substantial cost variations, such as additional funding to be delivered through the NDP, significant external shocks, force majeure events, or major capex escalations that were unforeseen at the time of the RC4 planning and assessment.

92. To access the reopener mechanism, Uisce Éireann will need to demonstrate that; the additional costs are outside of management control; the steps taken by Uisce Éireann to mitigate the additional costs; a demonstrable need for the outputs and/or service delivery associated with the additional costs. The set of additional outcomes and outputs that will be delivered will also be required.

93. The CRU is also consulting on the proposed submission timeline to ensure that the CRU can review, consult and decide upon any cost or other variation in time to align with the funding and tariff setting processes. Uisce Éireann's annual funding via the Exchequer allocation process typically occurs in September and the new non-domestic water and wastewater tariff year commences annually on the 01 October.

Performance Incentives

94. The CRU is proposing to retain the suite of customer and operational performance measures adopted at RC3 and extending these in several areas. The proposed framework for RC4 is

strengthened regarding the proposed reporting requirements and setting more challenging improvements in performance standards to benefit water and wastewater customers. The CRU is proposing to require Uisce Éireann to report on a wide range of customer and operational performance metrics with strengthened performance targets.

Table ES6 RC4 Proposed RC4 customer and operational performance with strengthened performance targets

Service	Incentive	
Customer Service	Speed of telephone response	Response to billing contacts
	Call abandonment rate	Response to complaints
	First call resolution	Unresolved complaints submitted to CRU
	Billing of metered customers	Customer satisfaction survey
Security of supply	Leakage	Security of water supply
	Water quality	Interruptions to supply
Drinking water quality		
Sewer Flooding	Internal sewer incidents, sewer overload	External sewer incidents sewer overload
Environmental Performance	Incidents relating to wastewater	Compliance with the Emission Limit Values for Urban Wastewater Licences
	Wastewater agglomerations meeting treatment requirements	Sludge reuse and disposal
	Compliance with the treatment requirements of Urban Wastewater Treatment Directive	
Energy and Emissions	Energy consumption	Greenhouse Gas Emissions

Reporting, Monitoring and Governance Arrangements

95. Strong governance and monitoring underpin effective economic water sector regulation, driving Uisce Éireann to meet its obligations and deliver quality services. The CRU considers oversight and regulatory reporting as key tools for transparency, accountability, and protecting public and environmental interests.

Capex Monitoring

96. The CIP Monitoring Report provides a key reputational incentive on Uisce Éireann and ultimately informs the CRU's *ex post* review (and k-factor) on the level of efficient expenditure included in the RAB. The CIP incentivises Uisce Éireann to meet the delivery obligations that it has identified and proposed and ensures that customers will only pay the efficient costs of capital investment.

97. As part of its RC4 Investment Plan submission, Uisce Éireann proposed a total of 39 delivery obligations and associated targets, that the CRU will use to hold it to account on an annual basis over RC4. As at previous reviews, the CRU will require Uisce Éireann to annually report its progress against these delivery obligations, explain any variations relative to those envisaged at review, and any proposed changes to its Investment Plan.

98. The CRU will continue to publish an annual Capital Investment Plan (CIP) Monitoring report that assesses the progress that Uisce Éireann has made in meeting the delivery of its RC4 Investment Plan and the RC4 delivery obligations for each year of the revenue control.

Table ES7 RC4 Enhanced Capital Investment Plan Monitoring Report

Enhanced Capital Investment Plan Monitoring Report	
Monitor progress made on the RC4 Delivery Obligations (39 O&O's)	Progressing understanding and improvement in Asset Health
Monitor milestones met for Major Projects – WSP & GDD	Progress made in Wastewater Infrastructure investments
Interventions made for Reactive and Maintenance	Growth Report – capacity, connections, security of supply
Progress made for Early-Stage Projects	Non-Network Capex – cybersecurity

Enhanced Reporting

99. The CRU will require enhanced reporting on several key issues:

- Security of supply: The CRU is requiring a dedicated security of supply report with a requirement for Uisce Éireann to report aggregate nationwide measures on security as well as measures at the individual Water Resource Zone level.
- Customer Interruptions: The CRU is proposing to put in place targets for a one-third reduction in the number of minutes of lost supply to place Uisce Éireann on a pathway to narrowing the gap with better performing utilities.
- Sewer Flooding: The CRU is proposing to require Uisce Éireann to report on properties at risk for the first time, with trend improvements expected over the RC4 period.
- Environmental Performance: The CRU is proposing to require step-wise improvements in compliance with European level Directives and the EPA’s Emission Limit Values.
- Decarbonisation: The CRU is proposing to require Uisce Éireann to report on greenhouse gas emissions and to provide a standalone report on compliance with the EU Directives, including the Energy Efficiency Directive.
- Uisce Éireann is accountable for the delivery of its RC4 Investment Plan, for the funding it will receive. The CRU RC4 framework has stepped up the level of obligations and service performance required. The tables below provide examples of the proposed enhancements to Uisce Eireann’s Performance and Reporting requirements for the step change in allowed expenditure.

Table ES8 12 new metrics proposed for Uisce Éireann’s Enhanced Performance Assessment Framework Monitoring Report

Enhanced Performance Assessment Framework Monitoring Report			
1	Time to quote and time to connect demand customers seeking to improvements.	7	Complaints re smell/taste/colour
2	Worst Served Customer	8	Properties with pressure below reference
3	First Contact Resolution	9	Total sewer collapses per 1000km
4	Per Capita Consumption	10	Total sewer blockages per 1000km
5	Bursts Mains Per 1000km	11	Sewerage equipment failure repairs
6	Top metered consumers	12	Compliance with storm overflows

Table ES9 New RC4 Reporting

New RC4 Reports
Implementation of 32 Recommendations relating to Capex Planning
Compliance Statement on various aspects of EU Legislation: DWD, UWWTD, NIS2 and Energy Efficiency
Status updates steps relating to: Flexibility and Adaptability & International Best Practice

Non-Domestic Customer Bill Impact

100. Under its funding model, Uisce Éireann recovers the proportionate cost of service provision from non-domestic customers. Domestic customers do not pay water charges, and their services are funded by the exchequer.
101. The investment demands outlined in Uisce Éireann’s RC4 Investment Plan (developed in response to the Government’s WSPS) set out the scale of infrastructure investment that is required to meet Ireland’s long-term water and wastewater needs. Given the scale of this need, there will be continued pressure on funding requirements and therefore charges. While domestic customers are funding through government subvention, non-domestic contribute via direct tariffs.
102. To mitigate customer impact, the CRU is proposing an even rate of increase for the remaining RC4 as this would support a predictable and stable customer impact. This could result in an average increase of 9% per annum over the remaining RC4 period.
103. The CRU notes that increased growth-related investment arising from the latest NDP review will result in further revenue increases, with consequential impacts on government subvention (covering domestic customers) and non-domestic revenue. However, the CRU proposed objective of reprofiling allowed revenue over RC4 remains unchanged (i.e., to achieve an even rate of increase).

Next Steps

104. The CRU is inviting stakeholders to comment on the Draft Determination proposals set out in the revenue and regulatory framework papers. The consultation will close on 27 January 2026 at 17.00. After consideration of all the responses received and subsequent engagement with Uisce Éireann and other key stakeholders as required, the CRU will publish its Final Determination on RC4 in Q2 2026.

Public / Customer Impact Statement

Water is an essential public good, fundamental to public health, economic activity and the environment. Modern society rightly expects safe, high-quality water and resilient wastewater services delivered reliably and affordably. Delivering these core expectations needs to be balanced with efficient use and conservation of the resources and with delivering clear value for customers.

Ireland's water sector now faces a pivotal moment. Historical under investment, rising population and the accelerating impact of climate change, together with national decarbonisation commitments require urgent, sustained investment to strengthen the water services, expand treatment capacity and improve security of supply and resilience. These priorities must be considered within the available funding envelope, requiring clear trade-offs, with the scale and pace of investment needed. This approach aligns with domestic and European policy which calls for sustainable, equitable and climate resilient water services.

The CRU's role is to provide a robust economic regulatory framework that enables Uisce Éireann to deliver the infrastructure the country requires, while driving improvements in efficiency, governance and services to customers. Revenue Control 4 (or RC4) is the framework through which the CRU evaluates and approves the next phase of investment in maintaining and upgrading Ireland's water and wastewater infrastructure.

Uisce Éireann is required to submit a Strategic Funding Plan (SFP) to the Minister for Housing, Local Government and Heritage setting out the required capital and operating costs to meet the policy objectives of the Government's Water Services Policy Statement (WSPS). The Minister approved the SFP in November 2024, which includes setting the funding ceiling available to Uisce Éireann to allow it to fulfil its obligations to deliver water and wastewater services to meet those policy objectives.

Following the SFP, Uisce Éireann submitted its forward-looking investment plan to the CRU in December 2024 for review. The CRU's statutory role in assessing the Investment Plan is to approve Uisce Éireann's Water Charges Plan - ensuring that Uisce Éireann provides water services in an economic and efficient manner to meet its statutory obligations, achieve national water policy priorities, and deliver value for customers.

For the RC4 period (2025-2029), following Ministerial approval of its SFP, Uisce Éireann submitted a substantial programme totalling €13.8bn in expenditure (2022 prices)⁷ through its business plans and investment proposals to the CRU for regulatory approval. This package comprises €8.56bn in capital expenditure and €5.24bn in operational expenditure over the five-year period 2025-2029. This request does not reflect additional funding provided under the National Development Plan (NDP) and published in the Department for Housing Local Government and Heritage (DHLGH) Sectoral Investment Plan: Water Services and Water Quality.

The CRU, as the economic regulator of Uisce Éireann, has subjected these proposals to a robust and rigorous assessment testing areas such as the needs case, deliverability, efficiency and supporting evidence. This scrutiny is designed to protect customers by allowing revenue recovery

7

€13.8bn is consistent with the Ministerial-approved SFP 2025-2029 of €16.9bn (real vs. nominal terms).

where requests are sufficiently justified and aligned with (national) strategic objectives and public interests. In this Draft Determination, the CRU sets out the evaluations conducted, the service obligations required and the rationale for its proposals for the regulatory challenges posed to Uisce Éireann.

The CRU proposes to make a modest adjustment to the requested expenditure and allow a regulatory approved total expenditure of €13.6bn. Despite this adjustment, this is a significant package which represents a 50% increase compared to Uisce Éireann's outturn expenditure during RC3 (2020-2024) and one which is approximately 2% lower than Uisce Éireann's initial RC4 request.

Following a comprehensive assessment of Uisce Éireann's submission, the CRU is of the view that Uisce Éireann could deliver the programme more efficiently given the funding available. The CRU therefore proposes the following two efficiency challenges:

- Typically, as a method of capital expenditure efficiency challenge, the Capex allowance would be reduced, while keeping the required outputs steady. However, given Uisce Éireann's funding model, the CRU is proposing to increase the outputs required of Uisce Éireann by 8%, while keeping the funding requested in line with its capex request. This means additional outputs to the value of €673m should be proposed by Uisce Éireann as part of its consultation response.
- While Uisce Éireann's operating costs will rise over RC4 in line with more stringent compliance requirements, increased investment and population growth, the CRU is challenging Uisce Éireann to steadily reduce its controllable operating costs by 10% by the end of RC4 (i.e., a reduction of €224m).

These efficiency challenges are grounded in the CRU's detailed evaluations of both capital and operational expenditure. The CRU's capital expenditure review acknowledges Uisce Éireann has made progress in its capital planning during RC3. This is a positive step in Uisce Éireann's transformation as a maturing single utility. However, a comprehensive evaluation supported by a robust deep-dive analysis of a broad sample of projects and programmes has identified the need for a moderate but strengthened regulatory challenge to ensure greater value for customers.

In parallel, the CRU's benchmarking review of operational expenditure shows that Uisce Éireann has made improvements in cost performance since its establishment. This is a positive step as it matures into a single public utility. Nonetheless, the CRU assessments indicate there remains considerable scope for further efficiencies, particularly in wastewater services, as the utility transitions into a fully integrated national public utility provider. The RC4 period will coincide with the final stages of this transformation, including the full amalgamation of legacy local authority functions. The CRU is of the view that this transformation can deliver further cost savings and improvements in service quality. To reflect this, the CRU requires Uisce Éireann to achieve a 10% reduction in its controllable operational costs by the end of the RC4 period.

As a public utility, Uisce Éireann is responsible for the implementation of its investment plan for the significant package of funding it will receive. In return for these allowed revenues, Uisce Éireann will be required to meet its delivery obligations and performance targets in full. In total, Uisce Éireann is expected to deliver 39 outcomes and outputs for the RC4 funding.

Major deliverables in RC4 for water and wastewater include:

- New and upgraded treatment plants - 163 plants for water and 61 plants for wastewater
- Additional network capacity - 126km of additional water and 113 km of additional wastewater
- Network rehabilitation - 663 kms of water main and 34 kms of sewer network
- Treatment capacity - 43 Mega Litres per Day (MLD) additional water and 57 wastewater plants with extended capacity
- 163 water treatment plants improved in relation to high-risk water quality issues
- 118 new and upgraded pumping stations
- 3 major capital maintenance site refurbishments
- Complete works at 48 sites to ensure compliance with wastewater discharge authorisation
- In RC4, Uisce Éireann has committed to complete works at 33 sites to facilitate removal from the EPA's Remedial Action List, 23 sites to facilitate removal from the Priority Urban Area Action List and 25 sites to address significant pressure in the River Basin Management Plan (2022-2027).

Through its regulatory framework, the CRU will monitor and publish progress made by Uisce Éireann to deliver its obligations and service improvements thereby holding Uisce Éireann to account for its performance.

While domestic customers of Uisce Éireann do not pay water or wastewater charges, allowed revenue as determined under RC4 is recoverable on a proportionate basis from non-domestic customers. To mitigate the impact of increasing investment on non-domestic customers, the CRU is proposing to smooth the recovery of revenue by Uisce Éireann over the remaining RC4 period, which would lead to an average increase of 9% per annum.

The CRU's proposals in this paper are based on Uisce Éireann's submission on 02 December 2024 and do not reflect any additional investment requirements and funding allocations announced in the NDP. As a result, differences may arise between this Draft Determination and the DHLGH sectoral plan. However, it should be noted that any funding which has been allocated by DHLGH to address housing will be allocated by the CRU in full to Uisce Éireann.

The CRU notes that additional government funding will require incremental delivery obligations by Uisce Éireann, and the CRU's regulatory framework proposals are sufficiently agile to accommodate increased funding. The CRU's enhanced regulatory framework in this Draft Determination sets out the transparent and mechanistic approach to update the funding requirements submitted by Uisce Éireann. Through this approach, Uisce Éireann can flex up the regulatory funding and associated delivery obligations. On receipt of a formal and comprehensive submission, the CRU will assess further proposals. The RC4 regulatory framework will not only enable flexibility to accommodate further investment, but it will also support clearer accountability for delivery and ensure that outputs are delivered with discipline and efficiency as projects and programmes progress.

This Draft Determination sets out a regulatory framework designed to drive improved delivery, higher service quality and greater efficiency from Uisce Éireann, recognising the transformation the utility is undergoing and the scale of investment required and supported by the Exchequer. The CRU's benchmarking study has evidenced that Uisce Éireann has made significant improvements in its cost performance since its formation in 2014.

The CRU now invites stakeholders to comment on the proposed allowed revenues and the associated outcomes and regulatory framework for the RC4 period. Your responses will assist in making an informed decision, and any subsequent adjustments to the RC4 control, ensuring the regulatory outcome reflects robust evidence, public interest considerations and a clear framework for delivering benefits to customers.

Navigating this Paper

To assist readers in navigating this paper, it has been divided into three core parts comprising various sub-sections. The structure of the paper is as follows:

Part 1: Introduction

Part 1 introduces the context and legislative basis for Revenue Control 4 (RC4), setting out the CRU's role in conducting this RC4 review and what the review aims to achieve. If readers are interested in the context and legislative basis for RC4, please read Part 1.

- **Section 1** presents the policy context and legislative functions of the CRU in regulating the water sector and introduces Revenue Control 4.

Part 2: Review of Historical Expenditure between 2020 – 2024

This part sets out the CRU review of Uisce Éireann's historical capex and opex for RC3 (2020-2024). If readers are interested in how Uisce Éireann's historical and forecasted spending is assessed and the options for future expenditure, please see Part 2, which comprises the following:

- **Section 2** sets out the RC3 in-period re-determinations and their impact on Uisce Éireann capital and operational expenditure.
- **Section 3** presents the assessment of the capital expenditure incurred by Uisce Éireann over the RC3 period from 2020 to 2024.
- **Section 4** presents the assessment of the operational expenditure incurred by Uisce Éireann over the RC3 period from 2020 to 2024.

Part 3: Review of Forecast Expenditure between 2025 – 2030

This part sets out the CRU's draft determination proposals on Uisce Éireann's forecast allowances for RC4 (2025-2030).

- **Section 5** examines Uisce Éireann's proposal for its forecast capital expenditure and presents CRU's proposal for the RC4 period.
- **Section 6** examines Uisce Éireann's proposal for its forecast operational expenditure and presents CRU's proposal for the RC4 period.

Key consultation questions in Part 3 include whether stakeholders agree with the CRU's proposed options for addressing the efficiency challenges in capital expenditure and operational expenditure at RC4.

Part 4: Financeability & Allowed Revenues

Part 4 presents various financial mechanisms, including the Regulatory Asset Base (RAB), cost of capital, and k-factor adjustments. It also assesses how the proposed allowed revenue might affect customer bills. Please read this part if you are interested in these issues.

- **Section 7** sets out the CRU's approach to a number of interrelated issues on the RAB for Uisce Éireann, including the expected growth in the RAB over RC4;
- **Section 8** provides a discussion on Uisce Éireann's funding model and sets out the CRU's proposal for the key elements of the cost of capital;
- **Section 9** outlines the CRU's proposed approach to assessing Uisce Éireann's k-factor submission for Revenue Control 3 (RC3);
- **Section 10** outlines the proposed allowed revenues for Uisce Éireann and the impact of the RC4 Draft Determination proposals on customers.

Key consultation questions in Part 4 include whether stakeholders agree with the CRU's proposed options for Uisce Éireann's k-factor adjustment and the cost of capital.

- **Section 11** provides a conclusion and outlines the next steps.

Appendices

- **Appendix 1** provides a summary list of CRU's consultation questions.
- **Appendix 2** summarises the governance arrangements for the Innovation Funds across the Water, Electricity, and Gas sectors.
- **Appendix 3** outlines the CRU proposed template for monitoring of the Major Projects.

Executive Summary	ii
Introduction.....	ii
Navigating the RC4 Draft Determination	iii
RC4 Background and Context.....	iii
The RC4 Process.....	v
RC4 Allowances.....	vii
RC4 Regulatory Framework	xviii
Non-Domestic Customer Bill Impact	xxii
Next Steps	xxii
Public / Customer Impact Statement	xxiii
Navigating this Paper	xxvii
Glossary of Terms and Abbreviations	xxxiv
Part 1: Introduction	1
1. Introduction.....	2
1.1 CRU’s Legislative Role	2
1.2 Policy Context.....	4
1.2.1 Key Stakeholders' Roles in Uisce Éireann’s Revenue Control Process	7
1.3 Scope of Revenue Control 4.....	8
1.3.1 Scope of this Draft Determination	8
1.3.2 Additional Operational and Capital Expenditure Requests in RC4	9
1.4 Strategic Themes and Objectives of RC4	10
1.5 Building Blocks of Revenue Control.....	11
1.5.1 Capital Expenditure	12
1.5.2 Operational Expenditure	12
1.5.3 Determining the Regulated Asset Base.....	13
1.5.4 Determining the Approach to Rate of Return.....	13
1.5.5 k-factor	13
1.5.6 Determining the Allowed Revenue	14
1.6 CRU Approach to Uisce Éireann’s Revenue Control.....	14
1.7 Responding to this Paper.....	16
1.8 Related Documents.....	17
Part 2: Review of Historical Expenditure.....	18
2. RC3 In-period Re-Determinations	19
2.1 Context.....	19
2.2 Impact on Opex.....	20
2.2.1 Impact on Controllable Opex	20
2.2.2 Opex Efficiency Challenge Adjustment	21
2.3 Impact on Capex	22
2.3.1 Ringfenced Funding Reallocation.....	22
2.4 Conclusions.....	23
3. Review of Historical Capital Expenditure	24

3.1	Key Findings of Capex Lookback 2020-2024	24
3.1.1	Overall RC3 Delivery and Expenditure	25
3.1.2	Review of RC3 Network Capex	28
3.1.2.1	Quality (Allowed €2,198m; Outturn €2,108.4m)	29
3.1.2.2	Conservation (Allowed €467m; Outturn €861.4m).....	29
3.1.2.3	Future Proofing (Allowed €1,858m; Outturn €1,623m).....	29
3.1.3	Review of RC3 Non-Network Capex.....	30
3.2	Overview of RC3 Capex Efficiencies	32
3.3	CRU’s Expectations for Uisce Éireann’s Improvements	33
3.4	Conclusions	34
4.	Review of Historical Operational Expenditure	36
4.1	Key Findings of Opex Lookback 2020-2024	36
4.1.1	Controllable Costs (Allowed €3,644.4m; Outturn €3,616.3m)	37
4.1.2	Uncontrollable Expenditure (Allowed €277.5m; Outturn €205.7m)	40
4.1.3	Innovation Funded Opex (Allowed €4.0m; Outturn €2.9m)	40
4.2	Overview of RC3 Opex Efficiency Benchmarking	41
4.3	Conclusions	42
Part 3:	Review of Forecast Expenditure	44
5.	Review of Forecast Capital Expenditure	45
5.1	Introduction	45
5.1.1	Overview of Forecast Capital Expenditure	46
5.1.2	Efficiency and Deliverability	46
5.1.3	Top-Down (Process and Governance) Assessment.....	47
5.1.4	Bottom-up (Deep dive) Assessment	48
5.1.6	Uisce Éireann Pre-Consultation Response	48
5.2	Overview Uisce Éireann’s RC4 Capital Investment Plan	48
5.2.1	Uisce Éireann’s RC4 Capital Expenditure Submission: Overview.....	48
5.2.2	Policy and Strategic Objectives	49
5.2.3	RC4 Budget Allocations	50
5.2.4	RC4 Delivery Obligations	52
5.2.4.1	Uisce Éireann’s Proposed Delivery Obligations	52
5.2.4.2	Significant Target Changes Between RC3 And RC4.....	54
5.2.4.3	The CRU’s View on the RC4 Delivery Obligations	55
5.2.4.4	Monitoring of Delivery Obligations.....	58
5.2.4.5	Projects & Programmes without Delivery Obligations	58
5.2.5	RC4 Capex Efficiencies.....	61
5.2.6	Duration of the Capital Investment Plan (CIP)	61
5.2.7	Capital Expenditure Monitoring for RC4	61
5.3	Capex Processes and Governance Review	61
5.3.1	Introduction	61
5.3.2	Project Lifecycle Framework	62
5.3.3	Investment Planning Process	63
5.3.4	Capex Portfolio Governance	65
5.3.5	Risk Management.....	68

5.3.6 Costing Methods	68
5.3.7 Procurement & Delivery.....	71
5.3.8 Managing Change.....	74
5.3.9 Scottish Water International (SWI) Recommendations.....	76
5.4 Review of Capex Programme & Projects	76
5.4.1 Introduction	77
5.4.2 Needs and Optioneering	78
5.4.3 Risks and Governance	79
5.4.4 Cost Review	79
5.4.5 Deliverability challenges	81
5.4.6 Capex Portfolio Management	82
5.4.7 Security of Supply and Leakage.....	83
5.4.7.1 Security of Supply - Reporting Metric	83
5.4.7.2 Security of Supply - Summary	84
5.4.8 Capital Maintenance	84
5.4.8.1 Reactive vs Proactive Capital Maintenance	84
5.4.8.2 Capital Maintenance - Teams and Resources	85
5.4.8.3 Delivery of the RC4 Capital Maintenance Programme	85
5.4.8.4 Econometric benchmarking of Capital Maintenance.....	86
5.4.10 Major Projects.....	87
5.4.10.1 The Water Supply Project	88
5.4.10.2 The Greater Dublin Drainage Project GDD.....	88
5.4.10.3 The Greater Dublin Drainage Project - Resilience.....	89
5.4.10.4 The Greater Dublin Drainage Project – Risk Management	89
5.4.10.5 The Greater Dublin Drainage Project – Costing	89
5.4.10.6 CRU Monitoring of Major Projects.....	90
5.4.10.7 Mechanism for Un-ringfencing Major Project Funding.....	90
5.4.11 Environmental Compliance	92
5.4.11.1 Remedial Action List (RAL)	92
5.4.11.2 Priority Area List (PAL)	92
5.4.11.3 Urban Wastewater Treatment Directive.....	92
5.4.11.4 River Basin Management Plan	93
5.4.11.5 Capital Investment Plan	93
5.4.11.6 Sustainability.....	93
5.4.12 Summary of Deep Dive Findings	94
5.5 Review of Non-Network Capex.....	95
5.5.1 Introduction and overview.....	95
5.5.2 Information Technology.....	96
5.5.3 Business Change.....	97
5.5.4 Fleet & Facilities	97
5.5.5 Uisce Éireann Transformation Programme.....	98
5.6 CRU View on Efficient Level of Capital Expenditure	99
5.6.1 The CRU’s Proposed Alternative Efficiency Challenge	99
5.6.2 The CRU’s Proposed Cost Efficiency Challenge	101
5.6.3 Additional Capex recommendations.....	103
5.7 Summary of the CRU’s Capex Proposals and View on Deliverability	109

5.7.1 Capex Efficiency Challenge.....	109
5.7.2 Recommendations arising from Arcadis’ RC4 Assessment.....	109
5.7.3 Recommendations Building on RC3 Learnings.....	110
5.7.4 Projects and Programmes Without Clear Delivery Obligations.....	110
5.7.5 Addressing projects and programmes of assessed in the Deep Dives.....	110
5.7.6 Arcadis’ View on Deliverability.....	112
6. Review of Forecast Operational Expenditure	113
6.1 Uisce Éireann’s Proposed Opex.....	114
6.1.1 Controllable Opex Costs (93.5%).....	115
6.1.2 Non-Controllable Opex (6.4%)	116
6.1.3 Innovation Funded Opex (0.1%).....	116
6.2 Uisce Éireann’s Additional Costs over RC4.....	118
6.2.1 External, Compliance & Growth Costs	118
6.2.2 Real Price Effects (RPEs).....	119
6.2.3 Wider Efficiencies.....	122
6.2.4 Ongoing productivity.....	122
6.3 Operational Expenditure Benchmarking 2025-2029.....	123
6.3.1 RC4 Benchmarking – Results.....	124
6.3.2 Benchmarking Provided by Uisce Éireann.....	126
6.3.3 Differences between Uisce Éireann and CRU Benchmarking	126
6.4 CRU View on Efficient Level of Operating Costs.....	127
6.4.1 Progress to Date and Challenges in RC4	127
6.4.2 UÉT Cost Efficiencies	128
6.4.3 Efficiency Challenge Scenarios for RC4	131
6.4.4 Addressing Potential Gaps in Operational Expenditure Requirements.....	134
6.5 Conclusions.....	134
Part 5: Financeability & Allowed Revenues	136
7. The Regulatory Asset Base	137
7.1 Expected Evolution of the Regulatory Asset Base over RC4.....	137
7.2 Determination of Asset Lives	139
7.2.1 Introduction	139
7.2.2 Summary of Asset Lives Applied to the RAB.....	139
7.3 Additions to Uisce Éireann’s RAB	140
7.3.1 Recognition of Assets in RAB.....	140
7.3.2 Capital Contributions and Grants.....	140
7.4 Conclusions.....	140
8. The Cost of Capital	142
8.1 Introduction.....	142
8.1.1 Context: Uisce Éireann’s funding model	143
8.1.2 Key Implications of Uisce Éireann’s Funding Model to the Methodology.....	144
8.2 Approaches for Setting Allowed Return for RC4	145
8.2.1 Methodology for Setting the Cost of Capital	145
8.2.3 Option 1A: Uisce Éireann Specific WACC (existing approach)	147

8.2.4 Option 1B Benchmark WACC (Full WACC with latest gas or electricity WACC, 3.69%).....	147
8.3 CRU View on Setting the Cost of Capital for RC4.....	148
8.4 Estimating the RC4 Cost of Capital	149
8.4.1 Cost of Debt.....	150
8.4.2 Gearing.....	150
8.4.3 Cost of Equity	150
8.5 Other Considerations by the CRU.....	151
8.5.1 Consideration 2A (Cost of Debt on full RAB, 1.27%).....	152
8.5.2 Consideration 2B (Actual Cost of Debt, €19m p.a.)	152
8.6 Conclusions.....	153
9. Adjustments related to RC3.....	155
9.1 Principles Governing k-factor Adjustments	155
9.2 Application of Variations at RC3	156
9.3 RC3 k-factor Cost Adjustment	157
9.4 RC3 k-factor Revenue Adjustment	159
9.4.1 Non-Domestic Bad Debt Incentive.....	159
9.4.2 Billing Correction and Efficient Billing Incentives.....	160
9.4.3 Leakage Reduction Incentives.....	161
9.5 CRU Proposals on Overall Adjustment	161
9.6 Conclusions.....	162
10. Allowed Revenues	163
10.1 Setting Allowed Revenue	163
10.1.1 Calculation of RC4 Revenue	164
10.2 Reprofile of Allowed Revenue over RC4	165
10.2.1 Purpose of Revenue Reprofile.....	165
10.2.2 Scenarios Considered	166
10.3 High-level Outline of Revenue Update Mechanism.....	168
11. Conclusion & Next Steps	170
Appendix 1 - Summary List of Draft Determination Consultation Questions .	171
Appendix 2 – Water Services Innovation Fund Summary and Comparison ...	173
Appendix 3 – Monitoring Major Projects	175

Glossary of Terms and Abbreviations

Abbreviation or Term	Definition or Meaning
Arcadis	Technical consultant company commissioned by the CRU to review the Uisce Éireann's RC4 submission.
Capex	Capital Expenditure
CAPM	Capital Asset Pricing Model, is a financial model that calculates the expected rate of return for an asset or investment.
CEPA	A UK based economic and financial policy consultancy
CIP	Capital Investment Plan
CMC	Central Management Costs
CRU	Commission for Regulation of Utilities
COD	Cost of Debt
COE	Cost of Equity
CSO	Central Statistics Office
DBO	Design-Build-Operate (DBO) contracts are long-term agreements where a third-party contractor is responsible for designing, constructing, and operating a water or wastewater treatment facility, or a supply/distribution facility, for a specified period.
DETE	Department of Enterprise, Trade and Employment
DHLGH	Department of Housing, Local Government, and Heritage
DPENDR	Department of Public Expenditure, National Development and Reform
DWD	Drinking Water Directive
ECJ	The European Court of Justice
ED	Electoral Division is the smallest published census unit in Ireland. Ireland consists of c. 3,420 of these.
ELV	Emission Limit Value, represents the maximum permissible amount of a substance (like pollutants) that can be released into the environment, from a specific source over a defined period.
EPA	Environmental Protection Agency
ESB	Electricity Safety Board
GDA	Greater Dublin Area
GDD	Greater Dublin Drainage Project
GNI	Gas Networks Ireland
GWS	Group Water Schemes
HICP	Harmonised Index of Consumer Prices
HSQE	Health & Safety, Quality and the Environment
IRC1	Interim Revenue Control 1 (Q4 2014-2016)
IRC2	Interim Revenue Control 2 (2017-2018 and subsequently extended to include 2019)
I&O	Investment & Outcome
k-factor	A revenue adjustment relating to previous revenue control periods.

LA	Local Authorities
LAD	Local Authority District is a type of population-weighted average density metrics. LAD is a coarser geographical unit – Ofwat’s companies cover c.450 LADs.
LEA	Local Electoral Area is used for electoral and some statistical reporting purposes in Ireland, and there are c. 166 LEAs in the country.
MCA	Master Cooperation Agreements
MSOA	Middle layer Super Output Area is a type of population-weighted average density metric. MSOA is the most granular statistical geographic unit in England and Wales, with c. 7,000 MSOA areas. In the UK, an MSOA typically covers a geographical area with 5,000-15,000 persons, fitting within local authority boundaries.
NDP	National Development Plan
NERA	National Economic Research Associates – Economic Consultant company commissioned by the CRU to review Uisce Éireann’s RC4 submission.
NIW	Northern Ireland Water
NNC	Non-network Capital Expenditure
Nominal prices	Nominal prices are not adjusted for inflation and so reflect the value in the year the cost item relates to.
NPV	Net Present Value. The CRU calculates the total cash requirement of Uisce Éireann over a revenue control period in NPV terms.
OE	Ongoing Efficiency
O&O	Outcomes and Outputs
OFGEM	Economic regulator of the electricity and gas sectors in England and Wales
OFWAT	Economic regulator of the water sector in England and Wales
Opex	Operational Expenditure
PAF	Performance Assessment Framework
PAL	Priority Action List
Present value	The value at the present point in time of a sum of money, in contrast to some future value it will have when it has been invested at compound interest and consideration has been given to inflation.
PC5	Price Control 5
PR6	Price Review 6
P&L	Profits & Loss
PE	Population Equivalent
RAB	Regulated Asset Base
RC	Revenue Control
RC3	Revenue Control 3 (2020-2024)
RC4	Revenue Control 4 (2025-2029)
RAL	Remedial Action List
RFR	Risk-free Rate
Real prices	Real prices are prices that have been adjusted for inflation. This removes the effect of inflation from year to year allowing monies to be

	compared in same-year terms. For example, for this paper when prices are quoted in ‘2022 monies’, this means that inflation has been removed from figures referring to later years.
RPE	Real Price Effects (also sometimes referred to as differential inflation) - relate to input prices increasing or decreasing in real terms relative to inflation (e.g., HICP).
SCADA	Supervisory Control and Data Acquisition
SFP	Strategic Funding Plan 2025-2029
SI	Statutory Instrument
SLA	Service Level Agreement
SoS	Security of Supply
SPU	Single Public Utility
SSA	Support Service Agreements
SWI	Scottish Water International
TOM	Target Operating Model
TMR	Total Market Return
UÉ	Uisce Éireann (previously Irish Water)
UÉT	Uisce Éireann Transformation Programme
UWWTD	European Union Urban Wastewater Treatment Directive
WACC	Weighted Average Cost of Capital
WFD	Water Framework Directive
WICS	Water Industry Commission for Scotland
WIOF	Water Industry Operating Framework
WPI	Wholesale Price Index
WRZ	Water Resource Zone
WSP	Water Supply Project for the Eastern and Midlands Region
WSC	Water Sector Customer
WSIP	Water Services Investment Plan
WSPS	Water Services Policy Statement 2025-2030
WSSP	Water Services Strategic Plan
WWTP	Wastewater Treatment Plant

Part 1: Introduction

This part provides the context and legislative functions of the CRU along with the basis used to conduct its revenue controls. It outlines, at a high level, the national water legislative framework and its application to the economic regulatory framework and revenue control. It also describes Uisce Éireann's funding model and how this structure introduces a distinct set of considerations that the CRU must take into account, before it can commence its review. It is also an important consideration in the design and proposals put forward in this Draft Determination. This section also sets out the scope and approach adopted for this review.

1. Introduction

This Draft Determination presents the CRU's proposals for allowed expenditure and corresponding revenues for Uisce Éireann under Revenue Control 4 (RC4), covering the period from 01 January 2025 to 31 December 2029. The proposals introduce regulatory challenges to both operational expenditure (opex), based on econometric benchmarking, and capital expenditure (capex), informed by governance and in-depth reviews. It also specifies the delivery obligations, as outputs and outcomes (O&O) and performance targets that Uisce Éireann must achieve by the end of RC4 for the proposed level of allowed revenue.

The proposals in this Draft Determination are based on Uisce Éireann's Investment Plan, submitted in December 2024, following Ministerial approval of Uisce Éireann's Strategic Funding Plan (SFP) and supported by its Board-approved data and documentation. They also reflect engagement with Uisce Éireann throughout the process and lessons learned from the previous RC3 period.

The following sections detail the CRU's approach, the proposed regulatory challenges, and expectations for monitoring, reporting, and next steps.

The CRU invites feedback from the public, the water industry, customers, and all interested parties to help finalise its determination for RC4.

1.1 CRU's Legislative Role

The Commission for Regulation of Utilities (CRU) is Ireland's independent energy and water services⁸ regulator, established in 1999, with a wide range of economic, customer protection and safety responsibilities in energy. The work of the CRU impacts every Irish home and business by ensuring safe, secure, and sustainable energy and water supplies at a reasonable cost.

In the water sector, the CRU is the economic regulator for Uisce Éireann (UÉ), the national single public utility responsible for the provision of public water and wastewater services. The CRU's role and functions are set out in the following legislation:

- [Electricity Regulation Act 1999](#)
- [Water Services Act 2007](#)
- [Water Services Act 2013](#)
- [Water Services \(No. 2\) Act 2013](#)
- [Water Services Act 2014](#)
- [Water Services Act 2017](#)
- [S.I. No. 99/2023 - European Union \(Drinking Water\) Regulations 2023](#)

[Section 27 of the Water Services Act 2013](#) and [Section 9 of the Electricity Regulation Act 1999](#) gives the CRU the powers and role of economic regulator of water services in Ireland. [Section 39 of Water](#)

⁸ For clarity, the term 'water services' in this Paper should be interpreted as applying to both water and wastewater services.

[Services \(No. 2\) Act 2013](#) sets out the principles the CRU must have regard to as the economic regulator of Uisce Éireann (formerly Irish Water):

- (1) The Commission shall perform its functions in a manner that best serves the interests of customers of Irish Water.
- (2) The Commission shall, in the performance of its functions under this Act, have regard to the need to ensure—
 - (a) that the customers of Irish Water are provided with the quality of service provided for in a code of practice approved under section 32,
 - (b) that water services are provided by Irish Water in an economical and efficient manner,
 - (c) that Irish Water operates in a commercially viable manner,
 - (d) the conservation of water resources,
 - (e) the continuity, safety, security, and sustainability of water services,
 - (f) that Irish Water can meet all reasonable demands for water both current and foreseeable,
 - (g) the recovery of costs of water services in accordance with Article 9 of the EU Water Framework Directive,
 - (h) that Irish Water performs its functions in a manner that will enable the achievement by the State of the environmental objectives of that Directive,
 - (i) that Irish Water performs its functions in an open and transparent manner.

The CRU notes that the legislative wording “have regard to” is pursuant to [Section 22 of the Water Services Act \(No.2\) 2013](#), the CRU has the role of approving the Water Charges Plan (WCP) submitted by Uisce Éireann, which sets out the charges for the provision of water services. Section 22(8) specifies that the CRU’s approval may have regard to the Minister-approved Strategic Funding Plan (SFP) and the costs likely to be incurred by Uisce Éireann in the performance of its functions.

In practice, Uisce Éireann submits a detailed Investment Plan to the CRU, based on the approved SFP. The CRU assesses this plan through the revenue control process, which includes, costs assessments and benchmarking, establishing monitoring arrangements, engagement with Uisce Éireann and a public consultation, to determine the efficient level of allowed revenue. This allowed revenue is set to enable Uisce Éireann to recover its efficiently incurred costs from Government subvention and non-domestic customers over the RC period.

The final revenue allowance determination informs Uisce Éireann of a WCP that the CRU is prepared to approve. In addition to setting the revenue allowance, the CRU seeks to drive cost efficiencies⁹ and improve services provided to customers by setting performance targets and monitoring Uisce Éireann’s delivery of services and infrastructure investment in a cost-efficient manner.

The [Water Services Act 2017](#) changed Uisce Éieann’s original funding model. Domestic customers are no longer directly charged for their usage of water services. Instead, the Exchequer covers the

⁹ Cost efficiency here is measured as the maximum level of output for a given input level. The question of what constitutes efficient use of funds is difficult because there is no perfect, mechanical, and unambiguous way to determine utility efficiency in the real world.

costs of providing water and wastewater services to domestic customers through subvention and equity. The non-domestic tariffs recover the portion of Uisce Éireann's allowed revenue that reflects the costs of providing water, wastewater and trade effluent services to non-domestic customers. The Act also stipulates that Uisce Éireann cannot raise debt from financial markets.

To implement the change in funding model, the Water Services Act 2017 introduced a structured sequence of steps (incorporated in the amended Water Services Act (No.2) 2013) to align regulatory decisions with national policy and budgetary planning. For the CRU, steps include instruments such as the WSPS and the SFP, that must be completed prior to the CRU's revenue control process. Further information on these instruments

[Section 27\(2\)\(b\) of the Water Services Act 2013](#) provides the CRU with the ability to consult with Uisce Éireann, as well as members of the public and other appropriate persons in relation to the CRU's performance of its water services regulating functions. This one of legal basis for this Draft Determination, which seeks feedback from the public and relevant stakeholders on the CRU's proposed decisions to regulate Uisce Éireann during the RC4 period.

Further information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie.

1.2 Policy Context

The RC4 Revenue Control is the fourth Revenue Control for Uisce Éireann but marks the second five-year revenue control, covering 01 January 2025 to 31 December 2029. Figure 1 sets out Uisce Éireann's funding and regulatory model and illustrates how the regulatory revenue control process interacts with other elements of Ireland's national water policy framework, comprising:

The National Development Plan (NDP): This is Ireland's long-term strategic investment roadmap, designed to transform infrastructure across the country. It provides overarching multi-annual capital investment approval, with investment in water infrastructure being one of the key pillars of the NDP. The current NDP spans from 2026 to 2035, with €11.7bn allocated to Uisce Éireann for providing water and wastewater services from 2026 to 2030¹⁰.

Water Services Strategic Plan (WSSP): [Section 33 of the Water Services \(No.2\) Act 2013](#) tasks Uisce Éireann to prepare and submit a WSSP stating Uisce Éireann's water services objectives over a 25-year period, and how these objectives are to be achieved. Uisce Éireann updates the WSSP every five years and submits it for Ministerial approval. In preparing the WSSP, Uisce Éireann is required to consult with the CRU, the EPA and every Local Authority and regional body. The WSSP must legally address:

- Drinking water quality
- Prevention or abatement of risks to human health or the environment relating to the provision of water services
- Existing and projected demand for water services

¹⁰ Please see details in [National Development Plan Review 2025 - Securing Ireland's Future Sectoral Investment Plan: Water Services and Water Quality](#).

- Existing and planned arrangements for Uisce Éireann to provide water services
- Existing and reasonably foreseeable deficiencies Uisce Éireann may have in providing water services
- Existing and planned water conservation measures
- The management of Uisce Éireann

Water Services Policy Statement (WSPS): [Section 32A of the Water Services \(No.2\) Act 2013](#) tasks the Minister of the Department of Housing, Local Government and Heritage (DHLGH) to periodically prepare a Water Services Policy Statement (WSPS). The WSPS sets out the policy objectives and priorities of the Government regarding the provision of water services during a set period. In preparing the WSPS, the Minister shall have regard to relevant EU water regulations and river basin plans; recent EPA reports under the Water Services Acts; any regulations under environmental legislation; the need to protect human health and the environment; Government policies on spatial planning and economic development; and the importance of efficiency and cost-effectiveness in water service provision.

The most recently published [WSPS](#) is for the period 2024-2030, which overlaps with RC4. The current themes are:

- Availability & Reliability: Water services will support regionally balanced economic and social development through accessible, dependable and reliable water services
- Safety & Quality: Water services will be safe and protect human health
- Sustainability: Water services will be efficient, resilient, and sustainable in the long term

Strategic Funding Plan (SFP): Under [Section 34A of the Water Services Act \(No.2\) 2013](#), Uisce Éireann must prepare and submit a Strategic Funding Plan (SFP) to the Minister (DHLGH) for approval, no later than three months after the publication of the WSPS. The ministerial approval indicates that the Minister (DHLGH) is satisfied that the SFP addresses the WSPS and sets the upper ceiling of funding available to Uisce Éireann so that it can fulfil its obligations to deliver water and wastewater services to meet Government policy objectives.

The SFP prepared by Uisce Éireann sets out the necessary measures that Uisce Éireann will take to meet the policy objectives of the WSPS while detailing annual operational and capital costs across the regulatory period. The SFP sets out the ceiling on capital and operating costs expected to be incurred by Uisce Éireann over the revenue control (RC) period and how these costs are expected to be recovered through different sources, including exchequer funding and non-domestic tariffs. The Minister (DHLGH) decides whether to approve or not to approve and requires Uisce Éireann to submit a revised SFP. After the Ministerial approval of the SFP for the regulatory period, Uisce Éireann submits its Investment Plan to the CRU, which details operating and capital costs. The SFP approval initiates the regulatory process whereby the CRU undertakes an economic review of the plan as part of the RC4 Revenue Control. Note that CRU's review does not assess all 269 separate projects and programme, rather the CRU assesses the RC4 Investment Plan holistically from the perspective of economic efficiency.

Uisce Éireann Business Plan Submission: Under [Section 34 of the Water Services \(No.2\) Act 2013](#), Uisce Éireann prepares an Investment Plan for every RC period following Ministerial approval of the SFP. The Investment Plan details the water service infrastructure investment Uisce Éireann considers necessary and plans to undertake during the RC period. The Investment Plan should take account of the WSSP, along with River Basin Management Plans and other regional or local development plans. The SFP is used as basis to develop its Revenue Control Investment Plan for the purposes of the Water Charge Plan to be approved by the CRU.

In preparing the Investment Plan, Uisce Éireann is required to consult with the Environmental Protection Agency, as well as other relevant regional bodies or planning authorities, in accordance with [Section 34\(6\) of the Water Services \(No.2\) Act 2013](#). Therefore, it is Uisce Éireann's responsibility to carry out these consultations and then submit an Investment Plan to the CRU detailing the water services infrastructure investments it deems necessary to effectively carry out its statutory functions.

CRU's Revenue Control Process: The CRU reviews Uisce Éireann's submissions to determine Uisce Éireann's allowed expenditure and revenue for the Revenue Control period. This RC4 consultation forms part of this review process. The CRU also monitors and reports on Uisce Éireann's progress and delivery of its Investment Plan, along with a Performance Assessment Framework (see RC4 Regulatory Framework Draft Determination, CRU2025135).

Annual Allocation: The CRU's revenue decision informs the DHLGH of Uisce Éireann's funding requirements ahead of the Departmental vote. This, in turn, informs the annual Government budgetary process

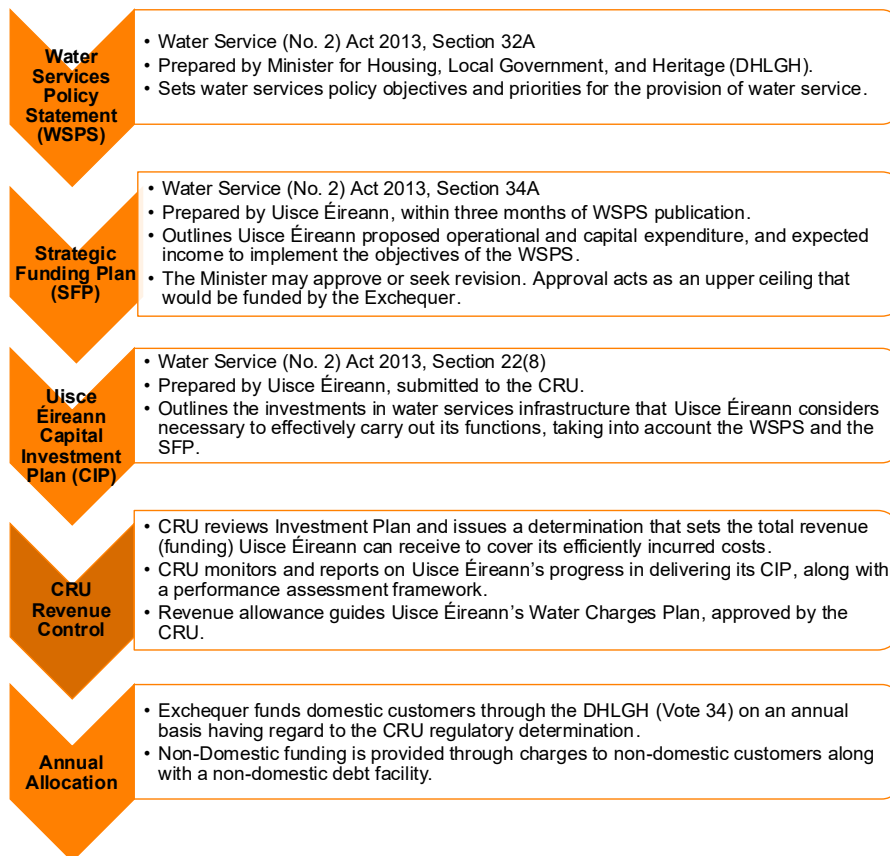
- Domestic: Uisce Éireann's capital and operational requirements (subvention and capital contributions) for domestic customers are funded by the exchequer through the DHLGH on an annual basis through the DHLGH budgetary process, while having regard to the CRU regulatory determination.
- Non-Domestic: Uisce Éireann's non-domestic funding is sourced from charges to non-domestic customers according to a Water Charges Plan that is submitted by Uisce Éireann and reviewed and approved by the CRU (pursuant to [Section 22 of the Water Services Act \(No.2\) 2013](#)), along with a non-domestic debt facility.

Note: The postponed publication of the Water Services Policy Statement (February 2024) and the timing of Ministerial approval of the SFP for the RC period of 2025-2029 (November 2024) were such that Uisce Éireann submitted its RC4 proposal to the CRU in December 2024. This timing issue meant that a comprehensive multi annual review could not be completed, before the commencement of the RC4 period starting on 01 January 2025.

Given this, and following engagement with Uisce Éireann, the CRU took a pragmatic interim approach to maintain regulatory oversight and incentivise operational continuity throughout 2025 and 2026, ahead of the publication of the final RC4 Determination expected in Q2 2026. This interim approach aims to provide clarity on the regulatory framework for the initial period of RC4, prior to the final decision on RC4 and maintain at minimum the RC3 performance services to customers. The interim approach is summarised as follows:

- Extend all relevant targets and metrics established under the RC3 Performance and Monitoring Framework into 2025.
- Apply annual monitoring requirements as per RC3 - the CRU will publish a hybrid report on Uisce Éireann’s 2025 investment performance in 2026 by reporting against the agreed RC3 deliverables mentioned, as well as the progress made for the minority of new investments.

Figure 1 Uisce Éireann’s Funding and Regulatory Model Overview (Adapted from WSPS 2024 – 2030)



1.2.1 Key Stakeholders' Roles in Uisce Éireann’s Revenue Control Process

For clarity, the key roles of DHLGH, Uisce Éireann and the CRU in Uisce Éireann’s revenue control process are set out below:

- **DHLGH:** The National Development Plan (NDP) provides overarching multi-annual approval for capital investment into the water sector. In light of the NDP, the Minister (DHLGH) approves the SFP as per Section 34A of the Water Services (No. 2) Act 2013. The approved SFP sets out the **upper ceiling of funding available** for Uisce Éireann so that it can fulfil its obligations to deliver water and wastewater services to meet Government policy objectives (as defined in DHLGH’s Water Services Policy Statement 2025-2029). These approvals enable Uisce Éireann to develop its strategic and multi-annual investment plans, including detailed annual expenditure forecasts, which are then submitted to the CRU for economic regulatory assessment.

- **Uisce Éireann:** Following Ministerial approval of the SFP, Uisce Éireann submit its Investment Plan to the CRU setting out its ambitions and the required funding for the next regulatory period, currently 2025-2029. In accordance with section 34(6) Water Services (No. 2) Act 2013, Uisce Éireann's shall, "*before preparing an investment plan, consult with – (a) the Agency, (b) each regional body in respect of whose functional area the investment plan is likely to apply, and (c) each planning authority in respect of whose functional area the investment plan is likely to apply.*" Therefore, it is Uisce Éireann's full responsibility to ensure that its Investment Plan can support its statutory obligations and enable the delivery of water services in compliance with all the applicable requirements under European and Irish legislation.

Given both the scale of investment and the level of public funding involved and given that the responsibility for investment and operational decisions, (including the delivery of multi-annual infrastructure projects), lies with Uisce Éireann's Executive, robust governance and a high degree of transparency are essential.

Moreover, the Uisce Éireann Executive must be held accountable for overseeing and clearly reporting on capital expenditure performance, including explanations for any delays or deviations from planned delivery.

- **CRU:** The CRU's statutory role is to promote that Uisce Éireann provide water services in an **economic and efficient manner** to meet its statutory obligations, achieve national water policy priorities, and deliver value for customers, within the constraints of Uisce Éireann's funding model. To do this, the CRU reviews Uisce Éireann's submission (i.e., the Investment Plan) and sets the allowed revenue and the required service delivery for a specific RC period. The CRU's approach to Uisce Éireann's Revenue Control is discussed in Section 1.6.

It is important to note that the CRU's economic regulatory framework is designed to approve the Water Charges Plan and incentivise efficient and timely infrastructure delivery, while monitoring outcomes for customers on an ongoing basis. The regulatory framework does not extend to detailed oversight of individual project selection, development, or execution. To reiterate, the CRU's legislative role regarding to Uisce Éireann's Investment Plan is to assist in the decision to approve the Water Charges Plan, and the CRU has no role in the technical aspects of the plan's contents. The regulatory framework is based on a five-year funding certainty, consistent with international utility regulation norms. This underpins the CRU's ex-ante setting of allowed revenues and performance targets over defined regulatory periods.

1.3 Scope of Revenue Control 4

1.3.1 Scope of this Draft Determination

This Draft Determination sets out the CRU's proposals for RC4 for the period 2025 to 2029 inclusive. The CRU's assessments and proposals are informed by the Investment Plan, and its associated data and supporting information and discussion provided by Uisce Éireann, as set out in its Investment Plan. For RC4 this was submitted to the CRU in December 2024, aligned with the

Ministerial-approved SFP 2025-2029¹¹, and associated updates provided during the formal assessment process.

Uisce Éireann has submitted that this scale of investment is needed to upgrade essential infrastructure, improve service standards, enhance environmental compliance, and support Ireland’s response to climate change and population growth. It aligns with the above mentioned national strategic objectives for the water services (Availability & Reliability, Safety & Quality, and Sustainability) as outlined in the WSPS 2025-2030.

Uisce Éireann’s RC4 submission to the CRU includes a request for a total expenditure of €13.8 billion over the RC4 period, reflecting a 53% real increase over RC3 outturn values (Table 1).

The total expenditure comprises €8.56 billion in capital expenditure and €5.24 billion in operational expenditure for the period. This results in a total revenue request of €8.49 billion for RC4 (2022 prices, excluding RC3 k-factor).

Note that all figures quoted in this paper are in 2022 monies unless otherwise stated.

The CRU notes that the difference between the total operational and capital expenditure requested in the Ministerial-approved SFP 2025-2029 of €16.9 billion (nominal terms) and Uisce Éireann’s Business Plan is mainly attributed to;

- i) the figures are presented in different financial terms (e.g., nominal vs. real terms);
- ii) reconciliation (see details explained in Uisce Éireann’s RC4 Revenue Allowances Submission (CRU2025139p) between International Financial Reporting Standards (IFRS) and regulatory views of operational and capital costs.

Therefore, both figures are consistent within their respective contexts and reflect different accounting treatments and scopes.

Table 1 Summary of Uisce Éireann's RC4 Submission and Comparison to RC3

€bn, 2022 prices	RC3 (Allowance)	RC3 (Outturn)	RC4 Business Plan	Change (RC4 vs RC3 Outturn)
Opex	4.39	4.29	5.24	22%
Network Capex	4.90	4.33	8.07	86%
Non-network Capex	0.42	0.42	0.49	16%
Opex + Capex	9.71	9.04	13.80	53%
Total revenue	6.33	5.98	8.49	42%

1.3.2 Additional Operational and Capital Expenditure Requests in RC4

Uisce Éireann has recently informed the CRU that its capital and operational expenditure requirements will need to be updated and increased. Uisce Éireann provided two early draft papers:

- A supplementary RC4 Opex submission, which outlines revised opex projections reflecting i) “*UÉT challenges and Framework*”, including increased/retained headcount, intensified site

¹¹¹¹ Department of Housing, Local Government and Heritage, “[Uisce Éireann Strategic Funding Plan 2025 – 2029](#)”, 02 December 2024.

activity, ii) “*increased compliance requirements*” under the Drinking Water Directive, and iii) “*increased growth and demand for services*” driven by increased road opening licences & re-instatement requirements versus SFP assumptions and the opex impact of the accelerated national housing growth;

- A growth-related Investment submission, which seeks ca. €2.0 billion (ca. €1.7 billion by 2029) in additional ring-fenced capital funding to support the Government’s accelerated housing targets, rural initiatives, and related Programme for Government commitments.

The 2025 NDP review allocated a total of €11.7bn in capital funding to Uisce Éireann reflecting a strong commitment to long term, sectoral planning in water infrastructure. The CRU notes that this RC4 review, and the proposals set out in this Draft Determination are based on the submission made by Uisce Éireann to the CRU in December 2024 and does not take account of any additional funding to be provided under the NDP. The CRU has not yet received any formal proposals from Uisce Éireann in respect of incremental deliverables which are funded by the additional expenditure and revenue. However, the CRU has developed a transparent mechanism in its RC4 design to reopen RC4 to update the regulatory evaluation and framework that will apply to Uisce Éireann. The objective as with the current plan is to incentivise Uisce Eireann to deliver its plan efficiently and in a timely manner and transparently report on its delivery obligations for the funding it receives.

The CRU expects Uisce Éireann will submit an update to its RC4 Investment Plan to reflect this new NDP ambition. A review of the cost efficiency of the incremental investment to connect more homes and businesses will be undertaken by the CRU.

1.4 Strategic Themes and Objectives of RC4

The WSPS is an overarching policy statement that sets out the main objectives and a series of related priorities that provide the Government's strategic approach to water service delivery.

The principles that guide the development and provision of water services include: compliance with water European legislation, delivery of UN Sustainable development Goal 6 on clean water and sanitation, implementation of the OECD Council Recommendation on Water.

The three key WSPS objectives for the RC4 period are Availability & Reliability, Safety & Quality, and Sustainability are central to Uisce Éireann’s Investment Plan and therefore the review conducted by the CRU.

As the utility responsible for delivering water services, Uisce Éireann is tasked with developing its Strategic Funding Plan to meet the objectives of the WSPS; it is for Uisce Éireann to determine the optimal balance of portfolio priorities and the investment mix required to deliver RC4.

The WSPS is therefore a key consideration in the CRU’s assessments. The CRU’s assessments include a review of Uisce Éireann’s investment proposals as submitted, to address the WSPS themes and the emerging investments.

In addition to the WSPS requirements, the CRU has also factored its Strategic Plan for the period 2025 to 2027 and falls within the period of the RC4 review, Draft Determination and Final

Determination. The CRU Strategic Plan sets out the CRU's vision, mission and values as well as the organisations strategic priorities over the 2025 to 2027 period.

The CRU's Strategic Plan states its vision is as follows: 'Resilient, efficient, sustainable, and safe energy and water services for Ireland'. The CRU's overall mission is to protect the interest of all energy and water consumers in Ireland.

The CRU Strategic Plan document identified several strategic priorities that relate to Irelands public water and wastewater system such as, for example, (i) enabling efficient investment for secure, sustainable and resilient water and wastewater infrastructure and (ii) Incentivise delivery of high-quality water and wastewater services. Further information on the CRU Strategic Plan 2025-2027 can be found [here](#).

In line with Government policy and the CRU's strategic commitment to *"Develop enhanced regulatory frameworks to deliver national infrastructure efficiently, and at pace."*, the CRU's key objectives for RC4 are to:

- enable efficient investment and infrastructure delivery by setting revenue allowances that allow Uisce Éireann to recover only efficiently incurred operating and capital costs for the delivery of essential water and wastewater service;
- incentivise performance and outcomes by linking revenue to the delivery of measurable delivery obligations across water, wastewater, and sustainability categories; and,
- promote transparency and accountability in Uisce Éireann's delivery through performance monitoring, reputational and financial incentives, and enhanced reporting frameworks.

Given the significant step-change in investment that Uisce Éireann will be responsible for, it is essential that customers receive demonstrable value from the revenue allowances outlined in the approved SFP and submitted by Uisce Éireann to the CRU.

1.5 Building Blocks of Revenue Control

This section explains the key elements, or the building blocks applied to conduct the economic assessment through a revenue cap model. Under the 'Revenue Cap' regulatory regime, the CRU employs a process to determine the revenues that a utility can collect each year of the revenue control. This approach involves the CRU assessing Uisce Éireann's Investment Plan and determining the appropriate level of revenue that is required to efficiently operate the utility over the Revenue Control period. There are several aspects considered when estimating the appropriate level of revenue that will be required to finance the utility, while also imposing challenging but achievable targets for cost reduction over the period. Figure 2 illustrates the key elements of a revenue control process.

The key elements of a revenue control are as follows:

- The capital expenditure (capex) of investment in infrastructure (see Section 5);

- The operating expenditure (opex) associated with operating the water and wastewater business (see Section 6); and
- The value of the assets in Uisce Éireann's regulated asset base (see Section 7).

In addition to the key elements of the revenue cap regime, there are other essential components that feed into the determination of the overall allowed revenue. These elements and the above components of the revenue control are discussed in turn below and are visualised in the diagram below.

1.5.1 Capital Expenditure

A key element is an allowance for capex over the course of the revenue control period. The capex category relates to Uisce Éireann's physical assets i.e. the water and wastewater network, treatment plants, vehicles, IT systems, as well as the upgrade, repair and maintenance of the existing network and treatment plants.

The revenue allowance approved by the CRU must be sufficient to enable targeted investment into water services infrastructure that is both proportionate and necessary while also encouraging the utility to drive efficiencies.

In reviewing Uisce Éireann's capex proposals, the CRU assesses whether the proposals are necessary and deliver benefits to customers and whether estimated costs are realistic. Economic and Technical, experts assist the CRU in assessing the needs case and technical merit of the capital programme and whether the projects proposed reflect the best value solution. The in-depth review of the utility's proposed capex submissions, coupled with audits of individual projects, strengthens the evaluation and proposals for its Final Determination so that regulatory revenue proposed for Uisce Éireann's submitted plan, is fair and appropriate. See Section 5 for further information.

1.5.2 Operational Expenditure

Another key element of revenue control is an allowance for Opex, which addresses the day-to-day running costs of the utility.

Opex costs comprise a range of cost categories, including, for example, items such as staff costs, customer operations, asset management, insurance, levies and licence fees amongst others. It is important that the utility is provided with a level of revenue sufficient to operate its business efficiently and to a high standard, thereby providing value to customers through improved service levels and a high standard of customer service.

The overall proposed operational expenditure is the result of rigorous scrutiny of Uisce Éireann's as submitted through the RC4 submission and the subsequent analysis using this information, conducted by NERA, the CRU's economic consultants.

In carrying out this review, the CRU through NERA, applied a combination of approaches to complete a robust assessment. These included:

- the review and assessment of the information provided by Uisce Éireann through its business planning questionnaire submission.

- detailed weekly Q&A sessions, direct bilateral engagement and written reports.
- comparative benchmarking of Uisce Éireann against water and wastewater companies in England and Wales.
- Specialist advice and technical support from NERA on experience from other utilities.

The combination of these methods alongside continuous engagement with the utility over the course of the project enables Uisce Éireann's opex allowance to be thoroughly assessed.

The challenge set by the CRU to Uisce Éireann to continue to reduce its opex over the course of the revenue control, while maintaining and improving service, is based on information and data received from Uisce Éireann and evaluated by the CRU consultants. See Section 6 for more information.

1.5.3 Determining the Regulated Asset Base

A third important element of revenue control is the Regulated Asset Base (RAB) of Uisce Éireann. In simple terms, a RAB is a measure of the net value of the assets allowed (those determined to be efficiently incurred by the CRU) to Uisce Éireann in the operation of its regulated activities at any point in time.

The RAB allows Uisce Éireann to receive a proper and fair return on the efficiently incurred capital investments it has made in water and wastewater infrastructure. The rate of return that Uisce Éireann can earn on assets in the RAB is set by the CRU for the duration of the revenue control period. The CRU approves what assets and costs are added to the RAB over the course of the revenue control. This has been addressed in greater detail in Section 7 of this paper.

1.5.4 Determining the Approach to Rate of Return

The CRU also sets the rate of return that Uisce Éireann can earn on the efficiently incurred capital investments in its RAB. This is known as the Weighted Average Costs of Capital or WACC. This is essentially a weighted average of the cost of debt and the cost of equity (as most businesses are financed through a combination of debt and equity).

The CRU, advised by the evaluation conducted by NERA, sets a WACC that is used to derive a fair return on the capital investments made by the utility. This has been addressed in greater detail in Section 8 of this consultation paper.

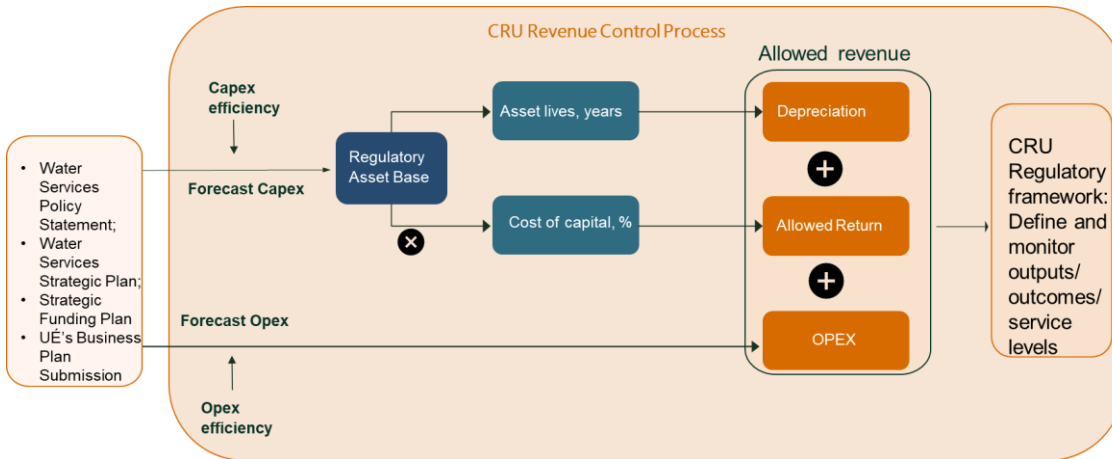
1.5.5 k-factor

The 'k-factor' adjustment is applied to over- or under-recoveries of revenues and permissible variations in costs (e.g. uncontrollable opex) from the pre-determined level of allowed revenues. It is used to allow for the fact that while the CRU approves a level of revenue to allow Uisce Éireann to recover its efficient costs over a regulatory period, this level depends on assumptions about what happens over the course of that period but may not necessarily reflect events as they occur. The adjustment essentially corrects for these events by applying a revenue adjustment to be collected in subsequent periods. This has been addressed in greater detail in Section 9 of this consultation paper.

1.5.6 Determining the Allowed Revenue

Combining all the components as described above, the CRU generates a proposed overall revenue allowance for Uisce Éireann for the duration of the revenue control. This revenue allowance forms the basis of Uisce Éireann’s charges to its customers (including, e.g. non-domestic customers and new connections). The residual amount, over and above charges paid by customers, will be recovered through the Government subvention. This is discussed in greater detail in Section 10 of this paper.

Figure 2 Illustration of the Revenue Control Process



1.6 CRU Approach to Uisce Éireann’s Revenue Control

This section explains how the CRU has assessed Uisce Éireann’s submitted RC4 Investment Plan. The assessments seek to evaluate whether proposed expenditure can promote efficiency and deliver the outputs (projects and programmes) and outcomes (service levels and societal and environmental benefits) set out in Uisce Éireann’s Investment Plan and the Ministerially approved Strategic Funding Plan.

Key Elements of Review:

Board-Approved Plans: The CRU commenced its RC4 review following receipt of Uisce Éireann’s Investment/Business Plan, along with the supporting data and documentation.

Benchmarking Operational Expenditure (Opex): For RC4, the efficiency of ongoing costs is assessed using NERA’s econometric benchmarking exercise, to inform a target that represents a reasonable stretch that Uisce Éireann at minimum should strive to achieve in its operations at this phase in its transformation phase. The dataset of econometric benchmarking includes Uisce Éireann’s outturn opex data, covering calendar years 2015 to 2023 and E&W companies’ data published by Ofwat as part of its PR24 final determinations, including 13 years of outturn data from 2012 to 2024 of the 17 water companies and 10 wastewater companies. To improve comparability of Uisce Éireann with E&W peers, adjustments are made to the econometric modelling.

Capital Expenditure (Capex): For RC4 The review uses two industry-standard methods to arrive at a regulatory challenge on Uisce Éireann:

- **Top-down governance and process review:** Evaluates overall business governance and processes.
- **Bottom-up deep dive:** Examines individual projects for business cases, options appraisal, risk management, cost estimates, and deliverability.

Look back assessments and lessons learned from previous reviews are also considered, as these led to design changes, e.g., the uncertainty mechanisms, the introduction of enhanced monitoring and reporting and a set of recommendations from Arcadis.

Identifying Issues: The assessments highlight areas of concern, such as inconsistent governance, insufficient justification, or major project risks. Where significant gaps or issues are found, the CRU applies regulatory challenges. Uisce Éireann remains responsible for its investments and for implementing any required remedial steps.

Ongoing Efficiency: Both opex and capex reviews include an ongoing efficiency element, reflecting the absence of quantified ongoing efficiencies in Uisce Éireann's submitted plan.

The CRU expects continuous improvements through technology, innovation, or process enhancements, but noted that Uisce Éireann's submission lacked such proposals.

Monitoring and Reporting: Following its assessments, the CRU has proposed a strengthened monitoring and reporting framework for RC4. For instance, within the enhanced Capital Investment Monitoring Report during RC4, the CRU is proposing to require additional reporting of investments that lack dedicated Outputs and Outcomes.

These include four categories: (i) Major Projects, (ii) Reactive and Maintenance work, (iii) Early-Stage Projects and (iv) Projects with O&O's yielding post RC4. See RC4 Regulatory Framework Draft Determination Paper (CRU2025135).

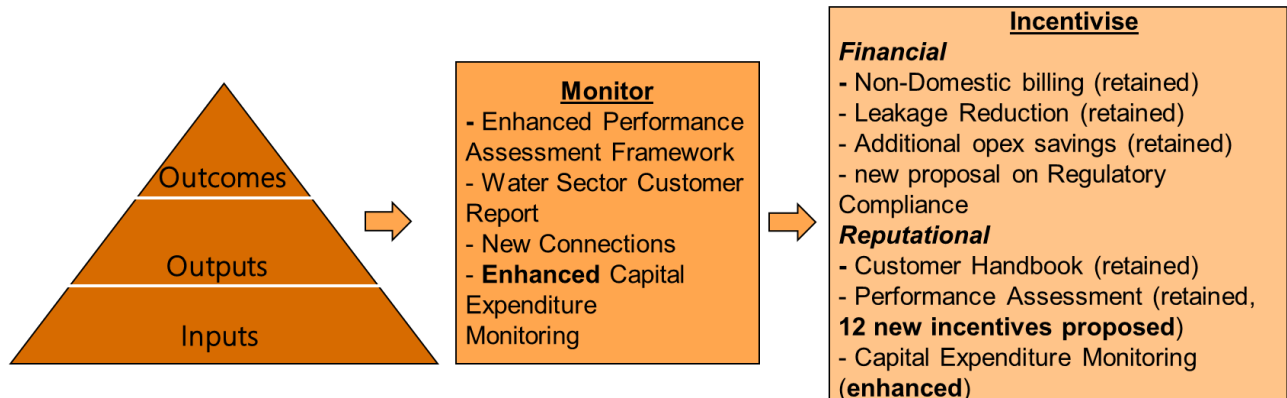
This enhanced incentive framework will assess Uisce Éireann's progress in delivering its Investment Plan and agreed O&O using an enhanced set of quantitative and qualitative metrics across several additional areas, including:

- **Infrastructure and Service Delivery:** Priority Projects; Growth, with an emphasis on Connections and Security of Supply; and RC4 Projects and Programmes Lacking Defined Delivery Obligations.
- **Risk Management and Resilience:** Cybersecurity Processes and Flexibility and Adaptability.
- **Environmental and Regulatory Compliance:** Compliance with the Drinking Water Directive (DWD), specifically where it pertains to leakage; Progress on Decarbonisation Goals.

These measures will be supported by reputational and financial incentives as illustrated in Figure 3, as well as transparent public reporting.

Following its assessments, the CRU has also proposed 12 new performance related incentives and is also considering an additional financial incentive for wider regulatory compliance, e.g., covering timely, complete and accurate reporting. See RC4 Regulatory Framework Draft Determination Paper (CRU2025135).

Figure 3 Approach to RC4 Monitoring and Reporting



1.7 Responding to this Paper

The CRU invites responses to the consultation questions set out in this paper by 17:00 on 27 January 2026. Responses can be submitted preferably via the [CRU's consultation portal](#). Submissions on any of the points listed in this paper should be clear and specific, with analysis or rationale provided to support the views provided. **Please note that the CRU intends to publish all submissions received.** Unless marked confidential, all responses may be published on the CRU's website. Respondents may request that their response is kept confidential by clearly marking the document to that effect and include the reasons for confidentiality. The CRU shall respect this request, subject to any obligations to disclose information. Responses from identifiable individuals will be anonymised prior to publication on the CRU website unless the respondent explicitly requests their personal details to be published.

Further information on the CRU's role and relevant legislation can be found on the CRU's website at www.cru.ie.

1.8 Related Documents

Documents relevant to this Draft Determination can be found below:

No.	Ownership	Document title	Document Numbers
CRU Documents			
1	CRU	CRU RC4 Draft Determination	CRU2025134
2	CRU	CRU RC4 Regulatory Framework Draft Determination	CRU2025135
3	CRU	CRU RC4 Executive Summary Paper	CRU2025136
4	CRU	CRU RC4 Infographic	CRU2025137
Technical and Economic Supplementary Documents			
5	Arcadis	RC4 Capex Look Forward Report	CRU2025139a
6	NERA	RC4 Opex Look Forward Report	CRU2025139b
7	NERA	RC4 Incentives and Regulatory Framework Paper	CRU2025139c
8	NERA	RC4 Uncertainty Mechanism Proposal	CRU2025139d
9	NERA	RC3 Opex Look Back Report and K-Factor Adjustments	CRU2025139e
10	NERA	RC4 Allowed Return for Uisce Éireann	CRU2025139f
11	Arcadis	RC3 Capex Look Back	CRU2025139g
Uisce Éireann Documents			
12	Uisce Éireann	Uisce Éireann RC4 - Opex Look Back	CRU2025139h
13	Uisce Éireann	Uisce Éireann RC4 - Opex Look Forward	CRU2025139i
14	Uisce Éireann	Uisce Éireann RC4 - Capex Look Back	CRU2025139j
15	Uisce Éireann	Uisce Éireann RC4 - Capex Look Forward	CRU2025139k
16	Uisce Éireann	Uisce Éireann RC4 Non-Network Capex Look Back	CRU2025139l
17	Uisce Éireann	Uisce Éireann RC4 Non-Network Capex Look Forward	CRU2025139m
18	Uisce Éireann	Uisce Éireann RC4 Regulatory Incentives and the Performance Assessment Framework	CRU2025139n
19	Uisce Éireann	Uisce Éireann Uncertainty Proposal Mechanism Proposal	CRU2025139o
20	Uisce Éireann	Uisce Éireann RC4 Revenue Allowances	CRU2025139p
21	Uisce Éireann	Uisce Éireann RC4 K-Factor	CRU2025139q
22	Uisce Éireann	Uisce Éireann RC4 Innovation Fund Proposal	CRU2025139r

Part 2: Review of Historical Expenditure

This part sets out the CRU review of Uisce Éireann's historical capex and opex for RC3 (2020-2024).

The main objective of the RC3 look back review is to assess whether expenditure has been incurred efficiently, reasonably and appropriately and whether the expected outputs and benefits for customers have been achieved.

Consistent with previous revenue reviews, the following areas were examined in detail:

- A review of the in-period or reopener requests from Uisce Éireann during RC3,
- Comparing the outturn capital and operational expenditure (and currently projected for 2024) with the allowed expenditure, and
- Understanding the differences between allowed expenditure and the outturn expenditure.

2. RC3 In-period Re-Determinations

2.1 Context

This Section discusses the evaluations and proposals relating to the in-period or reopeners requested by Uisce Éireann during RC3.

The final RC3 revenue decision revenue determination ([CRU19148](#)) was published by the CRU in late 2019. This was followed by an update to this decision in the following year to reflect Uisce Éireann's updated Capital Investment Plan ([CRU20085](#)). The CRU set allowed revenues for the five-year period of RC3, providing Uisce Éireann with stability to plan and deliver its investment programme efficiently. The revenue control accommodated re-opener requests from Uisce Éireann, due to unforeseen circumstances at the time of its RC3 Decision.

During RC3, delays in the Water Industry Operating Framework Programme (WIOF) and cost increases linked to unexpectedly high inflation resulted in Uisce Éireann requesting a re-determination of cost allowances in 2021, 2022 and 2023.

Table 2 provides an overview of key drivers for Uisce Éireann's request for each re-determination during the RC3 period.

Energy costs: The price of energy rose substantially beyond the initial forecast, due to the impact of unprecedented global events, including the COVID-19 pandemic, the war in Ukraine and supply chain disruptions. These externalities resulted in significant increases in the wholesale cost of electricity over the RC3 period, consistently greater than many of the products included in the HICP index.

DBO¹² costs: When Uisce Éireann was established, it inherited a large portfolio of DBO contracts with over 250 plants under 110 contracts. About 52% of the base cost of these contracts includes WPI indexation clauses, which adjust payments based on inflation indicators.

The Electricity index, which comprises around 40% of the WPI basket, experienced significant movement during the RC3 regulatory period, resulting in substantial cost increases. Despite Uisce Éireann's efforts to mitigate these impacts through commercial negotiations, the contractual structure limited flexibility, resulting in unavoidable cost pressures.

Therefore, Uisce Éireann requested a reopener with a view to adjusting the allowed revenues, to meet the extraordinary and uncontrollable impact of rising DBO costs.

The following sections discuss the impact of CRU decisions on both opex and capex over the RC3 period.

¹² A Design, Build, Operate (DBO) contract is a long-term agreement where a third-party contractor is responsible for designing, constructing, and operating the water or wastewater treatment or supply/distribution facility for a specified period (e.g., a wastewater treatment plant). These contracts typically include provisions for adjusting payments based on inflation, using a Wholesale Price Index (WPI) to reflect changes in operating costs like labour, auto-diesel, electricity, and chemicals.

The approved expenditure for opex and capex, as discussed in Sections 4 and 5, represents the final approved allowance at RC3.

Table 2 Key Drivers for Uisce Éireann’s Request for Redeterminations During the RC3 Period

	2020 Decision Paper (CRU20085)	2021 Information Note (CRU/21093)	2022 Decision Paper (CRU/2022977)	2023 Information Paper (CRU/2023117)
Key Driver	UÉ’s Updated Capital Investment Plan	Ervia Separation & UÉT Delay	Inflation Impact on Energy & DBO costs	Inflation Impact on Energy & DBO costs & UÉT Delay

2.2 Impact on Opex¹³

Uisce Éireann’s RC3 submission, estimated total operating expenditure requirements of €3,719m (in 2017 prices). Following review, the CRU approved a reduced allowance of €3,546m (2017 prices) in its 2019 decision ([CRU19148](#)), reflecting a top-down benchmarking efficiency challenge. Of this, controllable opex accounted for €3,263m. Following publication of the final RC3 Decision, Uisce Éireann requested additional opex costs in 2021, 2022 and 2023 due to delays in the WIOF Programme and unexpected high inflation. Please see further details below on the reopeners and Section 3.1 in NERA’s RC3 Opex Look Back and k-factor Adjustments Report (CRU2025139e) for the detailed allowance for each re-determination.

2.2.1 Impact on Controllable Opex

Over the course of the RC3 period, the CRU re-opened its decision on opex in 2021, 2022 and 2023.

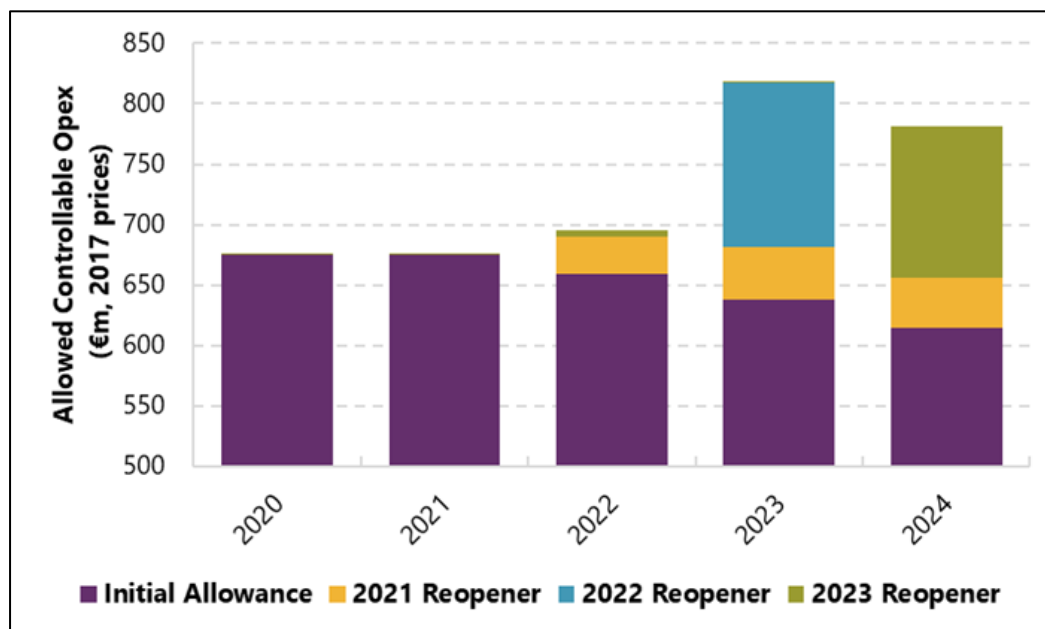
- The first review in 2021 ([CRU/21093](#)) revised the RC3 efficiency challenge at Uisce Éireann’s request, that they needed to reflect the impact of a one-year delay to the Water Industry Operating Framework (WIOF) Programme and assessed the operational costs associated with Uisce Éireann’s separation from Ervia.
- The 2022 re-opener ([CRU/2022977](#)) was revised at Uisce Éireann’s request, to address increased opex requirements to reflect the high inflation, including energy price inflation, following the Covid-19 pandemic and the war in Ukraine.
- The 2023 Reopener ([CRU/2023117](#)) again was at Uisce Éireann’s request, to address in their view the need to review the opex allowance and the need for revised 2024 opex efficiency challenges to address the continued cost pressures due to inflation and delays in organisational transformation.

Taking these in-period re-determinations into consideration (based on information received), the CRU’s final determination on Uisce Éireann’s efficient level of operating expenditure for

¹³ To be consistent with the RC3 decision, all costs are in real prices (2017 monies).

RC3 was €3,926m. The impact of these interim reviews increased the controllable Opex allowance¹⁴ by €382m (2017 prices) between 2022 and 2024, as illustrated in Figure 4.

Figure 4 Interim Reviews Increased Controllable Opex Allowance by €382m (2017 prices) Between 2022 and 2024 (source: Figure 3.3 in NERA’s report CRU2025139f)



2.2.2 Opex Efficiency Challenge Adjustment

In its 2019 decision, the CRU set an operating expenditure (opex) efficiency challenge for Uisce Éireann, targeting an average cost reduction of 4% over the RC3 period. This was broken down as follows: 2% reductions in 2020 and 2021, 4% in 2022, and 6% in both 2023 and 2024.

However, Uisce Éireann clarified to the CRU that delays in integrating Local Authority (LA) water services staff into Uisce Éireann resulted in higher costs than originally anticipated. In view of the case made by Uisce Éireann and the rational to support operational costs, and taking Uisce Éireann’s funding model into consideration, the CRU progressed to adjust the efficiency targets to reflect these delays.

Despite this adjustment, the CRU emphasised that efficiency improvements should continue in parallel and independently of the transformation to a Single Public Utility (SPU).

Table 3 outlines the RC3 efficiency challenges identified by the CRU in 2019, updated in 2021, and further updated in 2023 to address delays in SPU and exceptional inflation. The CRU set the final challenging operating cost efficiency targets at 2% for 2020 and 2021, 1% for 2022, and 4% for 2023 and 2024.

¹⁴ The CRU did not determine specific allowances for each item of operating cost. Instead, it determined an overall controllable opex allowance, reflecting its assessment of the overall achievable efficiency challenge and giving UÉ full responsibility to optimise its expenditure efficiently within the overall spending limit.

Table 3 Updated Opex Efficiency Challenge in 2021 and 2023

Efficiency Challenge	2020	2021	2022	2023	2024
2019 CRU RC3 Decision (CRU/19/148)	2%	2%	4%	6%	6%
2021 Information Note (CRU/21093)	2%	2%	1%	4%	6%
2023 Information Paper (CRU/2023117)	2%	2%	1%	4%	4%

2.3 Impact on Capex

As noted above, Uisce Éireann requested re-determination of cost allowances in 2021, 2022 and 2023 due to delays in the WIOF Programme and cost increases resulting from unexpected high inflation during the RC3 period. These interim reviews are primarily focused on the opex allowance (see details in Section 3.2).

The CRU's 2022 Interim Review Decision ([CRU/2022977](#)) determined that access to €556m of previously ring-fenced funds could be allowed (see Figure 5, i.e., €357m for RPEs, €89m for the virements, and €110m for the remainder), enabling Uisce Éireann to meet its agreed RC3 outputs and outcomes. In summary, these re-determinations had no impact on CRU's decision on Uisce Éireann's total capital expenditure over the RC3 period (€4,523m network capex + €376m non-network capex as decided in [CRU20085](#)).

2.3.1 Ringfenced Funding Reallocation

In 2022, the CRU approved the release of €704m in the RC3 ringfenced allowance around the two major projects (Water Supply Project - East and Midlands and Greater Dublin Drainage) to address inflationary pressures and support the delivery of Uisce Éireann's planned outcomes and outputs. However, due to higher-than-anticipated inflation and Real Price Effects (RPE), the majority of this funding was reallocated to compensate for cost overruns, with only €83m retained for major projects.

See Figure 5 for the details of the ringfenced funding being reallocated to cover cost overruns in the following areas and the outturns at RC3.

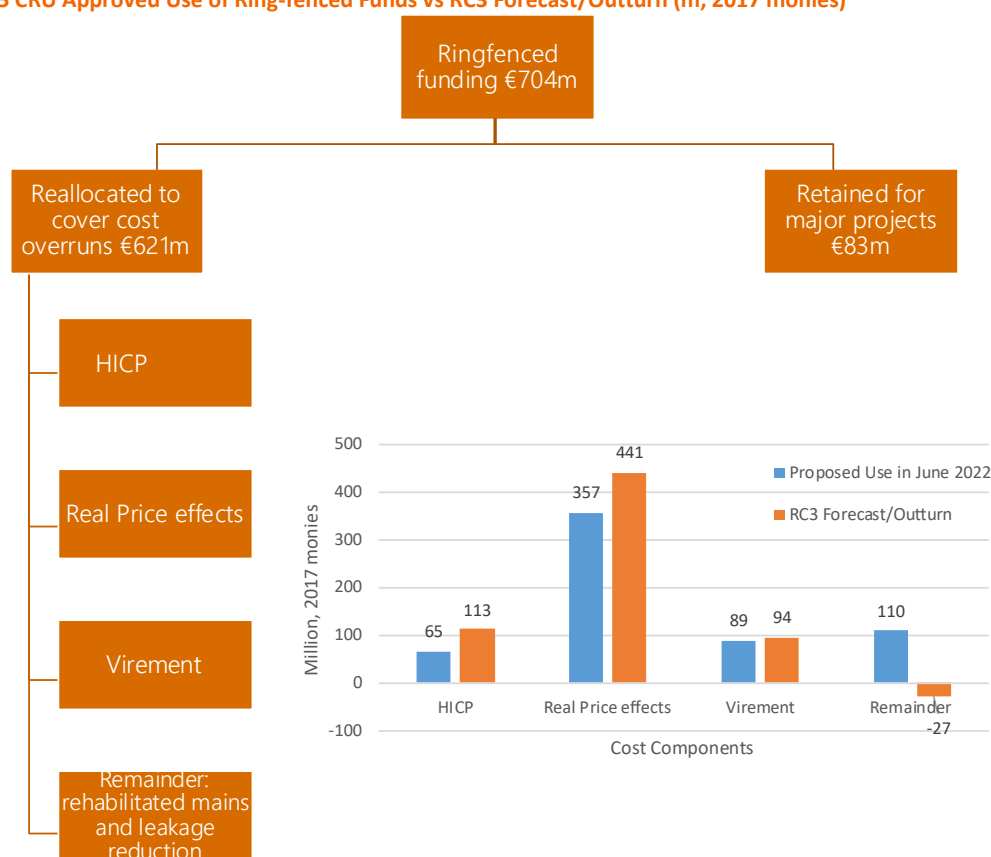
- HICP-linked Inflation and RPE Impact:** Uisce Éireann's June 2022 Capital Expenditure Submission underestimated both HICP-linked inflation and RPE impacts. The impact of HICP on costs increased from €65m to €113m, and RPE increased from €357m to €441m, significantly reducing the funding available for additional capital outcomes.
- Arcadis noted that while these effects were difficult to predict at the time, the indices used by Uisce Éireann to estimate RPE were reasonable and reflective of actual cost structures.
- Virements¹⁵:** The outturn virements were €94m compared to €89m approved in the CRU Decision Paper ([CRU/2022977](#)) to address past virements from capex to opex in

¹⁵ Virement refers to the transfer of items from one financial account to another. In this case, the transfer of capital expenditure to operational expenditure.

2021 and 2022, which were approved by the DHLGH, made use of an underspend on capex, and to fund some increases in Uisce Éireann’s opex.

- Available Funds to Support Rehabilitated Water Mains and Leakage Reduction:** Uisce Éireann agreed that €110m of the ringfenced funds would support additional outputs, including an extra 220 km of rehabilitated water mains and 1.5 ML/day of leakage reduction. Uisce Éireann reported that due to inflationary pressures, these funds were ultimately redirected, and no dedicated funding remained for these additional outcomes. Nonetheless, Uisce Éireann delivered these targets by reallocating resources across water and wastewater portfolios, leveraging slower project delivery elsewhere. Please see Section 3.1 for additional and underperforming O&O activities delivered by Uisce Éireann at RC3.

Figure 5 CRU Approved Use of Ring-fenced Funds vs RC3 Forecast/Outturn (m, 2017 monies)



2.4 Conclusions

During the RC3 period, the CRU reopened its decision on opex in 2021, 2022 and 2023. Taking these in-period re-determinations into account, the CRU’s final determination on Uisce Éireann’s efficient level of operating and capital expenditures for RC3 were €3,926m and €4,899m, respectively. These final allowances will be used as the baseline for reviewing RC3 operating and capital expenditures in Sections 3 and 4.

3. Review of Historical Capital Expenditure

The CRU, supported by Arcadis, assessed outturn RC3 expenditure by examining RC3 outputs in terms of delivery and efficiency. For a detailed review of Uisce Éireann's historical capital expenditure, please see Arcadis' RC3 Capex Look Back Report (CRU2025139g).

Key objectives covered in the look back review and addressed in this section are:

The report encompasses findings from Arcadis' look-back review, where Arcadis has assessed Uisce Éireann's capital investment and output performance against outputs and outcomes within the RC3 regulatory period. It includes:

- An overall assessment of Uisce Éireann's capital investment and output performance over RC3 and the reporting framework's suitability.
- A detailed review of sample projects with an evaluation of the costs, outputs, benefits and the planning and design process.
- A detailed assessment of material cost or output variations.
- A review of Uisce Éireann's performance against Scottish Water International's recommendations and implementation.

3.1 Key Findings of Capex Lookback 2020-2024

The section below provides the key findings of Uisce Éireann's Capex allowance:

- **Network capital expenditure**, which consists of expenditure on core water and wastewater capital investments such as water and wastewater treatment plants and networks, national programmes (e.g. the disinfection programme and the national lead replacement programme). This could be any investments associated with studies, construction, enhancement, operation and maintenance of the infrastructure and non-infrastructure assets required to deliver essential water and wastewater services.
- **Non-network capital (NNC) expenditure**, which relates to investment not directly associated with the provision of water or treatment of wastewater, such as Information Technology (IT), Fleet & Facilities, Business Change, and the continued Uisce Éireann Transformation (UÉT) programme bringing together the water services sector into a Single Public Utility (SPU).

Table 4 below summarises the outcome of the historic capex review for Uisce Éireann.

Table 4 Summary of Historical Capex (2020 - 2024) Review (€m, 2017 prices)

	<i>Ex-ante</i> RC3 Allowance ¹⁶ (€m)	RC3 Outturn (€m)	Variance (€m)
Network Capex	4,523	4,593 ¹⁷	-70
Non-Network Capex	376.50	377.20	-0.7
Total	4,899	4,969	70

Please note that all costs set out in the review of historic capital expenditure are in 2017 prices and some costs are rounded to the nearest €0.1m.

3.1.1 Overall RC3 Delivery and Expenditure

Following a technical review the key findings include the following:

Overall Delivery: Uisce Éireann has generally delivered on the agreed Capital Programme, with most RC3 projects being substantially progressed and delivered. While significant changes occurred in both water and wastewater programmes due to the Covid pandemic, planning challenges, and other external factors, Uisce Éireann responded effectively by re-prioritising and reallocating resources to maintain progress on key outcomes. Overall, Uisce Éireann has had a reasonable approach to Capital Programme delivery.

Capital Expenditure: As shown in Tables 4 and 6, the CRU determined an allowance of €4,523m for network capex, and Uisce Éireann has spent €3,943m after deducting additional revenue of €650m collected from new water and wastewater connections during RC3¹⁸. For non-network capex, Uisce Éireann has spent in line with the CRU allowance of €377m. Overall, Uisce Éireann has delivered or made progress toward delivering the majority of the RC3 Capital Programme. The CRU recognises this positive result from its reasonable approach to Capital Programme delivery, which has been constructive and adaptive, and encourages Uisce Éireann to continue to deliver for its customers.

Progressing Projects and Programmes: During RC3, there has been substantial change to both the water and wastewater programmes due to the Covid pandemic, planning challenges and other external factors. However, the changes represent a reasonable set of reprioritisation and re-allocation of resources, allowing progress on important outcomes during this period.

Outcomes and Outputs: The CRU notes the positive steps taken by Uisce Éireann to meet RC3 targets for 20 of the planned 24 outcomes. Uisce Éireann exceeded performance targets for O&O activities during RC3 (Table 5), with **notable areas** of outperformance including:

- Reduction in the number of properties with risk of microbiological non-compliance through an increase in the number of new and upgraded water treatment plants: (207%, 1,164,003 forecast vs. 563,093 target),

¹⁶ Please see the CRU allowance for network capex and non-network capex in the CRU Decision Paper ([CRU20085](#)) on the Update to Irish Water's Revenue Control 3 (RC3.5) – Irish Water's Updated Capital Investment Plan.

¹⁷ This outturn spend is before deducting the revenue collected from new water and wastewater connections over the RC3 period.

¹⁸ Please see further details in Arcadis' RC3 Capex Look Back Report (CRU2015139g) and NERA's RC3 Opex Look Back and k-factor Adjustments Report (CRU2015139e).

- Reduction in the number of properties with risk of THM non-compliance through investment in water treatment plants: (128%, 171,487 forecast vs. 133,465 target),
- Number of lead services replaced, with a focus on the replacement of public side lead services: (279%, 36,872 forecast vs. 13,231 target),
- Number of water supplies removed from the Environmental Protection Agency (EPA) Remedial Action List (RAL) through urgent interventions that were required during RC3 due to poor existing asset condition: (119%, 57 forecast vs. 48 target),
- Number of existing treatment plants upgraded: (107%, 95 forecast vs. 89 target),
- Water Treatment Plant Capacity (Total ML/day): (224%, 1,403 forecast vs. 625 target),
- Additional Water Supply Capacity (ML/day): (115%, 53 forecast vs. 46 target),
- Number of reservoirs Upgraded): (252%, 333 forecast vs. 132 target),
- Rehabilitated or lined mains (km): (185%, 948 forecast vs. 731 target),
- New water mains (km. 101%, 500 forecast vs. 496 target) and sewers (km, 101%, 245 forecast vs. 241 target), and
- Number of meters installed: (150%, 76,173 forecast vs. 50,815 target).

This outperformance will deliver benefits to customers. The CRU encourages Uisce Éireann to review and take on board lessons learnt from outperforming certain targets at RC3 so that all of its RC4 O&O's can be achieved.

The CRU is concerned, however, that Uisce Éireann is forecast not to meet 4 of the 24 RC3 outputs and outcomes by the end of the period (highlighted in red in Table 5). Three of these shortfalls are in wastewater delivery; only 62% of the targeted agglomerations will meet ECJ UWWTD compliance, while only 55% of the Rehabilitated Sewer¹⁹ target will be delivered. It is noted that 85% of the Additional Wastewater Treatment target was forecasted to be achieved,

The rationale for the three remaining wastewater-related O&O that will not be met by the end of the RC3 period was explained by Uisce Éireann as below:

- **Compliance with UWWTD:** Progress towards compliance is progressing however some agglomerations faced delays due to planning issues and the impact of COVID-19, therefore this Outcome will not be met in RC3. Good progress is expected to be made in the coming years, however, with a final two areas (Midleton and Cork City) not expected to reach compliance until beyond RC4.
- **Sewer Rehabilitation:** Delivery has been below target due to complex rehabilitation in man-entry type sewers and a shortage in contractor availability. Additional delays have

¹⁹ Sewer rehabilitation is defined as the process of repairing, replacing or upgrading existing sewer pipelines to improve their condition and performance. It usually involves fixing cracks, leaks, or structural problems in old pipes, so they can safely carry wastewater without causing blockages, pollution, or flooding.

resulted from slow progress in the ‘Taking in Charge’ scheme, which is beyond Uisce Éireann’s control.

- **Wastewater Treatment Capacity:** Uisce Éireann has experienced delays in the delivery of new and upgraded wastewater plants, generally due to issues with planning permission, statutory consents and additional scope. Consequently, the additional wastewater treatment capacity is forecast to under-deliver against the RC3 target. However, some good progress has still been made towards the RC3 targets, largely due to upgrades at smaller WWTPs.

The CRU is very concerned that Uisce Éireann did not provide leakage data to the CRU in line with the agreed timeline and only submitted 2024 leakage data in June 2025.

While the CRU’s full assessment of Uisce Éireann’s RC3 leakage performance is ongoing, the available evidence indicates that Uisce Éireann has not achieved its RC3 leakage reduction target. Accordingly, a leakage performance penalty has been applied (see Section 9.4.3). The CRU expects Uisce Éireann to take effective measures to improve its leakage performance and reporting to the CRU to meet its RC4 leakage target.

Given historic RC3 performance, the CRU expects Uisce Éireann to focus on leakage and wastewater investment and performance throughout RC4 (see Section 5.2.4) and proposes enhanced reporting related to wastewater investment (see CRU RC4 Regulatory Framework Draft Determination Paper (CRU2025135)).

Table 5 Revenue Control 3 Outputs and Outcomes

UÉ Outcomes and Outputs	Unit	RC3 2024 Target	RC3 Delivered to Date	RC3 2024 Forecast	% of RC3
Quality					
Ensuring a Safe and Reliable Water Supply					
Reduction in the number of properties with risk of microbiological non-compliance	No.	563,093	909,867	1,164,003	207 %
Reduction in the number of properties with risk of Trihalomethane non-compliance	No.	133,465	165,256	171,487	128 %
Number of lead services replaced	No.	13,231	28,789	36,872	279 %
Number of Water Treatment Plants with Orthophosphate Dosing	No.	27	22	27	100 %
Number of Water Supplies removed from the EPA’s Remedial Action List (RAL)	No.	48	48	57	119 %
Providing effective management of wastewater					
Number of agglomerations removed from EPA’s Priority Urban Area Action List	No.	75	57	75	100 %
Number of agglomerations in the ECJ Urban Wastewater Treatment Directive (UWWTD)	No.	13	6	8	62%
IRC2 Legacy Metrics					
Wastewater treatment works compliant with Urban Wastewater Treatment Directives	PE	314,656	314,556	314,656	100 %
No of Wastewater Treatment Plants overload serving > 2000 population	No.	1	1	1	100 %
No of Wastewater Treatment Plants overload serving < 2000 population	No.	1	1	1	100 %
Number of Wastewater Treatment Plants compliant - EPA discharge increase ELVs	No.	8	8	8	100 %

Conservation					
Ensuring a Safe and Reliable Water Supply					
Leakage reduction	ML / day	177.5			Under review
Future-Proofing					
Outcome and Output Metrics (Ungrouped) – Water & Wastewater Treatment Plants					
Number of new Treatment Plants (water and wastewater)	No.	29	25	29	100 %
Number of Existing Treatment Plants Upgraded	No.	89	74	95	107 %
Wastewater Treatment Plant Capacity (Total Population Equivalent)	PE	3,070,158	2,829,572	3,059,090	100 %
Water Treatment Plant Capacity (Total ML/day)	ML/ Day	625	1,226	1,403	224 %
Additional Wastewater Treatment Capacity (Population Equivalent)	PE	770,751	632,803	654,725	85%
Additional Water Supply Capacity (ML/day)	ML/ Day	46	38	53	115 %
Outcome and Output Metrics (Ungrouped) – Supporting Infrastructure					
Number of Reservoirs Upgraded	No.	132	278	333	252 %
New Water mains (km)	km	496	419	500	101 %
Rehabilitated or lined mains (km)	km	731	826	948	185 %
New Sewers (km)	km	241	202	245	101 %
Rehabilitated Sewer (km), <i>adjusted for RC3 period only</i>	km	240	89	132	55%
Invest in our future					
Meters installed	No.	50,815	58,085	76,173	150 %

3.1.2 Review of RC3 Network Capex

The look back assessment concluded that overall Uisce Éireann delivered the RC3 related investment within the approved budget (Table 6). However as mentioned previously, with some fluctuations across various portfolios. These variations reflect the funding adjustments made by Uisce Éireann during the RC3 period.

Table 6 Approved and Outturn Network Capex Expenditure Across the WSPS Themes

WSPS Theme	WSPS Objective	RC3 Allowance (€m)	RC3 Outturn/ Forecast (€m)	Difference (€m)
Quality	Sub-Total	2,198	2,108	89
	Ensuring a safe and reliable water supply	650	836	-186
	Providing effective management of wastewater	1,548	1,273	275
Conservation	Sub-Total	467	861	-395
	Ensuring a safe and reliable water supply	420	814	-394
	Protect and enhance the environment	47	48	-1
Future Proofing	Sub-Total	1,858	1,623	236
	Support social and economic growth	592	621	-29

	Provide effective management of wastewater (Greater Dublin Draining Project)	410	35	375
	Ensuring a safe and reliable water supply	176	136	40
	Water Supply Project – Eastern and Midlands Region	294	48	246
	Invest in our future	386	782	-396
Total		4,523	4,593	-70
Total after adjustments (incl. revenue from new connections and grants)		4,195	3,943²⁰	252

3.1.2.1 Quality (Allowed €2,198m; Outturn €2,108.4m)

Uisce Éireann invested the allowed expenditure in the Quality theme by €89.6m (4.1%) over the whole of the RC3 period. The Quality theme included two objectives: (i) Ensure a safe and reliable water supply and (ii) Provide Effective Management of Wastewater. Uisce Éireann discussed the difficulties in delivering wastewater projects with significant delays across the portfolio which could contribute to lower overall expenditure.

3.1.2.2 Conservation (Allowed €467m; Outturn €861.4m)

Uisce Éireann was above forecast in the Conservation theme by €394.4m (84.5%) over the whole of the RC3 period. However, it is noted that the Conservation theme represented a smaller part of the total RC3 expenditure than other parts of the capital expenditure allowance. Under this theme, there are two objectives:

- Ensure a Safe and Reliable Water Supply: It includes programmes of work such as water services below ground, water mains rehabilitation, meter replacements and leakage reduction.
- Protect and Enhance the Environment.

For the programmes of work such as water services below ground and water mains rehabilitation, Uisce Éireann exceeded the allowance by over 50%. Leakage reduction resulted in higher spend which could also contribute to the overall higher expenditure.

3.2.2.3 Future Proofing (Allowed €1,858m; Outturn €1,623m)

Uisce Éireann spent below the allowed profile in the Future Proofing theme by €236m (12.6%) over the whole of the RC3 period. The Future Proofing theme included three objectives as well as the Major Projects:

- Support Social and Economic Growth
- Ensure a Safe and Reliable Water Supply

²⁰ Over the RC3 period, there was a significant increase in new water and wastewater connections resulting a revenue of €650m, €322m (98%) more than predicted. Including this additional revenue, the net total outturn for RC3 is €3,943m, €252 (6.0%) below allowance. Please see further details in Arcadis RC3 Capex Look Back Report (CRU2025139g).

- Invest in Our Future
- Major projects: Greater Dublin Drainage Project (GDD) and Water Supply Project for the Eastern and Midlands Region (WSP)
 - Neither project has started construction. Both project teams have been significantly reduced in size due to delays which limits abilities to progress at pace.
 - The GDD project has received planning permission in July 2025 but is facing legal challenges that could cause additional delays.
 - The WSP has approval in principle under the Government’s Infrastructure Guidelines and is working towards a Strategic Infrastructure Development and Compulsory Purchase Order application to An Bord Pleanála in late 2025. Further details on the progress of each programme are discussed in Section 3 of the Arcadis RC3 Capex Look Back Report (CRU2025139g).

Delays to both major projects due to legal challenges and issues in planning permission led to the ringfenced funding being released and therefore not necessarily spent on projects within the Future Proofing theme. This contributed to the underspend in this theme.

In summary, Uisce Éireann delivered the majority (20/24) of its agreed RC3 deliverables (i.e., outputs and outcomes), with areas of over and under-delivery across the portfolio. The majority of planned RC3 projects (including the 4 deliverables not fully achieved) were started or substantially progressed/delivered over the RC3 period, which Arcadis believes demonstrates effective capital programme planning to achieve the agreed outcomes.

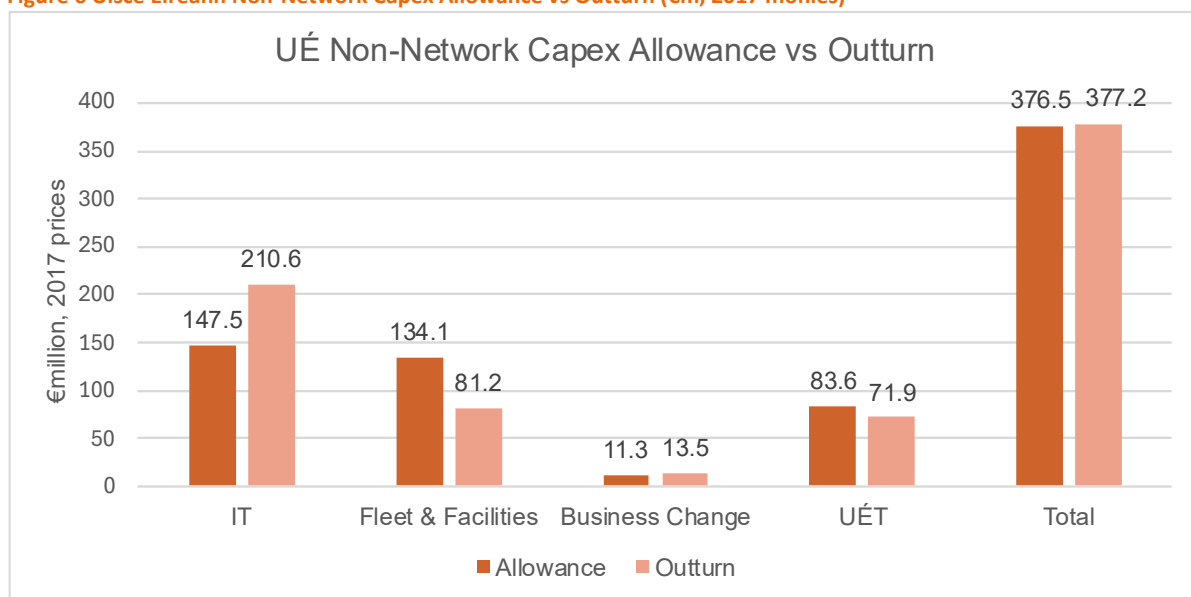
A key theme that emerged is that Uisce Éireann wastewater programme of works has faced significant delays and this will likely be the ongoing challenge in RC4+. The CRU acknowledges the complexity and scale of Uisce Éireann wastewater capital investment programme and recognises the progress made in recent years despite challenges to deliver due to environmental regulations and stakeholder challenges. It is extremely important that Uisce Éireann continue to use its learnings to support project delivery which will support more realistic planning in RC4+.

3.1.3 Review of RC3 Non-Network Capex

Non-Network Capex is all expenditure not directly related to the provision of water or treatment of wastewater.

Arcadis expects that Uisce Éireann will exceed the RC3 Non-Network budget by €0.7m in total (0.2%). However, Arcadis notes that within the Non-Network categories there are large variances with large underspend in the Fleet & Facilities category being countered by large overspend in the IT category (see Figure 6).

Figure 6 Uisce Éireann Non-Network Capex Allowance vs Outturn (€m, 2017 monies)



Over RC3, IT expenditure was €63.1m (43%) higher than the allowance with the major areas of overspend being Run Mandatory²¹ and Business Growth & Development Projects²²; Fleet & Facilities Costs were €52.9m (44%) below allowance, primarily falling short in the development of Depots and Inventory Management (Operations Centres). Business Change costs²³ were €2.2m (19%) above allowance, with RC3 sub-categories budgeted for RC3 projects overspending.

Uisce Éireann cite three main reasons for the variances (Uisce Éireann RC4 Non-Network Capex Look Back Report, CRU2025139I):

- COVID-19 restrictions
- Inflation above the HICP predictions and RPE
- Uisce Éireann’s Transformation Programme (UÉT)

Arcadis finds these reasons are largely reasonable – the pandemic restrictions did contribute to delays across the construction industry, HICP was above RC3 predictions, and delays to the UÉT made resource forecasting challenging. Arcadis opines that Uisce Éireann’s response, reallocating funding to areas of greatest risk and types of projects available to progress, was reasonable. With the COVID-19 restrictions now gone and inflation somewhat stabilised, Arcadis determines that Uisce Éireann should now be able to focus on efficient delivery. Arcadis also notes that the Non-Network capex budget is a small proportion (8.3%) of the total funding Uisce Éireann received in RC3.

²¹ Run Mandatory Projects are the projects that allow IT applications to function securely and smoothly.

²² Business Growth & Development Projects are the projects for incorporating new/upgraded technologies that allow the business to grow.

²³ Business Change costs are associated with supporting the delivery of complex projects, including project, portfolio and change management, business analysis, process delivery and on-going support.

Arcadis have stated that non-network capex has been delivered in line with the original budget. Several shifts of funding between the programmes occurred, but Arcadis believe that a reasonable re-prioritisation process was used.

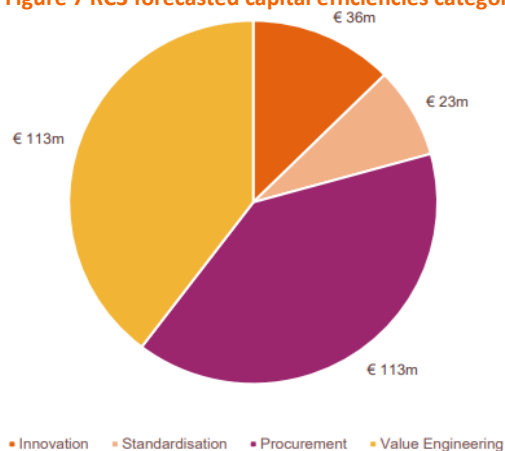
3.2 Overview of RC3 Capex Efficiencies

During RC3, the CRU decided to apply a 3% efficiency challenge to Uisce Éireann’s non-committed capital expenditure (excluding WSP & GDD)²⁴, resulting in a capital efficiency target of €285m for Uisce Éireann across the five years at RC3. At the time of completing the capex review in July 2024, Uisce Éireann was expected to be on track to meet this target by the end of 2024. Efficiencies were achieved across several areas of the capital investment programme, driven by four key focus areas (Figure 7):

- Procurement (€113m): Improvements in contracting strategies, including the bundling of works and early contractor involvement, enhanced procurement quality, competitiveness, and delivery timelines.
- Value Engineering (€113m): Projects were optimised to achieve required outcomes at lower cost, often through rationalisation of scope or reuse of existing assets.
- Innovation (€36m): Adoption of new technologies enabled more efficient delivery and resource optimisation.
- Standardisation (€23m): Applying consistent processes across design, construction, and project management led to cost savings through economies of scale.

The lookback review confirmed that the most significant savings were achieved through revised procurement approaches and value engineering. Programme-based delivery methods and early engagement of contractors proved effective in reducing costs while maintaining delivery standards.

Figure 7 RC3 forecasted capital efficiencies categories



²⁴ Please refer to Section 4.7.3.2 of the CRU decision Paper ([CRU19148](#)) for a detailed discussion.

3.3 CRU's Expectations for Uisce Éireann's Improvements

The CRU's RC3 lookback review, supported by Arcadis' assessment, identified a number of areas where Uisce Éireann can make improvements to enhance the delivery, governance, and long-term resilience of its water and wastewater infrastructure. Arcadis' observations and recommendations (see Arcadis' RC3 Capex Look Back Report (CRU2025139g)) for improvement are outlined below.

The CRU expects Uisce Éireann to build upon its RC3 learnings and strengthen its capabilities in the following key areas during RC4 and beyond.

- **Strategic Wastewater and Drainage Planning**

The CRU notes Uisce Éireann's recent implementation of National and Regional Water Resource Plans as a significant positive step toward long-term strategic planning.

Arcadis had referenced the benefit of a similar approach can be extended to wastewater and drainage services. In view of this recommendation, the CRU encourages Uisce Éireann consider adopting a catchment-based planning framework for wastewater and drainage, similar to the Drainage and Wastewater Management Plans implemented in England (see Section 5 for more details).

This would enable Uisce Éireann to identify and deliver collaborative, optimised solutions across catchments, supporting both capital and operational efficiencies. While such a transition will require time and data maturity, early steps toward establishing short-, medium-, and long-term drainage strategies should begin during RC4.

- **Asset Health**

The CRU expects Uisce Éireann to prioritise improvements in capital maintenance and long-term asset health planning in RC4+. While the delivery of new infrastructure remains critical, proactive management of existing assets, especially in the context of climate resilience, is equally vital. Uisce Éireann has initiated its journey toward planned capital maintenance, supported by data collection systems.

The CRU expects further development of robust asset condition and risk assessment frameworks, and the establishment of consistent metrics for reporting on asset health. The CRU also expects Uisce Éireann to audit the implementation of its DBO contracts to ensure asset health is not neglected. The CRU intends to work with Uisce Éireann during RC4 to define expectations and reporting protocols to enable transparency and comparability of asset health data over time.

- **Cross-Portfolio Learning and Collaboration**

The CRU recognises the value of Uisce Éireann's growing culture of continuous improvement and reflective learning across its capital portfolios. To further strengthen programme delivery,

Uisce Éireann is expected to promote structured cross-learning between the water and wastewater teams. Practices such as early contractor and community engagement, off-site modular construction, improved procurement processes, and a shift from project-based to programme-based delivery should be embedded consistently across the organisation. The CRU supports a systematised approach to sharing and institutionalising these lessons across business units, in line with the recommendations emerging from the Sector-Wide Improvement programme.

- **Community Engagement**

The CRU positively notes Uisce Éireann's increased engagement with local communities, particularly in complex projects such as new wastewater treatment facilities. Early and structured stakeholder engagement has proven beneficial in achieving social consensus, reducing project delays, and mitigating legal and reputational risks. Going forward, the CRU expects Uisce Éireann to embed a more systematic approach to community engagement as an integral part of capital programme delivery. This should be supported by clear internal protocols to ensure early engagement is prioritised and monitored consistently across all relevant programmes.

- **Data Quality and Portfolio Reporting Improvements**

Reliable and transparent data reporting is critical for effective regulatory oversight. Arcadis identified several areas for improvement in Uisce Éireann's Investment & Outcome (I&O) data sheet submissions. These include ensuring the completeness of project information, providing updated project-level expenditure allowances, maintaining a clear audit trail for portfolio modifications, and aligning reporting standards with those used by the EPA. The CRU expects Uisce Éireann to address these data quality issues and strengthen its internal controls to support more robust and consistent reporting during RC4.

3.4 Conclusions

Overall, Uisce Éireann spent €4,320m²⁵ in total capex compared to CRU's RC3 final allowance of €4,899m (2017 prices), representing a €579m (12%) underspend. Of this, CRU determined an allowance of €4,523m for network capex, while Uisce Éireann spent €3,943m. For non-network capex, Uisce Éireann has spent in line with the CRU allowance of €377m.

The CRU recognises Uisce Éireann's performance in achieving 20 of the 24 O&Os targets set for RC3, it remains concerned about ongoing issues in wastewater asset delivery and understanding and leakage reduction programme. The CRU, through this Draft Determination, has required Uisce Éireann to take proactive steps (through a series of RC4 implementation measures) to improve its performance in this regard, and, at the conclusion of RC4, to demonstrate the improvement made to its process.

²⁵ This spend is after deducting the additional revenue of €650m collected from new water and wastewater connections during RC3. Uisce Éireann spent €4,593m, before adjustments for new connections and grants for network Capex.

Overall, the CRU's review has found that substantial progress has been made across all targets to advance the projects. Key challenges include delays related to planning and consent, legal disputes, and changes in project scope. Noting these challenges, Uisce Éireann progressed to reallocate available funds to optimise portfolio performance and adapt to evolving conditions during RC3.

CRU Consultation Question(s):

- Q1. Do you have any comments on Uisce Éireann's RC3 outturn capex and the CRU's proposals relating to the ex post RC3 capex allowance and improvements?
- Q2. Do you have any comments on the proposals set out in this Section: Review of Historical Capital Expenditure?
- Q3. Do you have any comments in relation to measures that can be introduced for the benefit of customers and/or the receiving environment?
- Q4. Do you have any comments in relation to the above proposals and the pace of information developed and published by Uisce Éireann in relation to National and Regional Wastewater drainage services and the associated plans?

4. Review of Historical Operational Expenditure

This section examines the historical Opex undertaken by Uisce Éireann over the RC3 period (2020 –2024) compared to the Opex allowed by the CRU in the final RC3 Decision Paper in 2023. Table 7 summarises the historical RC3 Opex (2020–2024) review conducted by the CRU, supported by NERA. For a detailed review of Uisce Éireann’s historical operational expenditure, please see NERA’s RC3 Opex Look Back and k-factor Adjustments Report (CRU2015139e).

4.1 Key Findings of Opex Lookback 2020-2024

Uisce Éireann’s operating costs are the day-to-day costs it incurs running the business. These costs are split into two main categories: controllable and uncontrollable, which are discussed below:

- Controllable operating costs are those over which the CRU considers the utility has control, such as staff costs, consumable materials, etc.
- Uncontrollable operating costs are not directly controlled by Uisce Éireann, such as levies and rates. This is an important differentiation as once the CRU accepts that a cost is uncontrollable it generally will allow an estimate of the cost for the period but will correct the allowance for the actual cost when completing the ex-post review. This allows for situation, whereby if these costs are higher than expected, Uisce Éireann’s revenue is adjusted upwards to enable it to recover these costs. On the other hand, if these costs are lower than expected, Uisce Éireann’s revenue is adjusted downwards so that it only receives enough revenue to cover these costs.

Figure 8 sets out the changes that have occurred in total opex (controllable and non-controllable) between CRU’s revenue allowance (including additional opex released in 2021, 2022 and 2023) versus Uisce Éireann’s outturn expenditure since 2015.

Uisce Éireann underperformed on opex during the first two years of RC3 by ca. €41m, mainly attributed to higher energy and DBO costs, but underspent its updated allowance in 2023 and 2024 by €142m.

Figure 8 Uisce Éireann’s Operating Expenditure Outturns vs Allowance

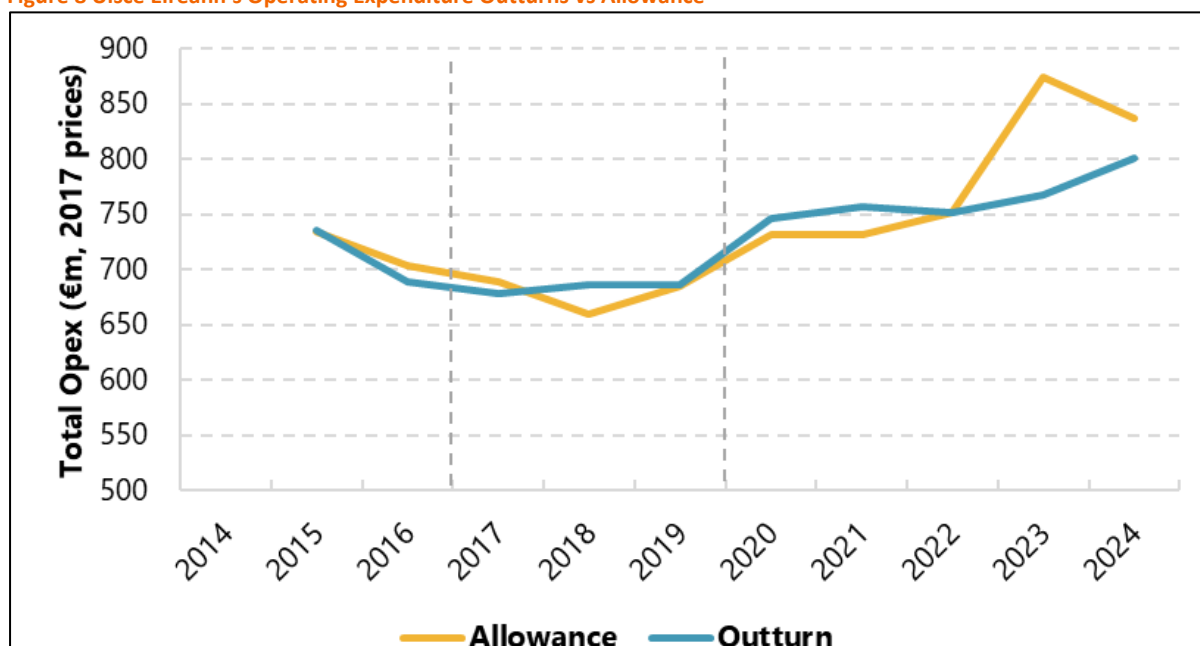


Table 7 below summarises the outcome of the historic Opex review for Uisce Éireann during the RC3 period.

The CRU’s final determination of Uisce Éireann’s efficient level of operating expenditure for RC3 was €3,926m (2017 prices). While Uisce Éireann overspent in the earlier years, it underspent the restated allowance by €100.9m. Specifically, Uisce Éireann underspent its controllable opex by €28.0m, uncontrollable opex by €71.8m and Innovation Funded Projects by €1.1m.

Table 7 Summary of Historical RC3 Opex (2020 – 2024) Review (€m, 2017 prices, adapted from CRU2025139e)

Cost Categories	CRU Final Allowance	Total RC3 expenditure	(Out-)/ Underperformance
Controllable Opex	3,644	3,616	-28*
Uncontrollable Opex	277	206	-72
Innovation Funds	4	2.9	-1.1
Total Opex	3,926	3,825	-101

*Recognition of efficiency savings as part of RC3

A more detailed description and breakdown are provided in the accompanying NERA’s RC3 Opex Look Back and K-Factor Adjustments Report (CRU2025139e).

4.1.1 Controllable Costs (Allowed €3,644.4m; Outturn €3,616.3m)

Following the three interim reviews (see Section 2.2), the CRU revised Uisce Éireann’s RC3 controllable opex allowance to €3,644.4m (2017 prices).

Uisce Éireann’s outturn controllable opex was €3,616m, reflecting an underspend of €28m (Table 8). The underspend is attributed to Target Operating Model (TOM) cost reductions, optimisation of goods and services, and transformation-related efficiencies.

Uisce Éireann reported cost pressures from regulatory compliance and inflation, but these were partially offset by €193m in avoided costs and €60m in operational savings (see Section 4.2).

In this section, we examine the level of controllable costs incurred by Uisce Éireann as a whole during RC3. Since the efficiency challenge was put on the overall costs, rather than individual cost categories, it is appropriate to examine the overall costs, particularly since cost categories can substitute for each other.

Table 8 Uisce Éireann RC3 Opex Allowance vs Expenditure (€m, 2017 prices, adapted from Table 3.5 in NERA's report CRU2025139e)

Cost Categories		CRU Final Allowance	Total RC3 Expenditure	(Out-)/ Underperformance
A	DBO	707	736	29
B	Energy	373	358	-15
C	Operation & Maintenance (excl. DBO & Energy)	937	1,605	667
D=A+B+C	SLA Costs	2,018	2,699	681
E	TOM Costs	1,625	918	-707
F=D+E	Controllable Opex	3,644	3,616	-28
G	Uncontrollable Opex	278	206	-72
H	Innovation Funded Projects Allowance	4	3	-1
I=F+G+H	Total Opex	3,926	3,825	-101

Operations and Maintenance (excl. DBOs and energy) (Allowed €937m; Outturn €1,605)

Uisce Éireann's operations and maintenance category is the largest of Uisce Éireann's operating costs categories, accounting for 42% of its overall RC3 operating costs. It relates to activities carried out in the provision of water and wastewater services, including treatment, storage and distribution of drinking water and the treatment and disposal of wastewater. These activities are delivered in partnership with the Local Authorities through Service Level Agreements (SLAs) and Annual Service Plans.

Against a total allowance of €937m (2017 prices), Uisce Éireann recorded outturn expenditure of €1,605m, representing an overspend of €667m. Uisce Éireann explained that the overspend of €667m is due to Uisce Éireann's RC3 submission anticipating transfers between these cost categories as the UÉT programme progressed, but this has not materialised at the rate originally envisaged. It was explained that as a result, Uisce Éireann had to maintain higher O&M costs under existing SLA arrangements for a longer period than envisaged. This deferral of efficiencies intended under the WIOF contributed to the higher-than-allowed spending in this category.

While the CRU acknowledges the impact of structural delays beyond Uisce Éireann's direct control, it also notes that these issues were partially anticipated, and mechanisms were in place (e.g., reopener provisions) to address material cost variations. However, the scale of the overspend the need for Uisce Éireann to manage transitional risks more robustly in future periods. For RC4, the CRU will reassess the effectiveness of transformation-related allowances and the deliverability of cost reductions linked to organisational restructuring.

Targeting Operating Model (Allowed €1,625m; Outturn €918)

The Target Operating Model²⁶ (TOM) for Uisce Éireann refers to the business capabilities and processes within Uisce Éireann. It describes the organisation structure, processes and systems that Uisce Éireann need to carry out its business activities.

The key cost drivers within the Uisce Éireann TOM structure are Customer Operations, Finance and Facilities. TOM costs are comprised of labour cost (e.g. payroll, training, recruitment etc.) and non-labour costs (e.g. customer operations, billing, etc.).

The activities within the TOM category accommodate the SLA partnership between Uisce Éireann and the 31 Local Authorities to deliver water services. It enables regional and national operations to be coordinated through SLAs at Uisce Éireann, delivering water services in an efficient manner.

Uisce Éireann underspent significantly in the TOM category, with actual expenditure of €918m against a CRU allowance of €1,625m, resulting in an underspend of €707m (2017 prices) on the implementation of its TOM. Uisce Éireann stated that the underspend is due to the timing of recruitment which has been phased to align with its transition to the single public utility. Hence, the lower TOM costs are off-set by higher SLA costs, with the net difference being approximately €40m.

While the CRU's RC3 decision provided for substantial TOM-related investments, including resourcing, training, system integration, and process development, Uisce Éireann's pace of progress in implementing TOM-related changes was limited during the control period. Key delays included postponed recruitment of in-house capabilities and the slower rollout of technology platforms intended to replace legacy systems.

Despite these delays, Uisce Éireann has reported TOM-related efficiencies in other areas, including reduced costs through improved contract management, non-domestic metering, and telecoms optimisation. These benefits contributed to offsetting pressures in other opex categories but also suggest that some TOM-related benefits were realised without the full scale of planned investments.

CRU's Proposals on Uisce Éireann's RC3 Controllable Opex

The CRU proposes to approve Uisce Éireann's proposal that Operation & Maintenance and TOM costs should be considered together because the large difference from allowance reflects the delays in the implementation of the WIOF Programme.

The total underspend in controllable opex of €28m (2017 prices) reflects a combination of cost pressures, efficiencies, and risk mitigation strategies. Given the within-period reopeners and re-allocations, the CRU considers two options for reflecting controllable cost outperformance in the k-factor. Please see the detailed discussion in Section 9 k-factor adjustment below.

²⁶ Uisce Éireann's Target Operating Model involves transforming its previous service delivery model to create a national, high-performing public utility that delivers efficiencies and cost savings.

The CRU is of the view that Uisce Éireann's cumulative controllable opex was broadly in line with the CRU's expectations over the period. Uisce Éireann achieved efficiencies in payroll and energy. However, these efficiencies are largely offset by increased costs for goods and services. There were significant changes in the structure of Uisce Éireann's opex over RC3, including increases in payroll and TOM-related costs, and offsetting reductions in outsourced services and central management cost (CMC)-related payments.

Uisce Éireann undertook a significant structural change over RC3 through the Uisce Éireann Transformation (UÉT) programme. NERA's assessment noted that while this programme has delivered some efficiency gains, such as lower reliance on outsourced services and reduced headcount, the full scope of expected cost reductions may not materialise until RC4. Therefore, the CRU expects the UÉT programme, particularly the roll-out of the TOM and the move away from LA-provided services, to lay the groundwork for further efficiencies in RC4.

4.1.2 Uncontrollable Expenditure (Allowed €277.5m; Outturn €205.7m)

As part of the regulatory process, the CRU allocated 'Licences and Levies' and 'Commercial rates' as costs outside of Uisce Éireann's control (therefore categorised as uncontrollable). As discussed in Section 4.1, the CRU generally treats uncontrollable costs as pass through costs. This approach was again taken by the CRU for previous RCs and is consistent with the approach taken by the CRU for regulated gas and electricity networks. The total underspending of €72m can be attributed to the following factors:

- Licences and levies: These include the CRU levy and EPA licence fees, which are largely beyond Uisce Éireann's control. The actual expenditure for licences and levies during the RC3 period was €4m lower than the allowance set by the CRU's decision.
- Commercial rates: Uisce Éireann's projected outturn costs for commercial rates were 68m lower than initially anticipated. The original allowance had been calculated before Uisce Éireann completed the global valuation process.

CRU Proposals on Uisce Éireann's RC3 Uncontrollable Expenditure

In line with CRU's previous RC decisions to treat Licences and Levies and Commercial rates as uncontrollable costs, the CRU proposes to adjust the RC3 operating cost allowance by €-71.8m. This adjustment (see details in Section 9) feeds into the revenue allowance set by the CRU for Uisce Éireann for the RC4 period.

4.1.3 Innovation Funded Opex (Allowed €4.0m; Outturn €2.9m)

As part of its RC3 decision, the CRU approved an allowance of €4m over the RC3 period to fund innovation²⁷.

The purpose of this allowance (Water Services Innovation Fund) is to allow Uisce Éireann to promote new technologies and improved ways of delivering water and wastewater service for

²⁷ More information on the Fund can be found at [Uisce Éireann's website](#), and in CRU's Water Services Innovation Fund Annual Reports at the [CRU's website](#).

customers within an incentive base regime where cost efficiency is the focus. This allowance is in line with initiatives by other regulators to promote innovation in electricity and gas networks. For Uisce Éireann to draw down its innovation fund allowance it must first receive approval from the CRU for individual innovation projects.

CRU Proposals on Uisce Éireann's RC3 Innovation Fund

Uisce Éireann spent €2.9m over RC3, resulting in an underspend of €1.1m²⁸. The CRU proposes to allow the remainder of €1.1m allowance to rollover into the RC4 period. The CRU also proposes to allow Uisce Éireann the additional €5.4m to fund innovation projects approved by the CRU within the RC4 period. This will allow Uisce Éireann to continue to research and develop improved ways of delivering water and wastewater services to customers. Similar to the allowance at previous RCs (which rolled into the next RC) this allowance is a once off allowance on a draw down basis only.

4.2 Overview of RC3 Opex Efficiency Benchmarking

Efficiency Challenge Adjustments Over RC3

As discussed in Section 2.2.2, the final efficiency targets for the RC3 period were 2% for 2020, 2% for 2021, 1% for 2022, 4% for 2023, and 4% for 2024.

Uisce Éireann reports that its controllable operational expenditure (opex) increased by €69m over RC3 compared to its base controllable costs. This net change reflects a combination of upward cost pressures and offsetting cost avoidance and efficiency measures. For more details on Uisce Éireann's explanation of its cost performance, please see Section 3.2.2 in RC3 Opex Look Back and K-Factor Adjustments Report (CRU2025139e).

Uisce Éireann identified key cost drivers, including €322m attributed to regulatory compliance, growth in network connections, and inflationary pressures²⁹.

These pressures from cost increases were reportedly mitigated by:

- **Cost Avoidance Measures:** €193m in avoided costs, including €72m attributed to changes in Uisce Éireann's energy hedging strategy and other cost category movements such as LA CMC and capitalisation.
- **Operational Efficiencies:** €60m in savings from initiatives such as restructuring, contract optimisation, and internal capability development.

²⁸ Uisce Éireann has proposed a two-tier application approach aimed at streamlining its application process. This proposal is discussed further in Section 6.1.3.

²⁹ UÉ highlights significant inflation beyond the HICP benchmark, particularly impacting DBO contracts and energy costs.

Review of Efficiency Challenge Adjustments Over RC3

The econometric benchmarking analysis³⁰ indicates that Uisce Éireann has enhanced its efficiency for combined water and wastewater services throughout RC3. NERA’s analysis suggests that Uisce Éireann has performed comparatively well in reducing its operating costs in the face of upward cost pressures over recent control periods relative to the set of England & Wales water peers included in the modelling, as demonstrated by the improvement in efficiency score across all models.

NERA’s analysis³¹ (Table 9) shows that Uisce Éireann’s water business has remained broadly in line with the efficient level across the outturn years of RC3 (2020–2023). It is projected to be 2% more efficient than the average company over the full control period (2020–2024) for water, while wastewater is expected to be 6% less efficient than the average company over the same period.

Table 9 NERA’s Analysis of Uisce Éireann’s Efficiency at RC3

Sector	Average RC3 efficiency score ³² (2020-2024, outturn with one year forecast)
Water	-2%
Wastewater	6%

The CRU acknowledges Uisce Éireann’s efforts to mitigate cost pressures and improve operational efficiency in water services during RC3 and the progress made in water efficiency. However, the wastewater investments remain an area of concern.

The CRU’s approach to setting RC4 opex allowances and efficiency targets takes these uncertainties into account, emphasising verifiable efficiencies and realistic baselines for forward-looking performance.

4.3 Conclusions

Uisce Éireann’s outturn Opex was found to be appropriately incurred based on the analysis conducted. The CRU positively notes this finding.

The CRU concludes that Uisce Éireann has underspent on total opex by €100m (2017 prices) against its revised RC3 opex allowances (see explanation in Section 4.1). The CRU acknowledges that this has been challenging for Uisce Éireann, considering its growing asset base and upward cost pressures to meet compliance and service requirements.

The underspend in controllable opex of €28m (2017 prices) reflects a combination of cost pressures, efficiencies, and risk mitigation strategies. Given the within-period reopeners and

³⁰ Please see further details on NERA’s benchmarking analysis in Section 6.3 in this paper and Section 4 in NERA’s RC4 Opex Look Forward Report (CRU2025139b).

³¹ Please see Section 4.3 in NERA’s RC4 Opex Look Forward Report (CRU2025139b) for more details.

³² The efficiency score measures the percentage difference between Uisce Éireann’s actual costs and modelled average costs that reflects the efficiency of the average company. A positive score indicates inefficiency, while a negative score suggests Uisce Éireann is operating more efficiently than the model predicts.

re-allocations, the CRU considers two options for reflecting controllable cost outperformance in the k-factor, please see detailed discussion in Section 9.

The CRU is proposing to adjust the RC3 allowance regarding uncontrollable costs. Uisce Éireann's uncontrollable costs (licences, levies and commercial rates) were €71.8m (2017 prices) less than originally forecast, and therefore the CRU proposes to reduce the RC3 allowance by this amount.

CRU Consultation Question(s):

- Q5. Do you have any comments on Uisce Éireann's RC3 outturn opex and the CRU's proposals relating to the CRU's review of Uisce Éireann's RC3 Opex?
- Q6. Do you have any comments on the proposals set out in this section: Review of Historical Operational Expenditure?

Part 3: Review of Forecast Expenditure

This part sets out the CRU's draft determination proposals on Uisce Éireann's forecast allowances for RC4 (2025 – 2030). The main objective of the forecast review is to set Uisce Éireann's allowances at an efficient level that allows Uisce Éireann to carry out its functions and to ensure consumer interest is protected. The following sections will summarise the:

- Review of Forecast Capital Expenditure; and
- Review of Forecast Operational Expenditure.

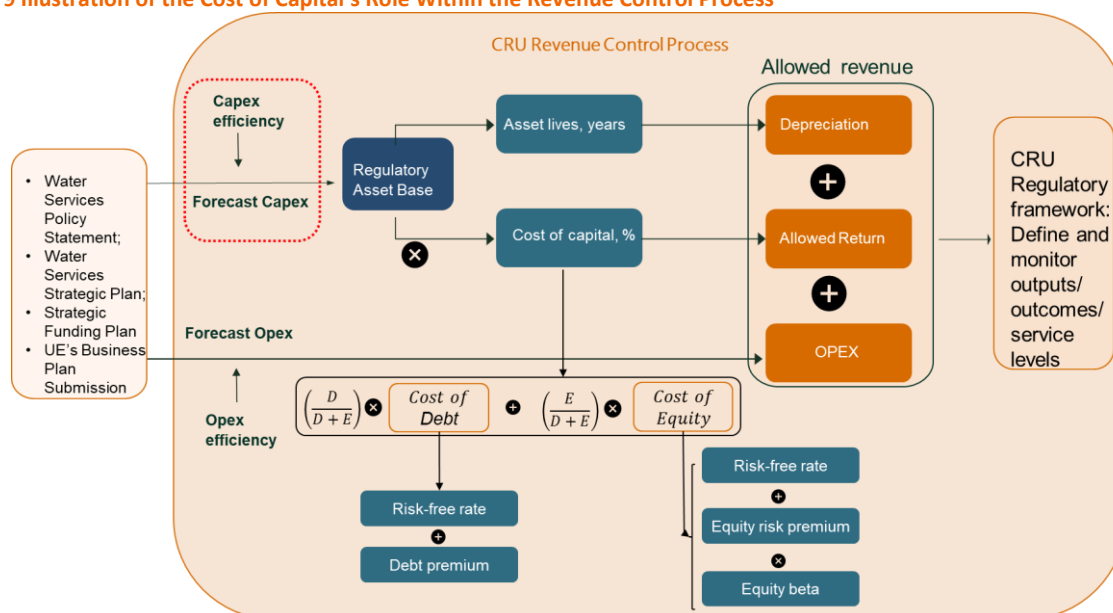
5. Review of Forecast Capital Expenditure

This section sets out Uisce Éireann’s proposed capital expenditure (Capex) for the RC4 period (2025–2029), along with the CRU’s assessment and related proposals. Capex relates to areas of expenditure which are needed to deliver on the proposed outputs and outcomes that Uisce Éireann included in its RC4 business plan.

Section 5.1 introduces the CRU’s assessment of Uisce Éireann’s forecast capex and the associated proposals. It also summarises Uisce Éireann’s pre-consultation response and presents the capex-related consultation questions. Section 5.2 provides an overview of Uisce Éireann’s RC4 Capital Investment Plan. Sections 5.3 and 5.4 respectively present Arcadis’ findings from its top-down and bottom-up assessments of Uisce Éireann’s RC4 capex proposals. Section 5.5 sets out Arcadis’ review of Uisce Éireann’s proposed Non-Network Capex. Section 5.6 detail Arcadis’ recommendations and the CRU’s resulting proposals in relation to Uisce Éireann’s RC4 Capital Investment Plan. Section 5.7 summarises the CRU’s capex proposals.

Visually, this section considers the capex efficiency to be applied to forecast capex highlighted in red in Figure 9:

Figure 9 Illustration of the Cost of Capital’s Role Within the Revenue Control Process



5.1 Introduction

This section introduces the CRU’s assessment of Uisce Éireann’s forecast RC4 capex and the associated proposals. It also summarises Uisce Éireann’s pre-consultation response and presents the capex-related consultation questions.

5.1.1 Overview of Forecast Capital Expenditure

Table 10 below summarises Uisce Éireann’s submitted Capex request, and the CRU’s proposed efficiency challenge expressed as a capex reduction, and as an increase in delivery obligations. A more detailed overview of Uisce Éireann’s Capex submission is provided in Section 5.2. The CRU’s Capex Draft Determination revenue figure aims to enable Uisce Éireann’s RC4 capital investment is cost-efficient and deliverable.

Table 10 Uisce Éireann's Capex Request and the CRU's proposal (€m, 2022, figures from CRU2025139a)

Category	Uisce Éireann's Request	8% Efficiency Challenge as a capex reduction	CRU's Proposal: 8% Efficiency Challenge as increase in delivery obligations
Network Capex	8,070	7,397	8,070
Non-Network Capex	491	491	491
Total Capex	8,561	7,888	8,561

To arrive at a Draft Determination, the CRU commissioned technical experts Arcadis to assess and opine on Uisce Éireann’s RC4 Investment Plan submission and make recommendations. Arcadis’ review of Uisce Éireann’s RC4 Investment Plan assessed the cost efficiency and deliverability of Uisce Éireann’s proposed Investment Plan. This was carried out through a twin-track top-down and bottom-up review of the Capital Investment Plan. In addition to Uisce Éireann’s submission documents, the assessment process incorporated workshops, a weekly Q&A, and bilateral meetings with Arcadis’ senior subject matter experts to obtain the necessary information.

An overview of the assessment approach and a summary of key recommendations and views is presented below, covering what Arcadis assessed and how. Further detail on how Arcadis carried out the review can be found in Chapter 1 of CRU2025139a.

5.1.2 Efficiency and Deliverability

The Capex review assessed Uisce Éireann’s RC4 Investment Plan for efficiency and deliverability. For the purposes of this review, efficiency focuses on the efficient use of funds which is interpreted as:

- An appropriate needs case for the proposed investment made by Uisce Éireann, measured against the Government’s WSPS themes. Note that resources are limited, which requires balance between different needs.
- The proposed investment is appropriately developed (given that the needs case has been accepted). Efficiency is measured by Arcadis as Actual Output vs Optimal Output, for a given input level. This can include non-monetary outputs (eg environmental or health benefits)

Efficiency (as above defined) can be estimated through comparison with a peer group (e.g., other utilities, including water/wastewater utilities) in the same or similar countries, or to a notionally efficient company carrying out the same activity in a different manner. Arcadis undertook a comprehensive assessment of Uisce Éireann’s capital expenditure submission and proposed its assessment of regulatory efficiency challenge through a combination of:

- A multi-stage evaluation of a wide range of projects (i.e., a Bottom-up assessment)
- A review of Uisce Éireann's overall processes for capital planning, budgeting, and delivery (i.e., a Top-down assessment)
- Benchmarking against comparators in England and Wales for certain elements of capital maintenance

The CRU notes that an efficiency challenge can be applied in two ways:

- A reduction in allowed expenditure, while maintaining the planned level of output
- An increase in output, while maintaining the planned level of expenditure

The first approach is typically applied by regulators such as the CRU to drive efficiency. This approach was applied in RC3. The CRU is proposing the second approach, given the demonstrated need for substantial investment in water and wastewater services, the opportunity to maximise value from Uisce Éireann's unique funding model, where the Minister has approved a dedicated funding envelope, and Arcadis' assessment that Uisce Éireann has capacity to "deliver more".

Deliverability is an assessment of whether the proposed capital programme is likely to be executable, in full, by Uisce Éireann with its existing supply chain. Assessment of deliverability is based on:

- Historical and current work completion
- Supply chain and delivery mobilisation
- Project maturity relative to delivery timelines

5.1.3 Top-Down (Process and Governance) Assessment

The Top-down assessment comprehensively examined Uisce Éireann's processes and governance. The objective was to assess if Uisce Éireann's processes and governance are adequate to efficiently and accurately identify, cost, and deliver capital projects. The rationale is that if Uisce Éireann has implemented appropriate processes and governance, then there can reasonably be high confidence that Uisce Éireann's overall RC4 Investment Plan is cost-efficient and deliverable. Arcadis assessed and reported on the following:

- Investment Decision-Making Process
- Costing Methods
- Risk Assessment and Management
- Timelines and Schedules
- Procurement Strategy and Deliverability
- Planning and Consent Challenges
- Embedding of SWI Recommendations (see [CRU20085b, 2020](#) for the SWI report)

5.1.4 Bottom-up (Deep dive) Assessment

The bottom-up approach assessed individual RC4 projects and programmes for deliverability and cost-efficiency. As Uisce Éireann is Ireland's only entity undertaking major water and wastewater capital projects, a direct comparative analysis is not possible. Without the ability for comparative analysis on a like-for-like basis, the evaluation of Uisce Éireann's Investment Plan must rely on in-depth analysis of the procedure leading to each project's inclusion to the plan. As assessing each one of the 274 proposed RC4 projects and programmes would be a resource intensive and inefficient task, Arcadis selected and assessed a cross-section of 34 representative projects and programmes. Since the cross-section of assessed projects and programmes is representative of all Uisce Éireann's proposed project and programmes, systematic findings from the deep dives can reasonably be applied across the entire proposed portfolio. Arcadis assessed and reported on:

- Understanding of Investment Need, Outcomes, and Benefits of Projects
- Optioneering, Risk Assessment & Management, and Preferred Solution Selection
- Project Costing
- Delivery Route
- Relevance of Technical Assessment

5.1.6 Uisce Éireann Pre-Consultation Response

The CRU and Arcadis have engaged with Uisce Éireann on Arcadis' preliminary findings. This has allowed Uisce Éireann to provide any initial feedback or further information. The CRU acknowledges Uisce Éireann's pre-consultation response. Where appropriate, both Arcadis and the CRU have incorporated Uisce Éireann's suggestions into the final consultant reports and this Draft Determination paper.

5.2 Overview Uisce Éireann's RC4 Capital Investment Plan

This section an overview of Uisce Éireann's RC4 Capital Investment Plan, as submitted to the CRU on 02 December 2024.

5.2.1 Uisce Éireann's RC4 Capital Expenditure Submission: Overview

Uisce Éireann submitted its Capital Investment Plan for RC4 to the CRU on 2nd December 2024. This submission contains the budgetary plan for capital investment in the water and wastewater services network for the five-year period of 2025-2029. Uisce Éireann's capex submission consists of two elements:

- **Network capital expenditure**, expressed through a Capital Investment Plan (CIP), which relates to investments associated with optioneering, construction, enhancement,

operation and maintenance of the infrastructure and non-infrastructure assets required to deliver water and wastewater services (CRU2025139k).

- **Non-network capital expenditure (NNC)**, which relates to investment not directly associated with the provision of water or treatment of wastewater, such as Information Technology (IT), Fleet & Facilities, Business Change, and the continued Uisce Éireann Transformation (UÉT) programme bringing together the water services sector into a Single Public Utility (SPU) (CRU2025139m).

Uisce Éireann's submission plans to spend a total of €9,395m on capital expenditure over the RC4 period. Of this expenditure, Uisce Éireann expects to fund €834m of it with revenue from new connections. This means that Uisce Éireann has requested a total capital allowance of €8,561m over the RC4 period (€8,070m Network Capex + €490.8m Non-Network Capex). Unless otherwise specified, this document uses Uisce Éireann's total capital expenditure request (€8,561m) for Uisce Éireann's proposed expenditure and revenue figures.

5.2.2 Policy and Strategic Objectives

As mentioned in Section 1.2 above, Uisce Éireann prepare their RC4 Investment Plan with regard to the Government's [Water Services Policy Statement \(WSPS\) for 2025-2030](#), and Uisce Éireann's own long term strategic plan for 2015-2040, the [Water Services Strategic Plan \(WSSP\)](#).

The key WSPS themes are outlined below, along with the related WSSP objectives. Further information on these themes and associated objectives can be found in Chapter 2 of CRU2025135.

WSPS Theme 1: Availability and Reliability: Water services to support regionally balanced economic and social development through accessible, reliable water services. Related WSSP objectives:

- Ensure a Safe and Reliable Water Supply
- Provide Effective Management of Wastewater
- Invest in our Future
- Support Social and Economic Growth

WSPS Theme 2: Safety & Quality: Water services to be safe and protect human health. Related WSSP objectives:

- Ensure a Safe and Reliable Water Supply
- Provide Effective Management of Wastewater

WSPS Theme 3: Sustainability: Water services to be efficient, resilient and sustainable. Related WSSP objectives:

- Ensure a Safe and Reliable Water Supply

- Protect and Enhance the Environment

Uisce Éireann has established a list of known asset and service needs requiring investment. These needs have subsequently been categorised and aligned with the above policy and strategic objectives. Arcadis believe that Uisce Éireann have demonstrated a thorough planning process, with the RC4 Capex Investment Plan sufficiently mapping out Government priorities with clear links to asset needs.

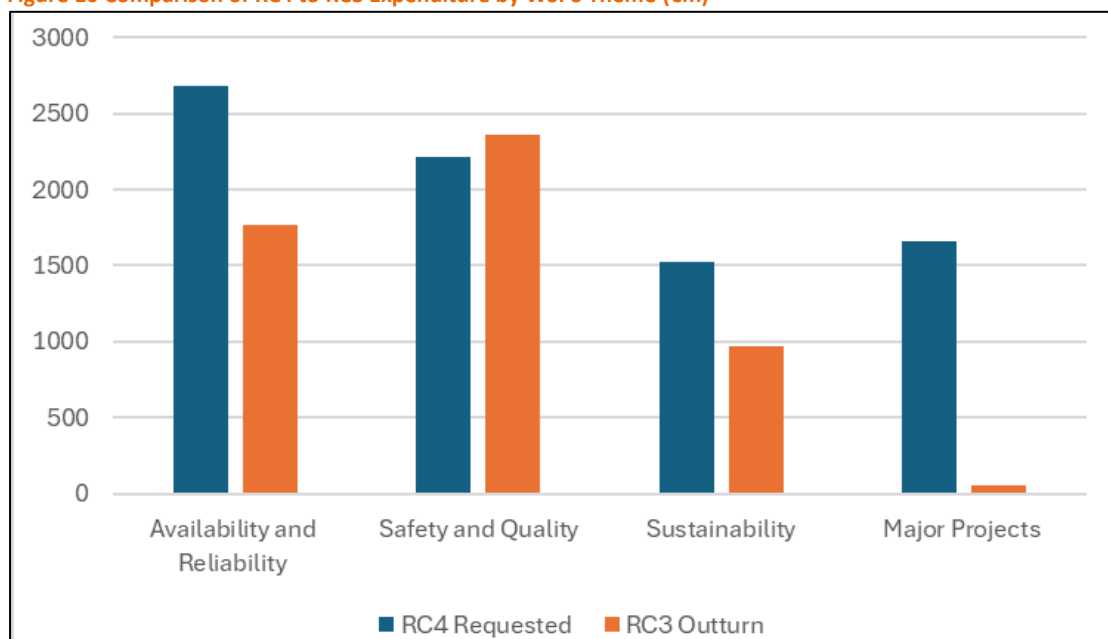
Uisce Éireann is developing a new WSSP 2050, looking at longer term water needs, covering the period of 2025-2050. While the draft WSSP 2050 is yet to be approved by the minister or adopted by Uisce Éireann, Uisce Éireann has confirmed with the CRU that the RC4 Capex Investment Plan’s objectives align with both the current WSSP from 2015 and the new WSSP 2050. In case any changes to the Investment Plan are required, for example adapting to changes of the final WSSP 2050, Uisce Éireann will be able to make a submission for CRU approval through the RC4 Uncertainty Mechanism process (Section 3.5 of CRU2025135).

5.2.3 RC4 Budget Allocations

The total capex requested for RC4 is a significant increase on what was provided for in RC3 (€4.75bn to €8.56bn). Most of this increase is in network capex, which is 86% more than RC3 outturn (€4.33bn to €8.1bn, 2022 monies). Non-network capex requested for RC4 is 17% more than in RC3 (€0.42bn to €0.49bn).

Whilst the RC4 WSPS themes are similar to those of RC3, they do not completely align. Additionally, Major Projects were significantly delayed and underspent in RC3, with RC4 setting new allowance to progress them into delivery.

Figure 10 Comparison of RC4 to RC3 Expenditure by WSPS Theme (€m)

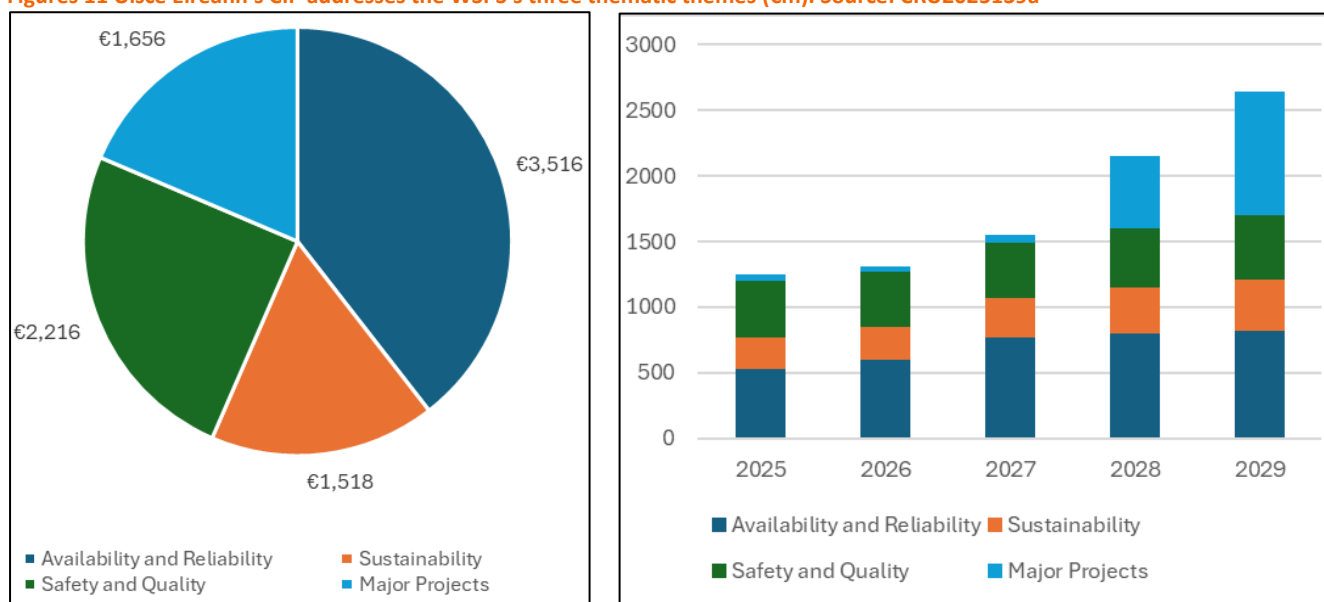


By WSPS Themes, Uisce Éireann places the greatest emphasis on Availability and Reliability, with 58% of network capex allocated to this theme (including Major Projects). Safety and

Quality represent the second largest share (25%), while sustainability accounts for 17% of total capex.

Although both Major Projects (i.e., the Greater Dublin Drainage and Water Supply Projects) also address Availability and Reliability, they are split out in the figure below since they together represent for 19% of proposed RC4 network capex. Excluding Major Projects, 38% of network capex is proposed to address the Availability and Reliability WSPS theme.

Figures 11 Uisce Éireann’s CIP addresses the WSPS’s three thematic themes (€m). Source: CRU2025139a



The breakdown of RC4 network capital expenditure aligned to each WSPS theme is outlined in Table 11 below.

Table 11 Breakdown of RC4 Network Capex by WSPS Theme and WSSP Strategic Objective. Source: CRU2025139a

WSPS Theme	Budget (m€)	WSSP Strategic Objective	Budget (m€)
Availability and Reliability	4,336 ³³	Ensure a Safe and Reliable Water Supply	1,997 (1,504 WSP)
		Invest in our Future	1,542
		Support Social and Economic Growth	572
		Provide Effective Management of Wastewater	227 (151.4 GDD)
Safety and Quality	2,216	Ensuring a Safe and Reliable Water Supply	948
		Provide Effective Management of Wastewater	1,267
Sustainability	1,518	Ensuring a Safe and Reliable Water Supply	1,368
		Protect and Enhance the Environment	150

³³ This figure excludes €835m received from and spent on new connections, which fall under this WSPS Theme.

5.2.4 RC4 Delivery Obligations

Delivery obligations are tangible commitments that Uisce Éireann agrees to achieve by the end of RC4, through completing its Investment Plan. These include Outcomes and Outputs (O&O) linked to achieving the WSPS themes, that Uisce Éireann promise to deliver. Note that Uisce Éireann proposes these delivery obligations in its RC4 submission.

The CRU draws on these delivery obligations to incentivise Uisce Éireann to deliver the commitments promised within the allowed revenue, enabling annual tracking of progress throughout RC4. The CRU monitors Uisce Éireann's progress in delivering its obligations through the annual publication of a RC4 Capital Investment Plan (CIP) monitoring report. This report publicly available to require accountability for Uisce Éireann and provide transparency for customers and other stakeholders on how Uisce Éireann spends their approved revenue.

Outputs are tangible deliverables resulting from a project or programme, e.g. specific infrastructure built or upgraded such as a new wastewater treatment plant or rehabilitated water mains. Outcomes are longer-term effects or benefits to customers resulting from the outputs, e.g. safer, cleaner drinking water in a community. Both Outputs and Outcomes are aligned to WSPS themes and together they are referred to as delivery obligations.

Uisce Éireann developed the RC4 delivery obligations in consultation with its stakeholders, including the Environmental Protection Agency (EPA). Uisce Éireann then identifies projects and programmes that will deliver these objectives within and sometimes beyond the RC4 period. Uisce Éireann's submission to the CRU includes the list of these projects and programmes and the associated delivery obligations. This submission is signed off on by Uisce Éireann. The CRU is not involved in identifying or setting projects and programmes. The CRU's role is on monitoring and reporting on Uisce Éireann's performance and progress in delivering on these obligations.

5.2.4.1 Uisce Éireann's Proposed Delivery Obligations

Uisce Éireann's RC4 Investment Plan contains 269 projects & programmes, for which Uisce Éireann has requested €8.1bn in network capex. Uisce Éireann has proposed a total of 39 delivery obligations and associated targets which the utility must meet in full by the end of RC4 (December 2029). Of these 39 delivery obligations, 22 are new to RC4 and 17 are retained from RC3 but with updated targets. The delivery obligations are split across three categories: water (15), wastewater (15), and sustainability (9). Table 12 below lists all 39 delivery obligations.

Table 12 List of the 39 delivery obligations as proposed by Uisce Éireann. Obligations new to RC4 are shaded in grey

Asset category	RC4 Delivery obligations	RC4 Target	Unit
Water	Water treatment plants new and upgraded	163	No.
Water	Provide additional water treatment capacity	43	MLD
Water	Provide additional water network capacity	126	km
Water	Length of water main laid (rehabilitated)	663	km
Water	Water treatment plants with orthophosphate treatment facilities installed	32	No.
Water	Number of lead services replaced	31,283	No.

Water	Provide treated water storage support (Security of Supply)	10.7	MLD
Water	Rationalise water treatment plants	26	No.
Water	Number of safety upgrades water storage facilities (Impounding Reservoirs)	24	No.
Water	Metering replacements and new meters installed	280,994	No.
Water	District Meter Area (DMA) works completed	654	No.
Water	Completed works at water treatment plants to facilitate the removal from the Remedial Action List (RAL)	33	No.
Water	Completed works at water treatment plants to resolve specific high risk water quality issues	163	No.
Water	Improving the capacity of the GDA supply network	28	MLD
Water	Net Water savings	120	MLD
Wastewater	Wastewater treatment plants new and upgraded	61	No.
Wastewater	Provide additional wastewater treatment capacity	57	No.
Wastewater	Provide additional wastewater network capacity	112.7	km
Wastewater	Sewer Network Rehabilitation	34.1	km
Wastewater	Wastewater New and Upgraded Pumping Stations	118	No.
Wastewater	Drainage Area Plan Programme	8	No.
Wastewater	Storm Water Overflows Monitoring and Assessment	590	No.
Wastewater	Major Capital Maintenance Site Refurbishments	3	No.
Wastewater	National Wastewater Sludge management sites installed	4	No.
Wastewater	Works completed to comply with the UWWTD and address ECJ judgement	4	No.
Wastewater	Works completed at agglomerations with no treatment or preliminary treatment only	11	No.
Wastewater	Complete works at agglomerations to facilitate removal from EPA's Priority Urban Area Action List (PAL)	23	No.
Wastewater	Complete works to comply with WWDA	48	No.
Wastewater	Complete works to address significant pressures in third cycle River basin Management Plan (RBMP 2022-2027)	25	No.
Wastewater	Complete works to reduce the risk of Sewer flooding	17	No. of Projects
Sustainability	Energy Efficiency Improvement	25.4	GWh
Sustainability	Renewable Energy - Generation (Installed Capacity)	4.7	GWh/yr
Sustainability	Greenhouse Gas Emissions	49	% of Baseline year carbon emissions
Sustainability	Greenhouse Gas Emissions - Thermal and Transport Energy Sources	TBC	tCO2e
Sustainability	Biodiversity - Net Gain across new Projects by 2030	>0	% Net Gain from the baseline
Sustainability	Circular Economy - Construction Waste (2030)	0	% Recoverable Waste to landfill
Sustainability	Circular Economy - Sludge (New & upgraded)	100	% Sludge to Circular Economy Outlets

Sustainability	Nature Based Solutions	22	No. of Nature Based Solutions adapted
Sustainability	Climate Change Resilience	100	% of projects

5.2.4.2 Significant Target Changes Between RC3 And RC4

Table 13 below presents the six delivery obligations with significant change in scale of ambition. Arcadis (CRU2025139a,131) presents Uisce Éireann's justification and Arcadis' opinions on these changes, which are summarised below:

- **Water treatment plants new and upgraded (+288%):** Uisce Éireann stated that the definition of a water treatment plan upgrade has been broadened for RC4 and reflects the RC4 priorities and budget.
- **Metering replacements and new meters installed (+269%):** Uisce Éireann estimate most of this target will be from replacing existing meters. However, Arcadis identify a high risk of under-delivery and/or overspend, without a clearly defined need and outcome. Arcadis notes that domestic meters are not used for revenue purposes, and so only informs part of Uisce Éireann's leakage monitoring. Arcadis find the proposed level of domestic meter replacement as unjustifiably high to achieve this objective. This is discussed further below.
- **Provide additional wastewater network capacity (-54%):** The reduction reflects priority changes, with an increased focus on environmental compliance and less scope and budget for increasing wastewater network capacity. Arcadis note that the RC5 completion of the GDD Major Project will compensate for this reduced RC4 target.
- **Provide additional water network capacity (-75%):** Uisce Éireann prioritised funding for water quality improvements in RC4 over water network capacity increases. Arcadis note that the RC5 completion of the WSP Major Project will compensate for this reduced RC4 target.
- **Complete works at agglomerations to facilitate removal from EPA's Priority Urban Area Action List (PAL) (-69%):** The PAL is set by the EPA, and currently only has 23 entries for RC4, meaning Uisce Éireann cannot set a higher target. However, PAL is a live document, and sites may well be added over RC4.
- **Sewer network rehabilitation (-85%):** RC3 reporting figure included 102.4 km of sewers rehabilitated before RC3. Removing this still represents a 74% target decrease. Uisce Éireann has prioritised wastewater pumping stations and rising mains upgrades over sewer rehabilitation.

Table 13 O&Os with significant target changes between RC3 and RC4. Source: CRU2025139a

O&Os with significant target changes between RC3 and RC4	Unit	RC3 Delivered	RC4 Target	Change
Water treatment plants new and upgraded	No.	42	163	288%
Metering replacements and new meters installed	No.	76,173	280,994	269%
Provide additional wastewater network capacity	km	245	112.7	-54%
Provide additional water network capacity	km	500	126.0	-75%
Complete works at agglomerations to facilitate removal from EPA's Priority Urban Area Action List (PAL)	No.	75	23	-69%
Sewer Network Rehabilitation	km	234	34.1	-85%

5.2.4.3 The CRU's View on the RC4 Delivery Obligations

The CRU proposes using the delivery obligations and targets in Table 12 above as the basis for its annual monitoring of Uisce Éireann's progress against its RC4 Investment Plan.

The CRU notes the additional Outputs and Outcomes proposed by Uisce Éireann. The full range of proposed delivery obligations represents the core of CRU's annual capex monitoring, and the CRU notes that the increase in delivery obligations is beneficial in terms of increased transparency and granularity of detail.

Additionally, regarding delivery obligations that are being carried across into RC4 from RC3, this is helpful as it enables the CRU to track longer-term investment and delivery trends. Specifically, the CRU positively notes the focus on Sustainability which is called out as a standalone theme in the WSPS. The CRU also notes the addition of eight new wastewater metrics, which is viewed positively, given the focus that the CRU intends placing on wastewater investment and performance throughout RC4.

Uisce Éireann's Executive is fully responsible for developing and balancing its RC4 Investment Plan and ensuring that Ireland's water services needs and risks are appropriately addressed. As set out in Section 1.2 above, Uisce Éireann is required to consult with key stakeholders (including the EPA) when developing its Investment Plan. This plan is then approved by Uisce Éireann's Board and submitted to the Minister for Housing (DHLGH).

The CRU does not have a direct role in directing the development of Uisce Éireann's Investment Plan or setting its delivery priorities. However, the CRU has some concerns in relation to aspects of the following delivery obligation targets:

- Sewer network rehabilitation (34.1km)
- Metering replacements and new meters installed (280,994 units)
- Net Water savings (120MLD)

Sewer network rehabilitation: The CRU note that Uisce Éireann has significantly reduced its proposed sewer rehabilitation output for RC4, -85% compared to its RC3 output. The CRU understands that this reflects Uisce Éireann prioritising upgrading wastewater pumping

stations and rising mains. However, the CRU is concerned by this reduced ambition, particularly as Uisce Éireann reported that it delivered only 69% of its equivalent RC3 target. Uisce Éireann attributes underperformance in sewer rehabilitation to the complexity of works in man-entry sewers and the limited availability of contractors. Additional delays have arisen from the lack of progress of the 'Taking in Charge' scheme, which is outside Uisce Éireann's control. The CRU expect Uisce Éireann's Executive to fully understand the risks associated with sewer network failures and to have appropriate mitigations and contingencies in place.

Metering replacements and new meters installed: Arcadis conclude that the need and outcomes of the corresponding metering programme are poorly defined. Arcadis found data gaps and no structured governance, although Uisce Éireann confirmed that a strategy is being developed. Arcadis question the value for money of the large domestic component, given that of the 280,994 meters proposed, 43% (122,000) are domestic meters, which are not used for revenue purposes. Although domestic metering feeds into Small Area Metering to form part of leakage monitoring, Arcadis find the volume of domestic meters proposed not well justified.

Additionally, Arcadis raised concerns about the high risk of under-delivery and/or overspend, without clearly understanding the need and outcome. Uisce Éireann has brought the metering programme brought in-house, and Arcadis note challenges with the supply chain for the availability of materials and meters on the market.

Arcadis recommend that the metering programme should be significantly revised and reduced, with Uisce Éireann focusing on maintaining non-domestic billing and minimum number of replacements to support overall leakage and consumption patterns.

Although domestic metering provides useful data for leakage analysis, the marginal value of installing additional meters beyond a statistically sufficient sample, is low compared to the need to progress other critical capital works.

The CRU is concerned about the scale of such a programme as opined by Arcadis through its technical review. The CRU propose that Uisce Éireann carry out a review to justify the full need for the programme prior to its full implementation and provide the results to the CRU. The review should include:

- a justification for the metering programme in the format of a report setting out the supporting statistical analysis, for this requirement and if it considers such a programme is still required or should resources and funds be better allocated to other aspects of the leakage program.
- a Cost Benefit Analysis, to substantiate the level of metering programme included in the RC4 Investment Plan, with an emphasis on domestic metering. Aspects the report to set out include for example, benefits it has quantified and qualified. The CBA should consider the value of redirecting an appropriate share of the Metering Programme resourcing towards other capital works

The CRU notes that while RC4 represents a step-change increase in the rate and volume of planned capex work, there remains significant scope for investment in other areas of the capital plan.

The CRU notes that resourcing for the Metering Programme overlaps and conflicts with the Find & Fix (Leakage) Programme, which supports the same outcome. Arcadis identified potential deliverability challenges for the Find & Fix, including ambitious targets and resourcing constraints. The CRU questions if a reduction in the metering programme could therefore benefit the Find & Fix programme, particularly if unspent resources were re-allocated to that programme.

Net Water Savings (Leakage reduction): Uisce Éireann's RC4 submission stated that it intended to reduce leakage by 120 MLD by the end of RC4, for an overall expenditure of €1.3bn across various programmes. Arcadis note that the proposed target appear ambitious, and that it is unclear how it will be achieved. Arcadis note that supporting data is still being developed, with no integrated plan outlining how various interventions will contribute to the targeted MLD reductions. While a cost run rate has been provided, based on a newly procured contract, which reflects current market conditions, Uisce Éireann has not shared a detailed cost breakdown. Deliverability remains a key concern due to ongoing resourcing challenges within UÉ's Leakage Team, which have persisted since RC3.

Uisce Éireann informed the CRU in July 2025 that they would be seeking to significantly revise Uisce Éireann's submitted RC4 leakage target to a substantially lower leakage reduction target, while maintaining the same level of expenditure. This late change raises concerns about the accuracy of Uisce Éireann's leakage submission that was provided to the CRU in December 2024. As the CRU has not received a further formal submission on this matter and does not have sufficient clarity on the final figures or the reasons for the changes, the CRU is not in a position to comment on potential changes to this delivery obligation in this paper. The CRU is concerned about the late change to this fundamental aspect of Uisce Éireann's work programme, despite a decade of ongoing work by Uisce Éireann in this area and the deployment of a Leakage Management System (LMS) to support its leakage activities.

The CRU is also concerned that Uisce Éireann did not report on progress towards the RC3 Net Water Savings Delivery Obligation (leakage) for 2023 and 2024 until June 2025. This reporting should be done via the Capital Investment Plan (CIP) report, which is covered in more detail in CRU2025135.

For the CRU to consider adjusting the Net Water Savings target in the RC4 Final Determination, Uisce Éireann is required to provide a comprehensive RC4 leakage submission, setting out:

- Why the delivery obligation changed so significantly from the Uisce Éireann Board approved RC4 submission in December 2024
- The factors driving the lower leakage reduction target and the increased expenditure to meet this lower target
- How the new target and cost are built up and arrived at

The CRU, with support from Arcadis, are willing to consider this submission prior to its final RC4 determination.

CRU Consultation Question(s):

Q7. What are your views on Uisce Éireann's proposed RC4 delivery obligations (presented in Table 12)?

5.2.4.4 Monitoring of Delivery Obligations

The CRU annually publish Uisce Éireann's progress towards achieving its Delivery Obligations in an annual Capital Investment Plan (CIP) monitoring report so that stakeholders can check the progress being made towards the respective target for each RC4 deliverable. Uisce Éireann is expected, as a minimum, to meet its own proposed targets by the end of RC4. While out-performance (i.e., >100% completion rate for a deliverable) is recognised, this must not be achieved at the expense of underperformance across other delivery obligation(s). For detailed information on how the CRU monitors Uisce Éireann, including through the CIP, please see CRU2025135.

The CRU notes that Government policy, chiefly the National Development Plan (NDP) has been substantially updated since Uisce Éireann's submission in December 2024. One example is the increase in funding and delivery expectations around housing construction. Uisce Éireann's December 2024 Investment Plan, which is the submission reviewed in this paper, was created to meet the Government's 2021 Housing Policy³⁴. The [NDP Review 2025](#) increases in ambition, and provides a significant increase in Government investment to achieve this. These substantial new targets and investment will require Uisce Éireann to produce an updated CIP, which may require changes to Uisce Éireann's delivery obligations. The CRU has not yet received an updated submission from Uisce. Only once the CRU receives a submission can the CRU review and comment on it, before feeding it into the CRU's RC decisions. CRU RC4 Regulatory Framework Draft Determination Paper (CRU2025135) details how the CRU proposes to review and adjust the revenue determination to reflect the updated NDP, and other investment changes made over the RC4 period, and what Uisce Éireann will need to provide the CRU for such reviews.

5.2.4.5 Projects & Programmes without Delivery Obligations

Uisce Éireann's RC4 business plan contains 269 projects & programmes, for which Uisce Éireann has requested €8.1bn in network capex. However, Uisce Éireann initially provided sufficiently detailed and measurable delivery obligations for only 49.75% of its RC4 Investment Plan (by revenue). Arcadis note that almost all of this insufficiently justified expenditure can be categorised into three major groups of projects (46% of overall portfolio).

³⁴ CRU2025139k, CRU2025135, '[Housing for All - a New Housing Plan for Ireland](#)', September 2021.

- Major Projects** – GDD and WSP (20.52%): Although projects follow a separate and rigorous review and audit process within the Irish Government, Arcadis recommend Uisce Éireann provide detailed milestones to be tracked as part of the Delivery Obligations process.
- Reactive & Maintenance Work** (10.95%): Arcadis note that currently most of Uisce Éireann’s capital maintenance works are reactive rather than proactive. Arcadis reasonably assume that the capital maintenance budget is set based on assumed volumes of work. These volumes could inform the Delivery Obligations in this category, with performance assessments against these obligations taking into account the reactive nature of the work.
- Early-stage Projects** (9.14%): While Arcadis understands that Deliver Obligations may not be defined at this stage, the need case should already clear. Whilst the budget allowance for early-stage projects is essential to allow long-term planning, the budget is a significant proportion of the overall budget portfolio. Arcadis recommends assessing UÉ’s spend against planned at the end of RC4.
- Outputs and Outcomes yielding post RC4** (5.63%): While delivery of these Outputs and Outcomes will be in RC5 and thus not included in RC4 models, Arcadis recommends that the related RC5 O&O are still reported to the CRU for visibility and progress tracking.

Following subsequent engagement, Uisce Éireann identified key milestone dates for Major Projects (presented in Table 14), leaving 26% of the Capital Investment Plan’s value lacking clear and measurable delivery obligations. The CRU propose more detailed monitoring, which is set out in Section 5.4.10.

Table 14 Uisce Éireann supplied milestones for the two Major Projects

	2025	2026	2027	2028	2029	Post RC4
Water Supply Project	SID Submitted Q4		Abstraction licence received before 2028	Works Contracts signed/Start on site		Water into Supply 2032
Greater Dublin Drainage	AG2 Submitted Q4	Preliminary Construction Works signed/onsite Q3	Main Works Tender Q4	Complete Preliminary Construction Works	Main Contracts Start on site	Complete Construction 2032

The CRU proposes to monitor Reactive & Maintenance Work through the Performance Assessment Framework using proxy indicators (Table 15). However, the CRU note that this is a workaround, and not a full replacement for detailed delivery obligations.

Table 15 List of PAF metrics the CRU propose to use in place of an agreed ex-ante deliverable for ‘Reactive and Maintenance work’

Internal sewer incidents (properties at risk)	Recurring incidents relating to wastewater
Internal sewer incidents (other causes)	Public side leakage reduction
Internal sewer incidents (overload)	Private side leakage reduction
External sewer incidents (properties at risk)	Burst mains per 1000km
External sewer incidents (other causes)	Sewer blockages per 1000km
External sewer incidents (overload)	Sewer collapses per 1000km
Once off incidents relating to wastewater	Sewerage equipment failure repairs

The remaining 15% of network capex without detailed and measurable delivery obligations are Early-Stage Projects, and projects with O&O's yielding post RC4. The CRU remains very concerned at the lack of identified RC4 delivery obligations in both these categories. The CRU proposes approving the full funding in principle, with an enhanced monitoring framework based on monitoring of UÉ's I2O steps. If evidence and discussions indicate concerns with following years plan for early-stage projects, the CRU may engage with Uisce Éireann to redirect a share of this funding towards other investments. See CRU2025135 for more detail.

While the CRU accepts that Outputs and/or Outcomes for the Early-Stage Projects may not be known at this stage, it is expected that during RC4, more information on optioneering selection, timelines and therefore delivery obligations for individual projects will gradually become known.

The CRU proposes the following approach:

- Uisce Éireann will be tasked with annually updating the list of RC4 Outputs and Outcomes as Early-Stage projects develop and become clearer. These delivery obligations will then be monitored by the CRU.
- The CRU will require a separate written submission to be provided as part of Uisce Éireann's annual CIP submission to the CRU which occurs each June. This update must provide details including, at a minimum; changes between the forecast and actual spend, and drivers for such changes. Information must be provided on the progress of Early-Stage projects towards a more mature phase; the individual projects must be identified and their respective delivery obligations. These must also be reflected in the agreed RC4 set of delivery obligations.

More details on the CRU's proposed approach to monitoring Early-Stage projects and programmes can be found in Section 3.7 of CRU2025135. The CRU welcomes feedback on the proposed approach, and the related consultation questions can be found in the same document.

5.2.5 RC4 Capex Efficiencies

Uisce Éireann has not provided nor identified any ongoing Capex cost efficiencies at an overall portfolio level. When asked, Uisce Éireann posited that portfolio optimisation was already completed as part of the Strategic Funding Plan approval by the Minister, where Uisce Éireann's initial €10.1bn request was revised to €8.9bn. However, Uisce Éireann did mention a number of processes used for applying efficiencies across the portfolio, including innovation, new technologies, contracting strategies, standardisation, and governance and optimising scope of works. Arcadis' review found that Uisce Éireann is in a transformational stage and still maturing as a utility, and that there is significant scope for cost efficiencies.

Arcadis note that Uisce Éireann has not proposed any visible capex efficiencies at an overall portfolio level and therefore proposes an ongoing efficiency challenge. This follows precedent from other comparative regulation industries in the UK, where utilities are expected to increase productivity in line with the entire economy and/or comparable companies. More details on Arcadis' proposals, including the Ongoing Efficiency challenge can be found in Chapter 6.6.

5.2.6 Duration of the Capital Investment Plan (CIP)

Section 34 (3) of the Water Services (No. 2) Act 2013 provides for the CRU to determine the period for Uisce Éireann's Capital Investment Plan. The CRU accept the proposed period to be for five years, 2025-2029.

5.2.7 Capital Expenditure Monitoring for RC4

The Capex monitoring will remain consistent with RC3. Please refer to CRU2025135, published alongside this Draft Determination Paper for more information.

5.3 Capex Processes and Governance Review

This section sets out Arcadis' top-down assessment of Uisce Éireann's processes for identifying, assessing, prioritising, and governing capital investments. Arcadis reviewed these processes, focusing on Project Lifecycle Framework, Investment Planning Process, Capex Portfolio Governance, Risk Management, Costing Methods, Procurement and Delivery, Managing Change and the implementation of the Scottish Water International (SWI) Recommendations. Arcadis' full report and findings of the assessment can be found in Chapter 3 of CRU2025139a.

5.3.1 Introduction

Arcadis carried out a top-down review on Uisce Éireann's processes for identifying, assessing, prioritising, and governing its Capital Investments. The quality of Uisce Éireann's processes and governance speak to Uisce Éireann's ability to create and deliver on its Capital Investment Plans. This is especially important in the case of changes of Investment Plans due to external factors e.g. Governmental policy or legislative changes, where the CRU would want to have confidence in Uisce Éireann's ability to produce and carry out changed Investment Plans.

During RC3, Scottish Water International (SWI) undertook carried out an independent review of Uisce Éireann’s processes. HR Wallingford (HRW) together with Chandler KBS subsequently assessed the implementation of SWI’s recommendations. HRW noted that while significant progress had been achieved, further improvements were required in the areas of Cost Estimation and Risk Management.

Arcadis’ top-down review evaluated Uisce Éireann’s progress in implementing the SWI recommendations as it enters RC4. Arcadis note that Uisce Éireann’s approach to capital investment is developing, with SWI recommendations being integrated into business-as-usual processes.

While Uisce Éireann’s approach to capital investment is improving, the recommendations are not all fully embedded yet. This lack of embedding primarily affects older projects/programmes, reflecting that Uisce Éireann is still maturing as an organisation.

While Uisce Éireann is taking reasonable steps to improve portfolio governance, Uisce Éireann’s underdeveloped asset intelligence means that RC4 decisions will likely be made on limited information. This is a concern, and something Uisce Éireann should be prioritising to remedy. However, Arcadis note that this situation arises from Uisce Éireann’s maturing state.

Arcadis’ top-down review found that Uisce Éireann has developed reasonable governance processes, with well-defined escalation criteria and understanding on which material changes should lead to reconsideration and reapproval. Decisions are made at appropriate levels of the organisation. Procurement and delivery capability has also advanced under RC3.

Although Uisce Éireann’s renewed cost estimation processes are well considered, there remains risk around the accuracy of the underlying data. This should improve as new frameworks are embedded, and as costs are updated and fed into the processes.

5.3.2 Project Lifecycle Framework

Uisce Éireann has established an investment delivery structure call “Invest to Outcome” (I2O) to guide investment towards achieving strategic objectives. The Project Lifecycle framework is made up three phases: Investment Planning, Investment Delivery, and Investment Evaluation. The process is structured around Workshops and Approval Gates, which bring relevant stakeholders and specialists together at critical analysis and decision points, and deliver a consistent, transparent and auditable process. Individual Workshops and Approval Gates are subdivided into six different stages, from strategic assessment to post-evaluation. A more detailed review of the I2O framework can be found in CRU2025139a.

Figure 12 Uisce Éireann's Invest 2 Outcome (I2O) Lifecycle. Source: Uisce Éireann



Uisce Éireann has continued to develop its Project Lifecycle Framework in line with recommendations from the SWI review and HRW assessment. Clearly defined workshops and approval gates provide a structured and continuous process where projects can be scoped, developed, and governed. The lifecycle provides a clear path for project development, complete with cost estimates, risk analyses and technical scope, with clear documentation requirements throughout the processes.

Arcadis report that Uisce Éireann appropriately use the approval gates to review projects' progress and delivery performance, feeding back the lessons learnt into future planning, demonstrating a culture of continuous improvement. However, Arcadis notes that these processes take time and improvements are gradual.

5.3.3 Investment Planning Process

Uisce Éireann employs a ten-step Investment Planning Process to align its investments with its strategic objectives. The Investment Planning Process is a step-by-step process for understanding the goals of investment, identifying assets which present a risk to these goals, generating and assessing potential risk responses, and deciding on asset specific projects and bundles of projects (programmes) which address Uisce Éireann's strategic goals and requirements. The process informs how steps within the I2O process are carried out, and how information is prepared and fed into the I2O workshops and approval gates.

Arcadis opine that Uisce Éireann's Investment Planning Process provides a reasonable and structured response to the SWI recommendations that Uisce Éireann should develop its asset knowledge and increase the involvement of operational teams in its investment decision making. The Investment Planning Process implements many procedures and methods which are generally recognised as 'best in class'.

Arcadis note that the Investment Planning Process is reliant on a largely immature asset understanding, which limits the process' ability to deliver a clear, stable, and efficient portfolio across the RC4 period. Uisce Éireann recognises its asset intelligence challenges and is addressing it with an improvement plan that Arcadis describe as reasonable and credible. While Uisce Éireann is maturing slowly in this area, the direction of travel is positive. Additionally, Arcadis recognises that Uisce Éireann's current state of asset intelligence is a result of considerable integration challenges, including historic underinvestment, while it develops centralised systems.

The Investment Planning Process provides a flexible and ever updating structure which can respond to Uisce Éireann's evolving understanding of proposed project costs and impacts over the I2O lifecycle. Arcadis note that ongoing rebalancing within programmes risks inefficiencies where the projects within a programme are not sufficiently stable to allow for effective contract bundling and long-term plan optimisation. However, Arcadis consider Uisce Éireann's current system of balancing and prioritisation fit for purpose, given the need for investment to address multiple critical needs and the inherent instability of its funding model. Arcadis suggest that as Uisce Éireann's asset intelligence matures and shifts its capital investment from reactionary essential/critical works, the process may need refining to increase long term stability of projects within programmes.

Table 16 below details the ten steps of the Investment Planning Process, and Arcadis' review of each step. Further information and a process example can be found in Chapter 3.2 of CRU2025139a.

Table 16 Uisce Éireann's 10 Step Investment Planning Process Source: Chapter 3.2, CRU2025139a

Step	Description	Arcadis' Review
1. Define objectives	Aligns Investment Plan with WSPS and WSSP, mapping objectives to performance. Budget is allocated at the sub-portfolio level: Water Service Above Ground, Water Service Below Ground, Wastewater Above Ground, Wastewater Below Ground.	<ul style="list-style-type: none"> • Uisce Éireann creates a clear and direct link between the objectives and the options for investment at an early stage. • Uisce Éireann's approach is in line with industry best practice. • Priorities are ordered within each sub-portfolio. • Compliance is priorities across all sub-portfolios, followed by growth, then asset health.
2. Understand asset base	Assesses asset performance to understand the current situation and determine how to meet objectives	<ul style="list-style-type: none"> • Uisce Éireann can further improve structured stakeholder engagement when identifying and understanding the level of asset risk.
3. Risk assessment	Identifies assets at risk of failure for advancement in the process	<ul style="list-style-type: none"> • The input process from different regional/local operations, regulatory and environmental teams is somewhat ad-hoc and could benefit from consistency through improved governance. • Uisce Éireann approaches asset health intelligence differently for Water and Wastewater, making it difficult to compare risks and opportunities between asset groups. • While Uisce Éireann appears to be improving its asset risk understanding and prioritising processes within the water and wastewater sections, the next phase should incorporate consistent Capex-level metrics to optimise investment strategies. • The efficacy of these steps depends on the maturity of asset intelligence and quality of risk assessment. Uisce Éireann is enacting processes to improve on both counts. • Uisce Éireann is still developing and implementing asset class and programme strategies to provide consistent approach to need identification and investment planning as a response to the SWI recommendations. Very few strategies have been developed, with the remaining strategies expected to be developed over RC4
4. Needs identification	Analyses the reasons for asset risk or failure in performance, pinpointing individual asset-level solutions.	<ul style="list-style-type: none"> • Uisce Éireann's current asset knowledge means many strategies may not be fully developed until into RC5. Current plans for developing asset understanding across RC4 are largely targeted at a baseline 'as-is' understanding of assets. • Uisce Éireann faces several Asset Intelligence challenges. There is a lack of clear governance and consistency in the collection, organisation, and use of data, and insufficient understanding of the data requirements of users and stakeholders. • Uisce Éireann have correctly identified limitations in its current approach and has outline a plan to address them. However, the plan's timeline means that Uisce Éireann will be operating with fragmented and limited asset information during RC4. This poses a risk to Uisce Éireann's ability to accurately identify

<p>5. Intervention generation</p>	<p>Actions aimed at reducing service delivery risk. Can include projects, programmes, maintenance, investigations, or operational measures. This step involves defining actions and estimating costs to achieve objectives and improve asset performance.</p>	<p>assets for investment and the scale of that investment early in its processes. This may result in a high level of programme rebalancing, where projects are deferred to later RCs due to higher-than-expected costs – contributing to an unstable project pipeline and lower efficiency of delivery.</p> <ul style="list-style-type: none"> • Uisce Éireann follows good industry practice in considering whether a capital, operational or maintenance intervention is most appropriate at an early stage. However, this process seems somewhat ad-hoc and may benefit from a more structured approach to improve record keeping and consistency. • Uisce Éireann carries out an unconstrained optioneering process, allowing Uisce Éireann to consider multiple options and encourage innovation. However, this approach risks introducing inefficiencies where established, functional and affordable interventions already exist. • Common industry practice is to create guidance matrices where risk, likelihood and impact are matched to a standard short list or single intervention/response. Uisce Éireann should implement a similar approach for standard/repeatable situations to reduce inefficiencies at early stages.
<p>6. Investment valuation</p>	<p>Prioritises interventions considering legislative, business, operational, and financial constraints.</p>	<ul style="list-style-type: none"> • Uisce Éireann uses comparative full life cost estimates and sensitivity analysis, which is a sensible approach to making a financial appraisal between options
<p>7. Scenario analysis / plan balancing</p>	<p>Selects optimal solutions to meet Uisce Éireann’s objectives by assessing business constraints, financial targets, service goals, and risk profiles.</p>	<ul style="list-style-type: none"> • Uisce Éireann’s general prioritisation process, defining its capital investment from portfolio to project level, is reasonable.
<p>8. Stakeholder consultation</p>	<p>Engages stakeholders by presenting an overview of the Draft Investment Plan from the previous Initial Plan Balancing step.</p>	<ul style="list-style-type: none"> • Further transparency possible on how investment needs are prioritised. Using a consistent set of metrics would enable comparison of water and wastewater asset needs.
<p>9. Investment Constraints</p>	<p>Ensures projected investment aligns with constraints like Financeability, operability, deliverability, and stakeholder feedback.</p>	<ul style="list-style-type: none"> • While Uisce Éireann’s portfolio addresses a range of investment needs, Uisce Éireann generally chooses to prioritise compliance needs (safety and environment) over the growth, security of supply, and asset health, in line with Government set objectives.
<p>10. Final Plan Balancing</p>	<p>Further iteration of step 9 across the whole portfolio to check WSSP and WSPS aims are met, and the projected provide does not violate constraints.</p>	<ul style="list-style-type: none"> • Uisce Éireann’s approach of ongoing updating of project and programme priorities allows for agility to respond to changing needs. While helpful given Uisce Éireann’s funding model, an ever-updating process introduces inefficiencies and a reduces long-term clarity. • As Uisce Éireann matures, the changes and shifts to project and programme makeup reduce, with more of the portfolio remaining fixed for the regulatory cycle. Changes to the portfolio should only be applicable for extenuating circumstances only.

5.3.4 Capex Portfolio Governance

Robust governance ensures that resources are effectively allocated, risks proactively managed, and projects deliver maximum value to stakeholders. HRW found that Uisce Éireann’s governance procedures meet the requirements of the 2019 Public Spending Code,

which was assessed as being best practice. Further information on this section can be found in Chapter 3.3 of CRU2025139a.

Structure: Uisce Éireann has developed a structured process for assessing the progress of its projects, involving review and analysis at appropriate organisational levels. Arcadis found the escalation pathway appears reasonable, enabling Uisce Éireann to filter and analyse changes and make necessary decisions. Uisce Éireann's current approach is in line with SWI recommendations.

As projects progress through the I2O lifecycle and the Investment Planning Process, they must pass through governance processes. Uisce Éireann's governance structure is split across three layers: Technical Governance, Project & Programme Governance, and Portfolio Governance. These layers have clear lines of communication, authority, and established flows of data between them.

Monitoring Progress: Uisce Éireann has shared set of six KPIs (Six Dials), which are used across all three levels of governance (technical, programme, and portfolio). As projects progress, each dial is assessed against a baseline value which is set within the I2O lifecycle. Deviation from these values trigger well defined escalations, while material changes in any of the Six Dials triggers an escalation to the portfolio level governance.

Arcadis opine that the KPIs are coherent, based on common practice in the utilities industry, and are in line with current regulatory reporting requirements. The Six Dials cover all key project indicators and appear to be well integrated across the I2O framework and help provide consistency and tools for measuring success across projects, programmes, and portfolios in line with good industry practice.

Standard Project Durations reflect the average time a project takes from start to end, based on project type. These can be used within organisations to standardise, plan investment, and drive efficiencies in project delivery. Wastewater projects typically take longer to deliver than Water projects, as Wastewater projects are more likely to require environmental consents and their asset condition is usually less well understood. Project complexity and size also impact on project durations.

Uisce Éireann benchmarks for water, wastewater, and early contractor involvement annually in Q1 using project data to update these records. Arcadis positively note that this enables Uisce Éireann to establish realistic timelines in Investment Planning and enhancing resource planning and deliverability. Arcadis recommend that Uisce Éireann could increase the frequency of updating standard project durations to quarterly or semi-annually.

Table 17 below shows Uisce Éireann's "normal" standard project durations, encompassing activities outlined in Uisce Éireann standard practice and processes, statutory requirements, and external dependencies such as contracts. The durations are "normal" as they exclude risks such as any potential objections or legal challenges that may occur during a project. Arcadis suggest that Uisce Éireann could benefit from developing a separate duration benchmarking specifically focused on risks (e.g. judicial challenges) and explore methods of integrating it with the existing standard benchmarks.

Arcadis note that some of Uisce Éireann’s standard durations are longer compared to England and Wales, suggesting there is scope to seek further efficiencies to reduce timelines and improve project deliverability. Arcadis’ recommendations to address this particularly point to Uisce Éireann’s agile capex approach, and lack of standardised interventions.

Uisce Éireann’s funding model may sometimes necessitate flexible capex management due to the inherent uncertainty around the annual budget approval for Government subvention. Uisce Éireann’s frequent portfolio changes due to shifting priorities can extend project delivery timelines. This agile approach to managing the Capex portfolio may lead to inefficiencies, higher costs, and delays, with challenging projects often deferred and, in some cases, requiring additional rework.

For well-established interventions, lengthy option development and bespoke designs are unnecessary. Arcadis recommend using standard intervention matrices could streamline delivery and align with good industry practice. This would improve project timelines.

Table 17 Uisce Éireann Standard Project Durations without risks factored in.

€m	Water (years)	Wastewater (years)	Early Contractor Involvement (years)
<10	7.7	8.1	7.4
10 – 20	9.4	9.6	8.1
20 – 50	9.7	9.8	8.1
>50	10.8	10.8	8.1

Arcadis positively note that Uisce Éireann is improving its processes using lessons learnt from RC3 to streamline and reduce typical project durations. Arcadis find no significant reduction in duration from proposal approval to detail design (AG0-AG2 in the I2O lifecycle). Engaging Early Contractor Involvement in the process shortens average project durations, particularly for larger projects. Further standard project durations drawing from RC3 are summarised in Table 18 below.

Table 18 Standard Project Durations after learnings from RC3

Project Type	Standard Project Durations
Water main rehabilitation / minor water upgrades	1 – 2 years
New / upgraded small – medium wastewater treatment plant	5 – 7 years (planning and commissioning related requirements)
Large treatment plant	<10 years (requires Ministerial approval)
National infrastructure projects	10+ years
Treatment upgrades	3.8 years (down from c. 7.5 years after moving from standalone projects to programme delivery)
Concept design development	1 – 1.5 years
Any Project progressing from AG1 to AG2 on the I2O lifecycle	c. 2 years

Arcadis warn that Uisce Éireann’s agile approach to managing the Capex portfolio risks introducing inefficiencies, increased costs and delays, increasing standard project duration. The risk Arcadis note is that challenging projects are often pushed into the future, in some cases requiring re-work, adding further delays.

Arcadis recommend that Uisce Éireann implement standard matrices of adequate interventions for well-established industry interventions, which would significantly reduce project durations while keeping in line with good industry practice.

Arcadis recommend that Uisce Éireann improve its stakeholder engagement to provide structured proactive management that address policy, consent, and planning challenges more effectively. These challenges are currently a significant source of project day, particularly in the wastewater portfolio.

5.3.5 Risk Management

Risk management processes provide a systematic approach to identifying, assessing, mitigation, and monitoring risks that could impact a project's objectives, timeline, budget, or outcomes. Arcadis find Uisce Éireann's Quantitative Risk Assessment process well-formed and follows industry good practice in how it considers risk and in using sensitivity analysis. Arcadis find that Uisce Éireann also follows industry best practice in developing its risk analysis from qualitative to quantitative as projects mature. This process is integrated into its I2O lifecycle process.

Arcadis note that while Uisce Éireann's process for estimating the cost of its risks for larger projects (>10€m) results in assigning slightly higher costs than industry standard, the difference is not significant. Considering Uisce Éireann's history of cost escalations, this more conservative approach to costing risk seems appropriate.

Responding to the SWI recommendations, Uisce Éireann developed and implemented a Risk & Contingency Management System (RCMS) over RC3, a key element of the I2O process. The RCMS is a cloud-based system which consolidates all risk registers and allows early, design, and construction stage information to be stored and available as a single source of truth. The RCMS is intended to bring a consistent approach to managing, mitigating and reporting on risk, and is in line with industry best practice. Project risk data is updated at each relevant workshop across the I2O process, and information capturing lessons learnt from the project is fed back into the RCMS through the post project review process.

Although the RCMS process is still being rolled out, positively, Arcadis found examples of it being applied during its deep dive analysis. Arcadis notes that while some project examples show insufficient detail of risk recording, the RCMS is still being developed and implemented, and can be expected to improve as Uisce Éireann matures as an organisation.

5.3.6 Costing Methods

Understanding the likely cost of proposed solutions is key to effective decision making and ensuring Uisce Éireann deliver on the WSPS themes and provide value to customers. Uisce Éireann's cost estimating process is integrated into the I2O lifecycle process. Cost estimates are revised as the project proposal develops from a qualitatively assessed general approach to a quantitatively assessed specific project.

Arcadis note that one of Uisce Éireann's key challenges in the past was the escalation of costs in its investment programmes, which was partly caused by inaccurate or incomplete assumptions and cost estimates. Uisce Éireann has redeveloped its cost estimating processes and procedures as recommended by SWI, and Arcadis find the current cost estimation methods reasonable and in line with industry common practice. As Uisce Éireann is the only buyer for most of its capital spending in Ireland, it has the best unit cost database available and benchmarking individual cost items is not possible.

Arcadis view Uisce Éireann's general approach to estimating costs for a capital programme as consistent with best practice. Uisce Éireann's Total Cost Estimate buildup of its potential capital investments is in line with the standard industry approach and is built of four sub-components. In response to SWI recommendations Uisce Éireann uses a variety of methodologies to estimate these costs across its investment decision making framework.

Uisce Éireann has developed an internal Cost Estimation Standard Operating Procedure, setting out all relevant cost estimating methods and process. The four sub-components of Uisce Éireann's Total Cost Estimate are:

- **Base Cost (Construction Costs):** Costs relating to labour, material, plant and equipment
- **Base Cost (Indirect Costs):** Costs related to design, project management, approvals, certifications, and land acquisitions
- **Estimate Uncertainty:** A correction applied to reflect uncertainty around the cost estimate. This should reduce as the project progresses and the scope becomes more defined.
- **Risk Contingency:** A correction applied to provide for and absorb risks and unexpected cost increases.

Arcadis find that Uisce Éireann's costing methods are generally well applied to the appropriate types of work and projects within its Capex portfolio. Developing standard costs estimating processes and methods is in line with good industry practice and SWI recommendations. Uisce Éireann has broadly implemented the recommended updates. Only 11% of projects are costed in a non-standard way, which is in line with what Arcadis has seen in similar organisations.

The Project Costing Tool (PCT) is a cost estimating method chiefly used for highly complex standalone projects. The PCT is based on cost data that Uisce Éireann collects and stores in the Unit Cost Database. Arcadis' view is that although the cost estimates produced by the PCT varies in granularity, this due to the processes still under development and reflects Uisce Éireann's continuing maturity. Overall, Arcadis find the PCT fit for purpose, and in line with standard industry practice.

Uisce Éireann use run-rate cost estimates for 31% of its network Capex Portfolio. This estimation method uses € per agreed Output (run rates) multiplied by the number of outputs. Using run-rates is ideal for high-volume low-complexity cases and predominately used for costing repetitive works such as pip replacement, meter replacement or sewer rehabilitation. Using a run-rate allows Uisce Éireann to define the number of achievable outputs per given budget. Changes to the run-rates will result in under/over delivery of the outputs delivered with the same budget.

Arcadis positively note that run-rates are based on historical outturn costs, giving confidence in the final cost estimation. However, Arcadis found (in some deep-dives) that where new delivery frameworks are in place, or historic data is scarce or inconsistent, run-rates may vary. This raises a risk of potential under-delivery on some outputs during RC4. Arcadis opine that

this risk highlights the need for innovation and driving efficiencies in delivering these programmes to balance any potential cost increases.

Arcadis find that Uisce Éireann can do better in managing and estimating uncertainty. Uisce Éireann provide an uncertainty allowance for optimism bias which follows industry practice. However, Arcadis opine that Uisce Éireann can better align with industry benchmarks and good practice by providing higher allowances at early stages of project definition. Arcadis recommend Uisce Éireann’s allowance, currently less than 30%, be reviewed and increased to approximately 50% in Stage 1. Industry best practice is 50-60%.

Arcadis find that while Uisce Éireann consistently applies an uncertainty allowance, the level applied at the early project stages is often lower than recommended by Uisce Éireann’s cost estimates. By Stage 3, during procurement, the allowance typically aligns with these estimates. At stage 1, projects may receive less than 28% of the prescribed uncertainty allowance, even though cost increases and scope changes commonly occur at this stage. Arcadis recommend increasing the allowance to allow for optimism bias at Stage 1, which would improve future costs estimation, provide a sufficient buffer for scope development, while and increase the likelihood of delivering within budget.

Arcadis find Uisce Éireann follows industry best practice by developing a risk contingency budget as part of the project cost estimate. Uisce Éireann uses standardised Reference Class Contingencies in early-stage project development (Stage 1-3C), which is in line with industry practice. These contingencies were set on historic data of completed projects, which Arcadis note as best practice. After Stage 3C (pre-contract award) in the I2O lifecycle, a Quantitative Risk Assessment (QRA) is carried out, and a project specific contingency value is calculated.

Uisce Éireann assured Arcadis that references classes will be updated over time to become more targeted, providing a more detailed breakdown per programme/asset type. Arcadis positively note that the risk contingency is higher for wastewater assets, where assets are less frequently surveyed and their condition can vary significantly from their assumed condition. Arcadis find that Uisce Éireann consistency applies the risk contingency allowances in its projects and the practice is being embedded.

Table 19 Reference Class Contingencies, based on Uisce Éireann's Cost Estimating Standard Operating Procedure

	Asset Group	Risk Contingency
Stage 1-3C	Water Service Above Ground	19.8%
	Water Service Below Ground	19.3%
	Wastewater Above Ground	21.2%
	Wastewater Below Ground	27.5%
Stage 3C onwards	Project Specific Quantitative Risk Assessment (QRA)	

In response to SWI and HRW recommendations, Uisce Éireann is further developing its contingency management processes. Arcadis view Uisce Éireann’s approach to improving its medium and long-term contingency planning as reasonable and addresses SWI concerns. However, Arcadis note that the proposed timeline is at some risk as the integration of these systems will occur as Uisce Éireann carries out broader IT and personnel changes.

During RC3, Uisce Éireann experienced cost overruns due to a lack of clarity around the underlying assumptions of project scope and cost estimates. Arcadis find that Uisce Éireann has adopted a reasonably robust process for recording these assumptions from an early

project stage and integrated the process of renewing these documents as the project evolves. Uisce Éireann uses the Estimate Assumption and Allowances Tracker (EAAT) to cost and record key assumptions investment options already from the earliest stages of project development. Arcadis opine that this is in line with good industry practice and allows for more accurate cost estimates from an early stage, reducing financial risk.

Arcadis view this approach as reasonable, however also note that the quality and quantity of information recorded within the EAAT varies significantly across projects. This variation indicates that processes are still being rolled out, and there is opportunity for improvement in consistency.

Arcadis find that Uisce Éireann has a good approach to reviewing and monitoring cost estimates. Uisce Éireann requires Capex and Delta Opex estimates to be updated in advance of every Workshop and Approvals Gates, which also triggers a requirement to update the associated EAAT. If the period between Approval Gates exceeds 6 months, an assessment is required whether the estimate requires updating. Uisce Éireann's cost estimating process uses Key Performance Indicators (KPIs) to monitor the quality of the execution of its procedures and requirements. The KPIs track whether estimates are being created, updated, and reviewed appropriately, and are reported on quarterly. Arcadis notes that the use of these KPIs is good industry practice.

Uisce Éireann has a Cost Estimation and Intelligence team, with responsibility for managing and maintaining the PCT and providing expert guidance on estimation tools and methods. They also collate and analyse project and programme costs information. Currently the team has 12 FTE, with intentions to expand to 19 FTE over RC4. Arcadis believes expanding the cost estimating team over RC4 is appropriate, given the increased portfolio of projects Uisce Éireann is required to deliver. Uisce Éireann's development of a dedicated cost estimation and intelligence team is in line with the SWI recommendations.

5.3.7 Procurement & Delivery

Procurement is the process of buying materials, works and expertise required to deliver scoped projects and programmes. Managing a complex supply chain requires a formal framework of strategies, policies and procedures to meet compliance and national policy objectives.

Uisce Éireann's expected growth in RC4 compared to RC3 presents a challenge in its ability to deliver its planned RC4 capital investment. Uisce Éireann identify three further challenges to deliverability:

- **Funding Uncertainty:** Under the current funding model, where the exact annual level of Government subvention is uncertain. The procurement process must be flexible enough to address this
- **Constrained Market Capacity:** Increased scope of work will require additional contractor and material capacity. The contracting strategy must support the long-term health of relevant markets

- **Evolving Regulatory Requirements:** Procurement must be sufficiently flexible to respond to potential changes in delivery targets against evolving regulatory targets and requirements.

Uisce Éireann has developed initiatives and processes to support delivery during RC4. Many of these have been developed in response to SWI recommendations and learnings from RC3.

Arcadis find that Uisce Éireann has correctly identified the need to support the development and scaling of its suppliers and contractors to successfully deliver its RC4 Capital Programme. Uisce Éireann has adopted the following four contracting principles to manage its existing and new contracts, to create and maintain a robust and diverse supply of contractors:

- **Client of Choice:** Aim to be a client with whom other business wish to work
- **Driving Performance:** Aim to keep outcomes of projects and their impacts as central focus
- **Equitable Balance of Risk and Reward:** Equitable contracts with mutually beneficial spread of risk
- **Collaboration:** Working with stakeholders to achieve a broader view and discover additional avenues for improvement

Arcadis finds these principles sensible, and support Uisce Éireann's ambition to deliver an increased capital programme over RC4. Arcadis opine that a transparent long-term pipeline of work will support Uisce Éireann in securing reliable and cost predictable capacity. Arcadis note the importance to monitor the embedding of these principles throughout RC4.

Uisce Éireann utilises a range of contract types – Standalone, Framework, and Term contracts. Arcadis notes that the use of various contract types reflects the variety of works Uisce Éireann plan to carry out and is in line with industry good practice. Arcadis positively note that their deep dive reviews show that Uisce Éireann uses contract types appropriately for the scale and type of works. Uisce Éireann extensively uses Framework contracts, which Arcadis note is in line with industry norms, and supports the delivery of increased scope of works. Uisce Éireann uses callouts within framework contracts, allowing Uisce Éireann to maintain flexibility in its delivery, which help mitigate funding and target uncertainties.

Uisce Éireann has developed new Capital Frameworks, in line with the four contracting strategy principles. Most of new Framework Agreements were in place before the start of RC4. Arcadis positively note that Uisce Éireann seems to apply the type of frameworks correctly to the scale and type of works, with a range of frameworks available to cover its needs. Arcadis finds it reassuring that Uisce Éireann has planned for continuity of contracts and frameworks covering the full duration of RC4 and for all works to be delivered in RC4.

Arcadis note that the projects and programmes generally have adequate delivery mechanisms under several frameworks, showing that Uisce Éireann understands the needs and nature of the work required, and seeks to optimise delivery mechanisms where possible. Arcadis note a remaining risk of how quickly the supply chain can be mobilised, which is not fully within

Uisce Éireann's control. Uisce Éireann is mitigating this risk with ongoing contractor engagement and flexibility in works delivery.

Arcadis positively note that Uisce Éireann has extensively engaged with the market to understand the resources available, and use market feedback to make contracts more attractive, which is in line with industry best practice. Arcadis recommends continuous market engagement to continue building on this good practice and manage risk of potential resource constraints and delays to delivery, particularly for the WSP and GDD Major Projects.

Arcadis positively note that Uisce Éireann is also expanding its use of Early Contractors Involvement, bringing improved collaboration and potential efficiencies to project development. Continued focus on supply chain engagement will support a successful RC4 Capex delivery and help Uisce Éireann identify any key market trends/risks which may impact deliverability. Uisce Éireann has evidenced how contractors feedback is taken on board to develop more attractive contracts with equitably shared risk and reward. Arcadis finds supplier feedback to Uisce Éireann's early engagement has been positive, and contractors indicate readiness to meet RC4's initial and growing demand.

Uisce Éireann packages projects together where doing so improves efficiency and streamlines delivery. Recurring tasks with similar nature of work over multiple sites within a region, such as mains rehabilitation, are consolidated into regional Term Contracts. Uisce Éireann requires packages of works above €50k to be competitively tendered, which Arcadis find a reasonable step to drive competition.

Uisce Éireann aims to align work packages with capabilities of available contracts, to deliver value, minimise lead times, and maintain market engagement. Programmes of works carried out by a contractor over a period of time help the contractor optimise their resource deployments and support successful delivery of larger capital investment. Arcadis find Uisce Éireann's contract packaging approach in line with SWI, and that it is a reasonable approach, that supports the delivery of RC4 increased scope of works. Arcadis also note that engaged partners involved in multiple projects are more likely to provide the programme flexibility that Uisce Éireann may require.

In October 2024, Uisce Éireann implemented a revised expenditure and contract approval policy, in line with the requirements of the Infrastructure Guidelines, to be followed by all public bodies that receive Exchequer capital funding. Arcadis finds the contract approval policy as reasonable and fit for purpose. Additionally, Arcadis note that linking the required approval level to the type of contract and contract value is in line with industry good practice.

Arcadis note that Uisce Éireann have recognised the importance of measuring contract performance. Uisce Éireann uses contract KPIs within its contracts to track performance and link outcomes to remuneration. Arcadis found in its review that the KPIs show a collaborative and flexible approach, in line with Uisce Éireann's contracting principles. However, Arcadis opine that the initial KPIs are very broad and could benefit from increased specifics.

The current KPI approach will be continued into RC4, providing consistency and continuity. Uisce Éireann is in the process of assessing its contract KPIs, ensuring they remain relevant, consistent, and aligned with Uisce Éireann's overall approach to performance management. Arcadis note that as Uisce Éireann's approach to measuring contract performance develops,

there is a risk of inconsistency between older and newer contracting frameworks. While Uisce Éireann is aware of the risk, maintaining its current KPI strategy over RC4 may delay the adoption of improvements discovered in the performance assessment of the KPIs. Arcadis find the direction of travel positive but expects progress to be slow as the new recommendations will not come into full effect until the next refresh of framework agreements at the end of RC4.

Arcadis positively note that Uisce Éireann has a dedicated team to manage contracts and develop improved contract performance management. There is a high risk of cost overruns from the contractor side without active management by an experienced team who can challenge any potential cost increases. It will therefore be important to develop Uisce Éireann's capabilities to manage target costs contracts and to challenge the procured costs. This can be expected as Uisce Éireann's contract management team gains experience and set out improved performance monitoring. Similarly, Arcadis recommends an increased focus on interrogating and challenging the procured costs to avoid contractor's proposals over and above the required scope to deliver on Uisce Éireann's strategic objectives. Arcadis expects this to become less of a challenge as the organisation matures and gains expertise.

Arcadis positively note that Uisce Éireann is aware of the potential impact on project deliverability where several significant infrastructure projects across Ireland may compete for resources. Uisce Éireann appears to be taking appropriate measures to address these pressures via early market engagement and a visible long-term pipeline.

Although Arcadis believe Uisce Éireann is on the right path, progress may be slow. Arcadis warns that improvements stemming from experience and a developed approach to monitoring and driving contractors' performance may only be seen from RC5 onwards.

5.3.8 Managing Change

This section focuses on Arcadis' review of Uisce Éireann's change control (see Section 2.7 of CRU2025139a). The CRU's proposals to formalise the annual investment monitoring process can be found CRU2025135. Note that the CRU is also consulting on mechanism that allow changes to be made to Uisce Éireann's Investment Plan; either through an Expenditure Uncertainty mechanism or a formalised approach to enable un ring-fencing of Major Project funding.

Arcadis opines that changes to the Capex Portfolio should only occur due to external shifts and extenuating circumstances which are mostly outside of Uisce Éireann's control. Uisce Éireann's operations are impacted by external factors including European regulation, national legislation, and market driven costs. Additionally, Uisce Éireann's funding model (relying largely on exchequer subvention) can apply pressure on Uisce Éireann, requiring changes in planned expenditure over the RC period. Uisce Éireann has recognised the need for a robust governance process to approve, monitor and report on key changes within the planned expenditure period.

During RC3 Uisce Éireann annually submitted an Investment Plan update to the CRU detailing adjustments to the RC3 Capital Investment Plan. Uisce Éireann submits an updated version to the Department of Public Expenditure and Reform each year through a 'Business and Finance Plan'.

During RC3, Uisce Éireann had to manage and respond several changes impacting its Capex programme. The changes were caused by external factors, such as macro-economic impacts and availability of funding, as well as by internal factors, where scope or budget of projects changed significantly due to lack of appropriate data.

Uisce Éireann has emphasised a flexible approach across its project lifecycle and programme management process. This allows Uisce Éireann to respond to delivery challenges by de-prioritising projects and bringing on new ones. However, this flexible approach leads to a potentially fluid and uncertain programme, giving rise to cost, efficiency, and deliverability risks. In Arcadis' view, Uisce Éireann could improve its Capex efficiency by locking in most of its funding and project/programme list at the start of RC4, with only minor changes throughout the period.

Arcadis recommends enhancing the existing change management process by providing further granularity on programme/project basis. This could be presented in a sheet where changes to budget, timeline, or scope occur, which can all be logged in separate columns, linked to specific project/programmes, allowing transparency for audits. Arcadis recommends such a review to occur annually as part of the existing annual Investment Plan monitoring process between the CRU and Uisce Éireann.

Arcadis considered other uncertainty mechanisms for managing change in Uisce Éireann's capex portfolio. However, these mechanisms would require extensive project and programme assessments throughout RC4. Arcadis believes that improving the existing Investment Plan monitoring process will provide sufficient management of Capex portfolio throughout RC4. More details on the proposed improved change control process can be found in CRU2025135.

The two Major Projects (Water Supply Project and Greater Dublin Drainage) in RC4 require substantial investment and have separate Government-lead review processes which are to provide analysis and oversight of the project development. Arcadis recommends a similar ring-fencing mechanism as used in RC3, given the importance of progressing the projects to address resilience in the Greater Dublin Area.

A major driver for potential Capex programme change is the Government's NDP, announced in 2025. Arcadis note that a major aspect of the revised plan is housing policy, which is expected to include a substantially increased housing target, requiring the associated infrastructure. The CRU will fully address the NDP changes in 2026, once Uisce Éireann have made a submission to the CRU. Note that the RC4 Regulatory Framework, set out and proposed in CRU2025135, is designed to be flexible and accommodate such a change. While Arcadis understand that the RC4 Investment Plan addresses current growth requirements, in that case of a significant shift in the Government's housing ambition, Uisce Éireann will require further funding to deliver on these new objectives. Both Uisce Éireann's Accelerated Growth Programme and the Rural Housing Support Programme list policy and legislative changes amongst the key enablers. Without the legislative changes materialising, there may be a risk to Uisce Éireann's plan to fulfil its requirements.

Arcadis find that Uisce Éireann currently prioritises regulatory and safety considerations in the balancing of its capital investment portfolio. Arcadis note that capacity and growth is generally a lower priority, meaning there is a risk that pressure to complete higher priority projects will delay lower priority projects to later regulatory cycles.

Arcadis also notes that increased growth in the Greater Dublin Area will be closely linked with Uisce Éireann’s ability to deliver on its two major projects (Water Supply Project and Greater Dublin Drainage). Further information about these projects can be found in CRU2025139a and Section 5.4.10 below. Arcadis recommends close collaboration between Uisce Éireann and the CRU to fully understand the potential impacts of added targets on the existing portfolio and discuss any potential changes to the RC4 portfolio to accommodate new growth focused interventions. The supply chain availability and readiness for the potentially increased workload will also need to be assessed.

5.3.9 Scottish Water International (SWI) Recommendations

Arcadis find that Uisce Éireann continues to make good progress against SWI and HRW recommendations. Of the 14 SWI Metrics, Arcadis deem four to be fully implemented, six are implemented, two are implemented as far as reasonably practical, and two are not materially implemented. Arcadis note that several measures have progressed slower than initially intended. However, Arcadis also note that Uisce Éireann is a maturing infrastructure company that is developing into a more centralised organisation with increasingly unified and integrated systems. While embedding updated and improved processes will take time, Uisce Éireann has demonstrated an understanding of its current state and has developed sensible roadmaps for further improvement and shown active progress towards its targets. Detailed information on the progress of the SWI recommendations can be found in Chapter 3.8 in CRU2025139a.

Table 20 Implementation status of SWI Recommendation

Fully Implemented	Implemented	Implemented as far as reasonably practical	No implementation with material consequence
Escalation & Approvals Process	Investment Process Manuals	Value Management	Cost Estimation
Project Lifecycle Workshops	Governance & Change Management	Cost Intelligence	Risk Management
Enhance Asset Operations Team	Project Management Handbook		
Asset Data Improvement Plan	Enhance Asset Planning Team		
	Expenditure and Contract Governance		
	Streamlined Reporting		

5.4 Review of Capex Programme & Projects

This section summarises Arcadis’ bottom-up (deep dive) assessment of Uisce Éireann’s investment projects and programmes. The review examined a representative sample of 35 projects and programmes, focusing on key areas such as investment need, expected outcomes and benefits, optioneering, risk assessment and management, project costing, and

governance. Arcadis' full report and detailed findings are provided in Chapter 4 of CRU2025139a.

5.4.1 Introduction

The approach taken by Arcadis for assessing the RC4 Investment Plan was a twin 'top-down' and 'bottom-up' method (see sections 5.1.3 and 5.1.4 above). The bottom-up analysis consisted of what are referred to as '*deep-dives*' of a selection of representative RC4 projects and programmes (Table 21), with the intention of applying lessons learned from this sample set to the entire portfolio. This could, for example, include recommended actions for Uisce Éireann to pursue, inform the setting of efficiency challenges or highlight areas of weakness with individual projects and/or programmes. Deep dive assessments offer an opportunity for a detailed examination into how particular Capex projects and programmes are shaped and delivered, providing a key element of the overall Capex portfolio review.

Table 21 RC4 Projects and Programmes selected for deep dive assessment by Arcadis

Nr	Project/Programme Assessed	Value (€m)	Nr	Project/Programme Assessed	Value (€m)
1	Capital Maintenance Programme - Water Above Ground Assets	273	19	New Connections Programme - Water Assets	284
2	Find & Fix	531	20	Capital Maintenance Programme - Wastewater Above Ground Assets	290
3	CFC, Filtration and Sludge	180	21	Capital Maintenance Programme - Wastewater Below Ground Assets	56
4	Supply Demand Balance Programme	47	22	Early-Stage Projects - Wastewater (Safety and Quality)	170
5	Lough Talt WTP New	103	23	Early-Stage Projects - Wastewater (Availability and Reliability)	171
6	Adamstown WTP Upgrade	17	24	Small Towns and Villages Growth Programme	111
7	Lough Mask WTP Upgrade	25	25	Ringsend Wastewater Treatment Plant upgrade	104
8	Staleen to Duleek Water Network Upgrade	37	26	Nenagh WWTP upgrade	43
9	Galtee Regional WTP Upgrade	8	27	Fenit WWTP upgrade	17
10	Early-Stage Projects - Water (Safety and Quality)	177	28	Arklow WWTP New	12
11	Early-Stage Projects - Water (Availability and Reliability)	187	29	Ballinaspittle WWTP Upgrade	9
12	Mains Rehabilitation	515	30	Drogheda Wastewater Network Upgrade	9
13	Metering Programme	210	31	Midleton Wastewater Network Upgrade	40

14	Pressure Management Programme	68	32	Roundstone WWTP New	8
15	National Lead Programme	84	33	Regional Biosolids Storage Facility	48
16	Wastewater Pumping Station Programme (Capital Maintenance)	64	34	Greater Dublin Drainage	151
17	Wastewater Pumping Station Programme (Growth)	63	35	Windmill Hill Reservoir and Trunkmain to Ratoath Upgrade (linked to Staleen to Duleek Water Network Upgrade)	8
18	New Connections Programme – Wastewater Assets	284			

The process of assessing the deep dives includes selecting a range of RC4 projects and programmes that are representative of the overall Investment Plan. These are selected based on project size, stage, whether the investment represented new or upgraded infrastructure or by sub-portfolio (water, wastewater, above or below ground). See CRU2025139a for a comprehensive list of all deep dives. Once the list of 34 deep dives was drawn up (representing 54% of total network capex), Uisce Éireann was tasked with providing all information requested from Arcadis for scrutiny. Additionally, a series of online workshops and an extensive question-and-answer process was utilised to close out any outstanding queries. Arcadis subject matter experts were then tasked with reviewing the submitted material and considered whether the documents provided showed evidence of having considered aspects such as need, optioneering and cost & risk build-up. The outcome of the deep dive assessment is a set of key recommendations concerning potential for efficiency challenges and overarching improvements to capex processes and governance (Section 6.6).

5.4.2 Needs and Optioneering

For most projects assessed as part of the deep dives, Arcadis' view is that Uisce Éireann has clearly set out the needs and needs justification, giving confidence that the RC4 funding request is directed towards areas with known network deficiencies. At a programme level, needs identification is provided at higher-level only and Arcadis noted a lack of necessary detail in certain instances. There were several examples of projects where needs were not clearly identified which provide clear evidence of the necessity for an improvement to Uisce Éireann's assessment process (further information can be found in CRU2025139a).

Regarding optioneering³⁵, the material provided to Arcadis by Uisce Éireann evidences a mixed approach. Arcadis found a range of scenarios varying from a comprehensive set of long and short options to one where only limited consideration was given before option selection. Arcadis believe that this mixed approach represents an opportunity for Uisce Éireann to streamline its early stage optioneering by establishing a standardised solution-selection process. A standardised selection process could involve developing a pre-determined matrix of solutions, particularly for common and reoccurring types of intervention needs. This could enable faster, more efficient option selection for standardised capital projects, potentially driving benefits to project costs and timelines.

³⁵ Optioneering refers to the set of different solution options which are considered to address a particular water/wastewater network issue, prior to selection of preferred option.

5.4.3 Risks and Governance

Arcadis noted that risk identification, tracking, and recording also varied significantly across the projects reviewed. The majority of projects identified by Arcadis as informing the efficiency challenge have significant gaps in this key area. Where issues were identified, the risks were often generic and not project specific, or in some instances a central risk register was either not relevant to the specific project or missing altogether. Arcadis' review clearly shows that Uisce Éireann must focus on improving its risk management processes during RC4 (see Section 3.4 of CRU2025139a for details of this review).

Governance is similarly an area that varies significantly across different projects and programmes, in terms of the quality and quantity of material provided. Records of need identification, optioneering, solution scope, risks, costs, deliverability, and project management are available to a varied degree, from detailed information to none being available. Arcadis noted that whilst the level of detail typically would be expected to increase as a project develops and progresses towards completion, this was not evident.

The above findings are concerning as clear and comprehensive governance practices are critical to the efficient delivery of Uisce Éireann's capex programme. Appropriate governance practices aid Uisce Éireann in better decision making and to avoid potentially costly mistakes. Additionally, and importantly in the context of the CRU's review, it also enables easier auditing and increases transparency on how the organisation defines, develops and delivers its portfolio of works.

5.4.4 Cost Review

This part of Arcadis' assessment sought to understand how Uisce Éireann applies risk contingency and uncertainty in practice, specifically where cost data was shared (additional information can be found in Section 3.5 of CRU2025139a). When cost estimating for a project or programme, best practice requires including an allowance for uncertainty around project scope definition, and optimism bias. Arcadis noted that whilst Uisce Éireann's approach to providing uncertainty allowance for optimism bias follows industry practice, there is an opportunity for Uisce Éireann to better align with industry benchmarks and best practice by providing higher allowances at earlier stages of project definition. Positively, the deep dives show that Uisce Éireann does consistently apply the uncertainty allowance in its projects. However, Arcadis noted a tendency to add slightly less uncertainty than indicated by the cost estimating standard operating procedure in early stages of project development.

Regarding risk contingency³⁶, Uisce Éireann follows industry best practice by developing a risk contingency budget as part of their project cost estimate. Arcadis notes that the contingency values applied by Uisce Éireann are generally in line with industry practice. Risk contingency is higher for wastewater assets where assets are likely less surveyed and actual asset condition can vary significantly from what is assumed. This is particularly the case for the below ground wastewater assets such as sewers and pumps. Overall, Arcadis notes that

³⁶ The contingency budget serves as a financial reserve allocated to cover unforeseen costs that may arise over the course of the project.

both risk contingencies and uncertainties are applied consistently across projects, following Uisce Éireann’s own cost approaches guidance.

In order to assess Uisce Éireann’s cost efficiency for low-cost high-volume programmes, Arcadis compared available cost run rates data from Uisce Éireann with the run rates from England and Wales where applicable (note that such results are indicative and should be considered at a high-level only). For the metering programme, Uisce Éireann’s metering rate is substantially higher than the Ofwat benchmark. The Uisce Éireann rates are blended rates over the whole of RC4, calculated by the total capex of the metering programme divided by the number of meters installed/replaced. Run rates for the leakage/pressure management programme are within the Ofwat³⁷ range, although indications are that the cost run rates for Uisce Éireann’s lead pipe replacement rates are also significantly higher than English and Welsh companies. In summary and noting that run rate benchmarking should be considered at a high-level only, it appears that water mains rehabilitation and leakage reduction programmes are comparable to Ofwat average costs which is a positive high-level indicator of cost efficiency. By contrast Uisce Éireann’s metering and lead pipe replacement costs benchmark higher than in England & Wales.

The cost review element of the deep dive also explored standalone projects whose costs are escalating between approval gates. Of the 34 deep dives undertaken, 10 projects were reviewed for escalating costs. Four primary reasons were identified for driving cost increases including:

- Inflation: where the real cost of the project has not changed but inflation was higher than earlier predictions. This includes inflation both as indexed by the HICP and Real Price Effects.
- Scope change: changes resulting from better project understanding or feedback, often resulting in further optioneering and consultation periods.
- Price Costing Tool update: In 2023 Uisce Éireann adjusted the baseline cost models, and the standard contingency used in the Price Costing Tool for certain projects.
- Delays: Significant delays result in additional fees for project management, added inflation etc.

Arcadis’ assessment specifically identified three programmes at risk of cost escalations during RC4: the Supply Demand Balance, Metering and Capital Maintenance (Wastewater - Above Ground) Programmes. Arcadis’ report (CRU2025139a) assesses these in Chapter 4.1.

Table 22 Summary of projects and programmes identified at risk of escalating costs

Wastewater Above Ground	€m	Wastewater Below Ground	€m	Water Above Ground	€m	Water Below Ground	€m
3 Projects	199.8	3 Projects	99.0	3 Projects	144.8	1 Project	37.1
Capital Maintenance Programme	290.0					Supply Demand Balance Programme	46.9
						Metering Programme	210.4

³⁷ OFWAT is the Water Services Regulation Authority for England & Wales.

Arcadis notes that whilst Uisce Éireann has been implementing standardised cost estimation procedures across its organisation, it will take time for these practices to become fully embedded and reflected. It is expected that project cost estimates should stabilise as the organisation matures and improved processes become fully embedded. In instances where significant cost changes are observed, Arcadis recommends that an internal project review be initiated to fully interrogate the cost drivers and cost curves and update the PCT accordingly. Currently such reviews are planned by Uisce Éireann at the very end of each project, but there may be additional benefit to provide supplementary evaluation at each gate where costs have increased significantly.

5.4.5 Deliverability challenges

Overall, Arcadis finds Uisce Éireann well positioned to deliver its RC4 Capital Investment Plan and recognises it as a maturing utility on a positive trajectory. However, through the deep dive review, Arcadis' Subject Matter Experts identified 12 projects/programmes with potential deliverability challenges (Table 23). Three of these projects had already experienced historic challenges and delays and are all wastewater projects. The CRU note that half of the identified projects are in the wastewater portfolios and include the category of Early-stage wastewater projects addressing the Availability & Reliability WSPS theme.

Table 23 Projects/Programmes identified in the deep dive assessment with potential deliverability challenges

Wastewater Above Ground	€m	Wastewater Below Ground	€m	Water Above Ground	€m	Water Below Ground	€m
3 Projects	99.0	2 Projects	160.2	2 Projects	111.0	1 Project	37.1
Early-Stage Projects (Availability & Reliability)			170.6			1 Programme	67.6
						Find & Fix (Leakage) Programme	530.6
						Metering Programme	210.4

The main factor Arcadis identified for concern was potentially overly optimistic timelines, considering the scope of work, the stage of project completion and/or the lack of a delivery partner in place. For some projects/programmes, Arcadis' main concern was the number of risks identified but not yet mitigated (e.g., land and consent risks, discharge licences or commissioning risks). Furthermore, a lack of structured stakeholder management was observed across several projects which risks deliverability where key decisions depend on third parties.

Arcadis identified the following areas for Uisce Éireann to improve upon:

- More structured stakeholder management
- A review of timelines for optimism bias
- Providing more robust risk mitigations for resource gaps

These improvements are included in Arcadis' recommendations under the themes Managing Risk, and Capex Projects & Programmes (more information on these recommendations and their implementation in Section 6.7 below). Additionally, Table 24 outlines how the CRU

proposes to monitor and increase accountability for Uisce Éireann to deliver on the above identified projects/programmes.

Table 24 CRU's proposals for Projects/Programmes with identified potential deliverability challenges

Project/Programme with potential deliverability challenge	UÉ's Proposed RC4 spend (€m)	CRU's proposals for increased accountability to deliver through monitoring
Find & Fix (Leakage) Programme	530.6	Additional Annual Reporting with UÉ to provide detailed plan with targets, milestones, resourcing, risks and mitigations (CRU2025135)
Metering Programme	210.4	<p>Uisce Éireann to carry out a needs and CBA review to justify the scale of the (revised) programme.</p> <p>Uisce Éireann consider deprioritising domestic meter installation/replacement and either:</p> <ul style="list-style-type: none"> • reduce allowed expenditure, • reallocate funding to Find and Fix, or • reallocate towards other new or existing projects <p>Further information in section 5.2.4</p>
Early-Stage Wastewater Projects (Availability & Reliability)	170.6	Funds approved in principle, with annual release as projects, based on monitoring as part of UÉ's I2O steps. See CRU2025135 for more detail
5 Specific Wastewater Projects	159.2	Ringfencing & Closer tracking within CIP (Reg Framework)
3 Specific Water Projects	148.1	Close tracking within CIP
1 Water Programme	67.6	Closer tracking within CIP

5.4.6 Capex Portfolio Management

Arcadis' deep dive review noted a tendency for more complex projects to face substantial cost increases and delays. These issues arise as the projects are de-prioritised and repositioned within the capex portfolio, without a structured and consistent management of the scope, budget and timelines. This reflects the wider context of changing priorities and some of the disadvantages of Uisce Éireann's overall approach to how portfolio and programmes are managed.

Inefficiencies can be introduced to programmes when the set of projects within the Investment Plan are continuously reorganised. Examples of inefficiencies include gaps in governance, cost escalations related to additional inflation, additional scope, contracting costs, and significant overhead cost increases amongst others. This continuous updating of the Investment Plan also affects Uisce Éireann resources as asset teams remain focused on re-prioritisation of the Investment Plan, instead of driving programme delivery.

However, Arcadis does acknowledge that Uisce Éireann's dynamic approach to portfolio management does offer the agility to respond to changing priorities during a revenue control. As observed during RC3, Uisce Éireann was able to significantly progress and deliver on its outcomes and outputs, partly due to its flexible approach. However, as the organisation matures, changes to project and programmes should become less significant, with most of the portfolio remaining fixed for the regulatory cycle. Therefore, changes to the portfolio should be applicable for extenuating circumstances only.

5.4.7 Security of Supply and Leakage

Uisce Éireann noted that ~50% of Ireland experiences a varying degree of water supply demand deficit, with a small number of areas affected by a critical supply deficit. The supply deficit is considered to be chronic in the Greater Dublin Area (GDA) due to high growth and issues with the existing water supplies. The GDA is likely to remain a challenge due to the large population (circa a third of Ireland's population) and supply network (similarly, about a third of the overall Irish water supply).

Uisce Éireann believes that its water supply profile is much closer to its water demand profile than, for example, across the UK. This means there is greater urgency to provide interim measures to avoid further deterioration of the existing supply deficit. Uisce Éireann has modelled the next 25 years of supply demand balance and sought to protect the water supply capacity and availability through a range of interventions over short-, medium- and long-term. Leakage reduction is a significant part of improving supply demand balance with a focus on water stressed areas. Ongoing measurement and reporting of security of supply can help identify the extent of the problem as well as any trends.

To manage supply demand balance in the Greater Dublin Area (GDA), there are several upgrade projects being planned and delivered. The largest and most important is the Water Supply Project (WSP), a Major Project planned to contribute a significant supply increase to the GDA by approximately 2035. The WSP is considered an essential project to secure water supply resilience in the region. Uisce Éireann also have several supporting projects including upgrades to Leixlip and Ballymore Eustace WTPs. Uisce Éireann notes that these supporting projects will increase the capacity but will not address issues around raw water abstraction. Uisce Éireann is also investigating a temporary short-term solution to increase potential water availability from the Poulaphouca Reservoir on River Liffey until the completion of the WSP.

Uisce Éireann has a range of other measures to help manage the supply deficit and protect the water supplies, including Drought Action Plans and Water Conservation Orders. Furthermore, as part of the National and Regional Water Resource Plans, Uisce Éireann developed a preferred approach to manage water quality and quantity in each water zone. In terms of RC4 investment to address security of supply, the RC4 Investment Plan shows a focus on resilience and improving security of supply including for example: the WSP, the Supply Demand Balance and National Leakage Reduction Programmes, and the Leixlip and Galtee Regional Water Treatment Plant upgrades.

5.4.7.1 Security of Supply - Reporting Metric

For RC4, Uisce Éireann has been non-compliant with reporting the Security of Supply index metric as per the RC3 PAF. Uisce Éireann proposes developing a new more detailed Supply

Demand Balance (SDB) metric for key water resource zones in RC4, with reporting only commencing in RC5 (see CRU2025135). The CRU and Arcadis find it unacceptable for Uisce Éireann to not report on any security of supply metrics during either RC3 or RC4.

The CRU are of the opinion it is essential to have a summary metric (i.e., Security of Supply Index) available that shows a *total* supply risk across the overall water system. Uisce Éireann is expected to report against the Security of Supply Index, as it helps the CRU and political decision makers to understand the overall supply risk, even if the reported values are a high-level estimate with several assumptions.

Arcadis recommend that Uisce Éireann start reporting against the Security of Supply Index immediately, including all known caveats. The numbers can be provisional and updated as better data becomes available.

5.4.7.2 Security of Supply - Summary

A significant number of water resource zones in Ireland are currently experiencing water supply deficits. Uisce Éireann’s non-compliance to report on security of supply during RC3, coupled with its proposal to defer such reporting until RC5, poses a serious risk that key stakeholders will not have access to critical information needed to understand the scale of these deficits. Arcadis recommends that this risk be more clearly quantified and discussed with the CRU to assess the severity and scale of supply-demand challenges across the various water resource zones.

Arcadis believe that in general, Uisce Éireann’s approach to managing the existing deficit and the security of future water supplies is adequate and is developing in the right direction. However, it is important to note that there is significant amount of work required to build data and asset understanding which will support further decision making.

5.4.8 Capital Maintenance

Capital maintenance refers to programmes that focus on asset interventions to upkeep the same level of service. This also includes asset compliance and reducing additional operational cost. The difference between operational maintenance and capital maintenance are shown in the table below. Uisce Éireann’s RC4 business plan I&O spreadsheet indicates RC4 capital maintenance totals €739m, a 45% increase from the Capex spent in RC3.

Table 25 Comparison between Capital and Operational Maintenance

Capital Maintenance	Operational Maintenance
Funded by Capex, higher cost	Funded by Opex, lower cost
Large and infrequent upgrades	Smaller and regular fixes
Upgrading and maintaining assets for long-term use	Day-to-day upkeep of infrastructure

5.4.8.1 Reactive vs Proactive Capital Maintenance

Arcadis notes that Uisce Éireann continues to develop its approach to capital maintenance and the organisation is still in the early stages of building out a planned approach to managing its assets maintenance. However, most of the capital maintenance works still comprise reactive responses to information supplied by the Field Operations teams.

Arcadis states that Uisce Éireann currently has a very limited understanding of its assets condition, and therefore a significant amount of work and data gathering is required during RC4 to optimise capital maintenance. Uisce Éireann has informed the CRU and Arcadis that aims to complete site-level (i.e., high-level, low granularity) asset mapping for key sites by the end of RC4, with only some pilot sites looking to achieve asset level (detailed, high-granularity) mapping. During the deep dive workshops, Uisce Éireann confirmed that the pilot sites selection process is currently at very early stages and support processes are being developed.

In Arcadis view, the above demonstrates that Uisce Éireann still has a long route towards a data driven, proactive, planned capital maintenance. Uisce Éireann have stated that it aims to reach a steady state in asset condition by RC5. However, Arcadis notes that this goal seems challenging, considering the limited knowledge of their assets' current state.

5.4.8.2 Capital Maintenance - Teams and Resources

Uisce Éireann plans to consider preventative maintenance on critical sites once all Operations teams are within the organisation, following completion of the Uisce Éireann Transformation process. Uisce Éireann defines critical sites through a critical asset register (at a site level) which is currently being reviewed.

The Uisce Éireann Transformation is viewed as one of the main bottlenecks to improving and standardising asset maintenance and data collection. Uisce Éireann have noted that there is a risk to delivering priority Capital Maintenance programmes during the transition period (end of 2026) as they rely on site access and Operations team's data and asset understanding, which may not be fully embedded within Uisce Éireann before the end of 2026.

During the latter part of RC4, Uisce Éireann plans to develop a new asset operations structure where the frontline field staff will be supported by centralised specialist teams in water and wastewater. The approach is yet to be developed as part of the transformation phase once the UÉT is complete.

5.4.8.3 Delivery of the RC4 Capital Maintenance Programme

During RC4, Uisce Éireann plans to transition to a system that will deliver capital maintenance works through a centralised delivery model, supported through Minor and Major maintenance procurement models. Drawing on lessons learned during RC3, Uisce Éireann will improve delivery of its capital maintenance programmes via: (i) staged delivery (i.e., provision of capital maintenance works in a staged manner as opposed to procuring the full scope of work at once), (ii) establishing standardised processes from design to development and (iii) creating a single centralised delivery team structure with regional delivery framework flexibility.

Arcadis note that Uisce Éireann's approach to delivery looks reasonable and in line with industry practice, although the UÉT process may negatively impact the timelines and ambitions of the RC4 capital maintenance programmes. Additionally, Arcadis note that the programme costing is at an early stage of development reflecting scarce and incomplete data, which may result in cost increases throughout the RC4 as the asset base is better understood. Arcadis believe that ongoing close monitoring of the programme during RC4 and a focus on driving efficiencies in delivering capital maintenance will be necessary to avoid significant overspend.

5.4.8.4 Econometric benchmarking of Capital Maintenance

NERA undertook an assessment of the adequacy of the overall level of Uisce Éireann’s proposed RC4 spend on capital maintenance. The analysis compared interventions within Uisce Éireann’s RC4 business plan to English and Welsh water companies (see Section 4.3 of CRU2025139a). The econometric benchmarking demonstrates that, when compared to England and Wales, Uisce Éireann are proposing a reasonable level of overall funding to upkeep its assets throughout RC4.

Uisce Éireann’s proposed designated capital maintenance programmes have a total proposed investment of €739m over RC4, with €273m invested in water and €466m invested in wastewater. Note that most of the proposed programmes have an estimated completion time within RC4, except for the “Drogheda WWTP Capital Maintenance” programme which is expected to finish post-RC4.

The designated capital maintenance programmes do not represent Uisce Éireann’s total capital investment. These programmes exclude some capital maintenance activities that are part of Uisce Éireann’s wider capital programme, such as maintenance delivered within quality improvement projects. NERA therefore have taken an approach of identifying Uisce Éireann’s proposed expenditure in capital maintenance from the base maintenance cost allocation provided in Uisce Éireann’s Investment Plan submission. In the submission, Uisce Éireann allocated its project costs by regulatory purpose (i.e. the QBEG allocation, which stands for quality, base maintenance, enhancement and growth).

Using the above approach, NERA identified base RC4 maintenance investment totalling €1,511m, with 30% allocated to water assets, 46% allocated to wastewater assets, and the rest (24%) grouped into non-asset investment (see Table 26). Around 85% is expected to be invested in above ground non-infrastructure assets, 12% is expected to be invested in underground infrastructure assets, and the remaining 3% serve multiple purposes.

Table 26 Distribution of Capital Maintenance Programme spend (€m)

Programme	2025	2026	2027	2028	2029	Total RC4
Water	77.99	81.47	91.37	98.75	107.36	456.94
Wastewater	94.94	112.92	150.37	166.97	168.89	694.09
Non-Asset	53.28	74.98	76.75	77.19	77.82	3,60.02
Total	226.21	269.37	318.49	342.91	354.07	1511.05

NERA’s benchmarking assessment of Uisce Éireann’s proposed RC4 capital maintenance indicates that the proposed costs are reasonable. This view is seconded by Arcadis who agree that Uisce Éireann’s level of proposed spending on capital maintenance aligns with its peers in England and Wales.

However, set against this, the utility is in the early stages of transitioning from reactive to planned Capital Maintenance, building on the transition to a centralised database and decision-making process from the fragmented Local Authority framework. Uisce Éireann aims to reach a steady state in asset condition by RC5, which Arcadis consider a challenging goal, given the limited knowledge around the current state of their assets. Additionally, the Uisce Éireann Transformation may further impact the timelines of transitioning from reactive to

proactive maintenance and Arcadis recommends a continuous focus from Uisce Éireann on developing and embedding its planned capital maintenance strategies.

5.4.10 Major Projects

Major Projects are significantly sized projects (over €200m) which must adhere to Ireland’s [Infrastructure Guidelines](#) (IG) like all large scale projects in Ireland. The implementation of the IG is set out under the Water Services Sector Specific Guidelines (WSSSG), developed by the Department of Housing, Local Government and Heritage. Under these guidelines, the Major Projects have special oversight from the Project Tracking Group and Major Water Infrastructure Group. The CRU currently has observer status in both these groups.

The WSSSG requires Technical and External reviews of Major Projects at different stages of the project, which are then scrutinised by DPER’s Major Projects Advisory Group. This Government-lead review process provides analysis and oversight of the project development, separate from the CRU’s revenue control process. The CRU carried out and published one external review for a Major Project (Water Supply Project) at Decision Gate 1 and recently completed an external review of the Limerick Wastewater Treatment Plant Upgrade & Bioresource Centre Project at Decision Gate 1. Following a review of vires and the External Review Process in 2025, the CRU confirmed to DHLGH that it would not carry out any further external reviews under the IG process.

The RC4 Investment plan has two Major Projects: the Water Supply Project (WSP) and Greater Dublin Drainage (GDD). Both projects form a key part of the Investment Plan and are expected to complete in RC5. Arcadis agree with Uisce Éireann that the GDD and WSP are essential programmes of work to satisfy long term needs and strengthen resilience of the overall Greater Dublin and Midlands areas. Without these projects in place, there is a material risk to future growth and supply challenges in the region.

Arcadis’ review included both the WSP and GDD and recommends a ring-fencing mechanism similar to that used in RC3, given the importance of progressing these projects to address resilience in the Greater Dublin Area. The CRU agrees and proposes to accept this recommendation. This means that the funding allocated for the Major Projects cannot be used by Uisce Éireann for other purposes without applying to the CRU with a request for approval to un-ringfence some or all the funds³⁸. The un-ringfencing mechanism is explained at the end of this section.

Uisce Éireann provided initial milestones for both Major Projects (Table 27). The CRU will engage with Uisce Éireann to provide more detailed milestones for CRU’s monitoring of the Major Projects. Further information on how the CRU proposes to monitor the Major Projects during RC4, and the proposed mechanism to un-ringfence funding in case of delays is detailed at the end of this section.

Table 27 Initial Major Project Milestones provided by Uisce Éireann

2025	2026	2027	2028	2029	Post RC4
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³⁸ The CRU typically allows Uisce Éireann full flexibility in adjusting the allocation of funds in its investment plan, provided that the changes are justified to the CRU (see CRU2025135). This acknowledges that the RC decision is a fixed point in time and should circumstances changes over the RC, and that Uisce Éireann is best placed to adapt and adjust its investment plan.

Water Supply Project	SID Submitted Q4		Abstraction licence received before 2028	Works Contracts signed/Start on site		Water into Supply 2032
Greater Dublin Drainage	AG2 Submitted Q4	Preliminary Construction Works signed/ onsite Q3	Main Works Tender Q4	Complete Preliminary Construction Works	Main Contracts Start on site	Complete Construction 2032

5.4.10.1 The Water Supply Project

The WSP aims to create a second water supply for the Greater Dublin Area (GDA). Under the proposed plan, water will be abstracted from the River Shannon at the Parteen Basin, treated locally and moved via underground pipeline to the GDA. The project will consist of five infrastructure sites including a water treatment plant and 172km of pipelines. Due to planning and legal challenges, the project has been significantly delayed. In a 2022 reopener decision, the CRU released the ringfencing around the major projects funding (including the WSP) to address the revenue impacts of predominantly energy and material inflation and aid Uisce Éireann's in reaching its agreed RC3 outcomes and outputs targets. The ringfenced funds for Major Projects were largely available as of the original €704m allowance, only €83m had been used across both the WSP and GDD.

For RC4, Uisce Éireann plans to accelerate delivery of the WSP, with a budget of €1.5bn allocated for 2025-2029. The majority of the RC4 investment is expected in the latter years of RC4 (2028-29, see Table 28). Investment in the WSP will continue into RC5. Arcadis notes that future funding of the WSP will be critical to its progress, a factor outside of Uisce Éireann's control. Arcadis supports a ring-fenced approach to the WSP's funding.

Table 28 Forecast spend profile for the Water Supply Project during RC4 (€m)

	2025	2026	2027	2028	2029	Total
RC4 WSP (€)	44.9	44.8	60.1	518.6	836	1,504

5.4.10.2 The Greater Dublin Drainage Project GDD

The GDD consists of the development of a new regional wastewater treatment facility and related infrastructure to serve the population of Dublin and parts of Kildare and Meath. The major project will partly offset the projected 50% increase in wastewater volume up to 2050 caused by a growing population and greater economic growth. It will address the capacity limitations of the existing main treatment plant in Dublin - the Ringsend Wastewater Treatment Plant which provides over 40% of Ireland's wastewater treatment capacity and is situated in a very confined space, limiting future expansion. Current timelines indicate that the project should reach Gate 2 by mid-2026, unless further legal reviews are initiated. Gate 3 (construction) is currently planned for mid-2029. Uisce Éireann is considering options around enabling works ahead of the main body of work to facilitate timely project delivery.

Arcadis notes that the GDD project is still in at an early stage of development and therefore there is a significant risk of material delays prior to GDD delivery, particularly given the scale of the project and the number of stakeholders. Arcadis recommends that Uisce Éireann build on its timelines to include structured stakeholder engagement with a view to limiting potential further delays.

5.4.10.3 The Greater Dublin Drainage Project - Resilience

Given the potential for additional legal reviews, Uisce Éireann established a steering group to investigate the risk management around the GDD and how Dublin could process the increased wastewater load, if delays materialised. Uisce Éireann has developed short, medium and long-term interventions in case of further GDD delays. However, this planning relies on the GDD being in place by 2032. These interventions include, for example, completion of Ringsend WWTP upgrades and associated Asset Management Plan, GDA capacity upgrades and a Regional Biosolids Facility. Arcadis has emphasised that if the GDD is significantly delayed, no viable long-term alternative solution currently exists which may impact future connections. Arcadis also notes that Uisce Éireann has undertaken extensive background work and explored a range of potential options. However, Uisce Éireann has concluded that given the current pressures on the network, no other solution is suitable.

5.4.10.4 The Greater Dublin Drainage Project – Risk Management

Several key risks to the GDD have been identified by Uisce Éireann (statutory and funding approvals, procurement, resourcing, construction, and commissioning risks) and have established mitigants to control these risks. This includes, aside from the delays caused by legal reviews, engagement with the Maritime Regulator to facilitate a timely decision on the long sea outfall construction. Uisce Éireann is mitigating supply chain procurement risks through early engagement with suppliers to establish project partners and understand their respective risk appetites. As the project relies heavily on tunnelling work, Uisce Éireann has proactively begun early ground investigation to better inform risk sharing and decision making. Arcadis have noted that Uisce Éireann has sought to address lessons learnt from RC3 around risk sharing and the procurement strategy to make the GDD project attractive to the construction market.

5.4.10.5 The Greater Dublin Drainage Project – Costing

Whilst the scope of the project has essentially remained the same, inflation since 2021 combined with significant delays to the timeline has resulted in the need to update the original RC3 estimates. The GDD project has had several cost estimate updates (see pg. 169 of CRU2025139a), with current estimates ranging between €1,117m and €1,422m, albeit with assumptions around a 2028 construction start date and early stage enabling works in place. While investment begins ramping up in 2028 and 2029, the bulk of the investment will fall within RC5.

Table 29 Forecast spend profile for the Greater Dublin Drainage Project during RC4 (€m)

	2025	2026	2027	2028	2029	Total
RC4 GDD (€)	2.3	3.3	4.1	37.2	104.4	151.4

Arcadis noted that the engaging of independent bodies to review the figures and combine these with internal Uisce Éireann estimates was a positive step which should lead to more robust cost forecasts. Further cost estimate updates are expected, which may increase the forecasted costs presented here.

5.4.10.6 CRU Monitoring of Major Projects

Given their size and importance, the CRU proposes enhanced monitoring of Uisce Éireann's Major Projects and emerging Major Projects. This is additional to the monitoring and risk management undertaken by Uisce Éireann's Executive, and through the Infrastructure Guidelines. Emerging Major Projects are large projects which are likely to become Major Projects. As mentioned in CRU2025135, the CRU proposes reporting on Major Projects progress that will update stakeholders on the progress made over RC4. Should additional project(s) be included in this category of Major Projects they will be subject to such monitoring.

Among other things, this report will require the following information for each project:

- Tracking of spend and variance throughout RC4
- Tracking of progress through Uisce Éireann provided RC4 Milestones
- Tracking of progress through the Infrastructure Guideline milestones
- Tracking of spend and variance per Infrastructure Guideline milestone

Example templates of what the CRU expects are found in Annex 3.

The CRU proposes to monitor expenditure and progress using both Uisce Éireann's submissions and the information required under Ireland's Infrastructure Guidelines, which apply to all Major Projects. Under these Guidelines, and the Water Sector Specific Guidelines, Uisce Éireann must provide project information to DHLGH and NewERA through Governmental groups such as the Project Tracking Group and the Major Water Infrastructure Group, where the CRU currently holds observer status. While the Infrastructure Guidelines are under review and changes to these groups may occur, the CRU expects Uisce Éireann will continue to provide similar monitoring and reporting to DHLGH and NewERA. The CRU proposes to receive and use the same information shared with these Government departments to monitor Major Projects, ensuring a 'single source of truth'.

The CRU expects the reports to include narrative text explaining any variations to the planned expenditure or progress. The full tables (spanning 2025-2029) will be submitted as a supplementary excel spreadsheet, for comparison with previous year's reports. In addition to the current requirement for Uisce Éireann's Executive to sign off on reports, the relevant Executive Committee should also provide their signed approval. This measure aligns with the CRU's RC4 reporting and submission requirements and seeks to enhance accountability through greater clarity of responsibility.

5.4.10.7 Mechanism for Un-ringfencing Major Project Funding

Although the Major Projects are of critical importance to deliver on schedule and the CRU supports this timely delivery, the CRU also acknowledges the potential for projects to experience delays. In the case of ring-fenced projects, a delay would mean an underspend of the allocated funding. Due to Uisce Éireann's funding model, the CRU considers the best approach for dealing with this unspent revenue is un-ringfencing and re-allocating the relevant portion of funds towards alternative projects. This approach also reflects Ireland's water infrastructure needs and aligns with the CRU's proposed efficiency option of 'doing more',

rather than an efficiency cut (see section 6.6 below). Should the RC4 capex efficiency challenge be implemented as an increase in outputs, the same mechanism will be used to assess Uisce Éireann’s submission of additional projects to apply the CRU’s efficiency challenge.

The above monitoring of Major Projects will assist in identifying if a project becomes delayed and unable to fully spend the allocated funding within RC4. Where a project is forecast to underspend, the CRU proposes allowing Uisce Éireann to make a submission requesting the un-ringfencing of the projected surplus. As part of the submission, Uisce Éireann must specify how the un-ringfenced funding will be reallocated. This should specify whether the funding will support new or existing projects or programmes, and any additional delivery obligations that Uisce Éireann will meet as a result of this reallocation.

For the CRU to consider un-ringfencing, Uisce Éireann’s submission must include:

- The amount of projected underspend
- An explanation for the delay and subsequent projected underspend
- Mitigations Uisce Éireann applied to prevent and minimise this delay
- Details of the proposed projects/programmes to receive the un-ringfenced funding (see Table below)
- Justification for proposing the projects/programmes to receive the funding over alternatives
- Measurable outputs of the proposed projects/programmes, to be delivered within the RC4 period

In addition to the criteria above, Uisce Éireann must provide sufficient information on the proposed projects/programmes receiving the un-ringfenced funding (Table 30).

Table 30 Required information for Proposed Projects/Programmes submissions

Project / Programme	WSPS Theme	Portfolio	Cost	Completion Date	Urgency / Need	Outputs	Impact	Delivery risks & Mitigations

The CRU will assess Uisce Éireann’s proposal and decide whether to approve Uisce Éireann’s request. Approved projects/programmes or changes to existing projects/programmes will be added to the CIP. Should Uisce Éireann fail to deliver the outputs associated with the un-ringfenced funding, the CRU will claw back the funding in the k-factor review at the end of RC4.

Uisce Éireann is best placed to propose alternative outputs in the event of un-ringfencing. As noted in Section 6.2.4, Uisce Éireann has significantly reduced its proposed outputs for additional wastewater and water network capacity compared to RC3. The CRU understands that this reflects reliance on two major projects: the Water Supply Project (WSP) and the Greater Dublin Drainage (GDD). These projects are expected to deliver substantial network

capacity (water and wastewater respectively), which may justify lower outputs for RC4, given the anticipated benefits in early RC5 when they come online.

However, if either project is delayed, the CRU expects Uisce Éireann's Executive to have contingency plans in place to immediately address any resulting effects.

5.4.11 Environmental Compliance

5.4.11.1 Remedial Action List (RAL)

The RAL is the EPA's register of public water supplies which are either (i) most at risk or (ii) with known deficiencies to be addressed by Uisce Éireann by a specified date. The register is updated by the EPA twice annually, with some sites coming on or off the register depending on the data available. At time of submission, there are 33 sites on RAL, and all are planned to be addressed in RC4. It should be noted that the RAL is a live document, and the EPA adds new sites regularly.

Arcadis note that Uisce Éireann has over-delivered on its RC3 RAL target, initially planning for 48 sites to be removed from the register and eventually removing 57 sites by end of RC3. Uisce Éireann achieved this by delivering interventions through programme-based approach, thereby speeding up and streamlines delivery timelines. This over-delivery during RC3 provides confidence that Uisce Éireann can deliver the necessary improvements to 33 sites during RC4.

5.4.11.2 Priority Area List (PAL)

The PAL is an EPA list of priority area where wastewater treatment and networks must improve to resolve national environmental priorities. It is a live list where agglomerations are regularly added or removed. Arcadis have noted that due to a legacy of underinvestment in public sewers and wastewater treatment plants, it is likely that agglomerations will continue to require investment beyond RC4. Uisce Éireann has identified 23 PAL sites to address during RC4 and through these site remediations aims to also address areas of non-compliance with Wastewater Discharge Authorisations.

5.4.11.3 Urban Wastewater Treatment Directive

A revised Urban Wastewater Treatment Directive was published by the European Commission and came into force at the start of 2025. The directive requires the sites to be compliant by 2035. The new modifications include higher treatment standards and additional removal of nitrogen, phosphorus and micro-pollutants from wastewater. The recast Directive also includes proposals around energy neutrality, tighter tertiary treatment standards, and quaternary treatment (for the removal of micro-pollutants). Additionally, it includes a requirement for integrated urban wastewater management plans for agglomerations that meet certain criteria. Meeting these more exacting standards will require additional capital investment to bring affected sites into compliance. Through Q&A process, Uisce Éireann confirmed that there is no funding inclusion for the recast Directive needs in the RC4 submission as Éireann is still in the early stages of considering the required upgrades. However, Uisce Éireann has changed the site layout for the GDD major project treatment plant

to allow for future site development to comply with some recast Directive requirements (quaternary treatment).

5.4.11.4 River Basin Management Plan

River Basin Management Plans (RBMP) identify the negative impacts of wastewater discharges from WWTPs and networks on ecological status of a water body. The current RBMP list covers the period from 2022-2027, with the 4th cycle RBMP due to be published in 2027 introducing a new list. The current RBMP list identified an estimate of 158 Wastewater Treatment Plants (WWTP) and 33 wastewater networks having an impact on ecological status of water bodies. Uisce Éireann intends undertaking initial assessments of all 158 WWTP by 2027 to enable an action plan to be drawn up. Regarding the 33 wastewater networks, Uisce Éireann plans to undertake assessments by end of RC4 to define an action plan.

Arcadis notes in CRU2025139a that the scope of work for the RBMP is extensive and Uisce Éireann has not fully completed an initial assessment of all sites to assess the impact and scale of the need. In Arcadis' view, this means that it is unlikely that all sites will become complaint by 2027, with plans likely pushed back into future regulatory cycles. Arcadis goes on to note that Uisce Éireann's poor asset understanding requires addressing before Investment Plans can be developed and to avoid reactive short term funding injections that may escalate into significant costs in the longer term.

5.4.11.5 Capital Investment Plan

Arcadis have noted the difficulty of calculating the capex associated with addressing the RAL as programmes of work often address several issues. Table 31 shows Arcadis' estimated capex for RAL, and actual capex for PAL, UWWTD and RBMP. Arcadis have stated that they are satisfied that Uisce Éireann has planned interventions and allocated relevant budgets for the needed intervention across all requirements of RAL, PAL, UWWTD and RBMPs.

Table 31: Breakdown of Capex on Environmental Compliance

Category	No. of Sites to be addressed in RC4	RC4 Capex Requested (2022 €m)
RAL	33	2,645
PAL	23	409
UWWTD	4	85
RBMP	25	507

5.4.11.6 Sustainability

Arcadis notes that Uisce Éireann has several statutory requirements that it must follow including: (i) the Climate Action Plan 2024, (ii) the Climate Act 2021, (iii) the Circular Economy and Miscellaneous Provisions Act 2022 and (iv) the Energy Efficiency Directive (2012/27/EU). In light of these statutory requirements Uisce Éireann aims to reach Net Zero by 2040 and has set a milestone of generating 40% of its electricity requirement from renewables by 2035. Uisce Éireann has also developed a sustainable energy strategy to achieve 50% energy efficiency improvement and 51% CO2 emissions reduction target by 2030. Uisce Éireann have proposed nine new sustainability outputs and outcomes for RC4 to enable it to measure and track sustainability-based performance. These deliverables focus on reducing waste and emissions and increasing biodiversity and energy efficiency. Uisce Éireann have proposed that the performance is measured over the entire Capex portfolio rather than per project.

The RC4 sustainable energy programme includes installation of solar PV (photovoltaic) within Uisce Éireann owned sites, following on from a detailed review of site suitability for PV installation across 180 sites. 64 sites have planning permission applications submitted for PV installation and 25 have been granted planning permission, with 12 sites to be developed across the 2025/26 period. Overall, Arcadis noted that Uisce Éireann has applied several sustainability initiatives and appears to be actively addressing key policy and statutory requirements.

5.4.12 Summary of Deep Dive Findings

Through the RC4 deep dive process, Uisce Éireann provided an unprecedented volume of material, much greater than at any previous revenue control assessment. Arcadis positively note that the need case is clearly stated for most of the assessed projects, giving confidence that Uisce Éireann has focused its RC4 funding on areas where genuine improvements are required.

However, the review also identifies areas where improvement is required, particularly relating to poor governance, risk management, and project costing. Regarding risk management, it was discovered that the data received from Uisce Éireann was often inconsistent. Furthermore, Arcadis believes that an opportunity exists to improve and streamline the optioneering process where known standard industry solutions are available by using solution matrices and technical standards.

Arcadis' deep dive review raised serious concerns regarding 15 of the 34 projects and programmes assessed, representing over €1 billion of proposed capital investment. These concerns primarily related to cost, risk, and governance, in addition to other issues. The findings from these projects form the basis of the regulatory challenge proposed against Uisce Éireann's RC4 capex.

For the remaining 19 projects and programmes, Arcadis identified only one or two areas of challenge, typically in optioneering, costing, risk, or governance. Arcadis noted these challenges but concluded they were not significant enough to warrant a regulatory challenge.

Arcadis considers Uisce Éireann to be broadly well positioned to deliver its RC4 Capital Investment Plan. However, the review identified potential deliverability challenges for 12 projects and programmes, representing approximately €1.3bn of the portfolio. The remaining projects, with a combined value of over €3bn, were assessed as having sufficient consideration of deliverability aspects. While the presence of potential deliverability challenges does not, in itself, warrant a regulatory challenge, some of these 12 projects and programmes also face additional issues and are among the 15 that form the basis of the proposed regulatory challenge.

Overall, the mixed findings reflect a maturing utility organisation. The review also identified areas for improvement, including (i) a more structured stakeholder management, (ii) a review of timelines for optimism bias and (iii) providing more robust risk mitigations for resource gaps.

While these issues are indicative of a utility still embedding its investment planning processes, they do not diminish the seriousness of the concerns identified. For Arcadis' full findings on the deep dive assessment, see Section 4.1 of CRU2025139a.

5.5 Review of Non-Network Capex

This section sets out Arcadis' review of Uisce Éireann's proposed Non-Network Capex. Uisce Éireann's Non-Network Capex comprises of Information Technology, Business Change, Fleet & Facilities (i.e. vehicles and offices), and UÉT.

5.5.1 Introduction and overview

Non-Network Capex consists of all capital expenditure not directly related to the provision of water or treatment of wastewater. Uisce Éireann's Non-Network Capex focuses on four key themes:

- Cybersecurity
- Data collection, management and analysis
- Completing the UÉT
- Developing in line with the property strategy

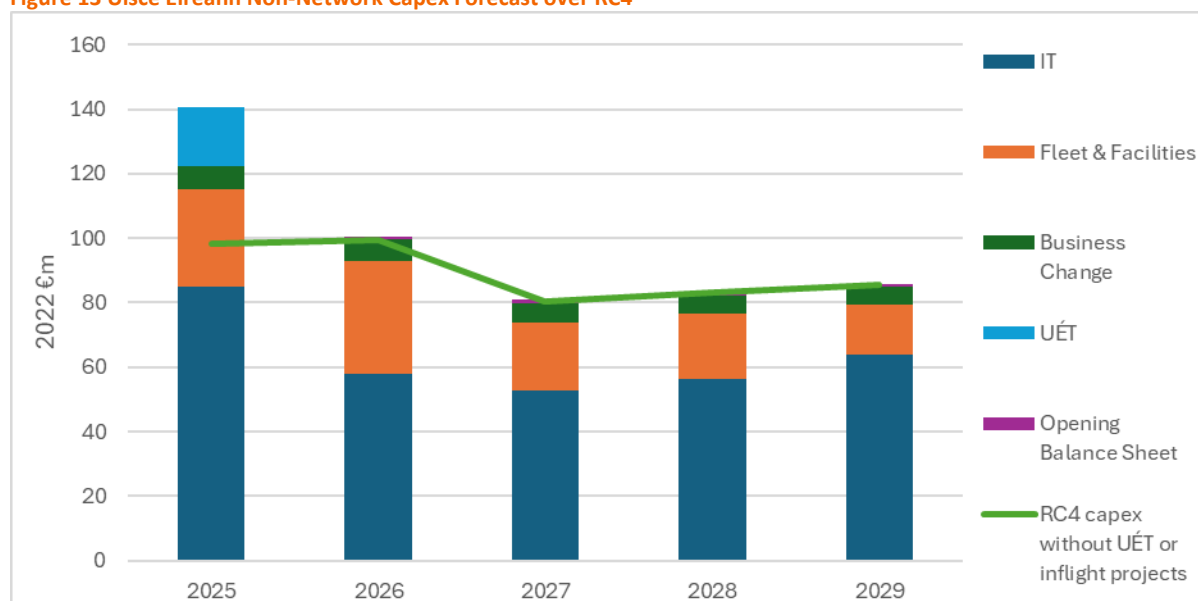
Arcadis have noted that as Uisce Éireann completes the UÉT and unifies its systems and processes, data collection and management is a critical theme for Uisce Éireann. The CRU recognises an urgent need for Uisce Éireann to better understand its assets and the regular collection of data from them. This would not only better inform Uisce Éireann's planning and drive cost-efficiencies but also provide the CRU and other stakeholders relevant and important information, such as security of water supply in Ireland.

RC4 non-network capex has increased by 16% in real terms relative to RC3. While RC3 non-network capex increased throughout the period, it decreased in RC4, with nearly half the total spend occurring in the first two years. This is due to the conclusion of the UÉT (December 2026), and the completion of inflight projects from RC3, as well as delayed projects not started in RC3.

Uisce Éireann has introduced an Opening Balance Sheet. This summarises the relevant liabilities, creditors and debtors acquired from the local authorities when Uisce Éireann took over Ireland's water services as part of UÉT. The non-network capex part of the Opening Balance Sheet is predicted to have a total value of €3.4m.

The non-network capex budget is only 6.1% of the total RC4 capex requested. Arcadis notes that its profiling means that it accounts for nearly 12% of the total capex requested for 2025. Arcadis opine that this is reasonable, as this is due to Uisce Éireann completing projects from RC3 (inflight projects, UÉT, and delayed projects not started in RC3). Further information on all of themes mentioned in this section can be found in Chapter 5 of CRU2025139a.

Figure 13 Uisce Éireann Non-Network Capex Forecast over RC4



5.5.2 Information Technology

IT capex covers the products and services keeping Uisce Éireann secure, optimally running and capable of growth. Uisce Éireann is at an early stage of unifying and improving IT systems and cyber-security and has requested €315.8m for the RC4 period.

The majority of expenditure is in Business Growth and Development Projects, and IT Water and Wastewater Projects. The most expensive projects focus on cybersecurity, data management and modernisation, which are key areas to facility growth and safe operation for Uisce Éireann into future revenue control periods. The CRU positively note that Uisce Éireann have maintained a focus on collecting, analysing and managing asset data understanding, which was an area identified for improvement in the SWI report.

Table 32 IT Cost Breakdown by Sub-Category

IT Cost Sub-Category	RC4 Request (2022 €m)	Sub-Category description
Business Growth and Development Projects	108.4	Incorporating new/upgraded technologies that allow the business to grow
IT Water and Wastewater projects	94.7	Improving cybersecurity and data quality and management
IT Run Maintain	66.0	Supporting and updating current IT infrastructure and applications
IT Environment / Regulation / Customer	46.8	Compliance with Irish and EU legislation and improve customer experience
Total	315.8	

Arcadis opines that Uisce Éireann is in the early stages of unifying and improving IT systems and cyber-security in line with regulatory requirements. Arcadis is encouraged to see Uisce Éireann focusing on collecting, analysing and managing data, given that improving Asset intelligence was a SWI report recommendation.

Arcadis completed a Digital Readiness Assessment on Uisce Éireann, concluding that Uisce Éireann met or exceeded legislative compliance and standard practice on all eight criteria. Of the four criteria where Uisce Éireann exceeds legislative compliance and standard practice, two meet 'Good Practice', one meets 'Good practice approaching best practice', and one (Scalability) meets 'Best Practice'. More information on this assessment can be found in Section 5 of CRU2025139a.

Uisce Éireann is adopting new software which will support integrating Uisce Éireann's systems and more efficient resource allocation, bringing Uisce Éireann in line with construction industry best practices and ISO 19650 (as required by CRU mandate). However, Arcadis recommends that the transition to new or upgraded software warrants an investigation of cost savings in the IT Run Maintain category.

5.5.3 Business Change

Business Change costs are associated with supporting the delivery of complex projects, including project, portfolio and change management, business analysis, process delivery, and on-going support. Uisce Éireann has requested €31.2m for Business Change costs over RC4.

The largest subcategory spend is Corporate Strategy (€20.4m), which leads identification of development opportunities, and the planning and delivery of projects to address identified needs.

Table 33 Business Change Breakdown by Sub-Category (Source: CRU2025139a pg 194)

Business Change Cost Sub-Category	RC4 Request (2022 €m)	Sub-Category description
Projects Continuing into RC4	6.6	Support for inflight projects from RC3
Run-Maintain	4.2	Support for small projects and BAU Business Change activity
Corporate Strategy - New Demand	20.4	Leading across whole project lifecycles from need identification to delivery
Total	31.2	

5.5.4 Fleet & Facilities

The Fleet & Facilities category includes costs relating to the management of company vehicle and physical offices and laboratories. Over RC4, Uisce Éireann has requested a total of €122.0m for this category, split over five sub-categories, seen in Table 34 below.

Table 34 RC4 Fleet & Facilities Request by Sub-Category

Fleet & Facilities Cost Sub-Category	RC4 Request (2022 €m)	Description of Sub-Category
UÉT – Establishment Operations Centre	47.7	Bases for staff, fleet, equipment and machinery
UÉT – Establishment of Uisce Éireann Offices	15.9	Local offices to provide a presence across the country
Fleet (UÉT and BAU*)	37.6	Consolidating Uisce Éireann and LA vehicles and mobile equipment
Scientific Technical Services (F&F)	8.0	Delivering the Limerick and Eastern Region laboratories for national testing (started RC3)
Facilities (BAU)	12.8	Energy efficiency upgrades to comply with EU regulation
Total	122.0	

*BAU – Business As Usual

The Uisce Éireann Property Strategy relates to improving energy efficiency and reducing vehicle emissions. The Strategy is funded through several of the sub-categories, with a total request of €22.0m. Enacting this strategy involves delivering additional offices, Area Operations Centres and Local Operations Centres by 2026. The Operation Centres are distribution centres where staff, tools, spare parts, equipment and machinery are based.

The establishment of the Operations Centres is the largest Fleet & Facilities cost, and UÉ have deemed this critical due to the impact on operations. Plans for the Operations Centres and offices were laid out in RC3 but were delayed to RC4 due to pandemic restrictions and the impact on the construction industry. Uisce Éireann mapped the locations to ensure that every point of Uisce Éireann’s network is less than 60km away from an Operations Centre, and that staff are transferred less than 45km. Arcadis understands the location and number of offices minimises the relocation of existing staff and allows even coverage of the Uisce Éireann network. Arcadis finds this approach sensible and the objectives reasonable.

The second largest expense category is the consolidation of the existing LA fleet. Uisce Éireann found a substantial portion to be unfit for purpose, not standardised, or posing a health and safety risk to staff. The fleet size is expected to reduce by approximately 600 vehicles, resulting in a final fleet of 1,580 vehicles at the end of RC4, primarily light commercial vehicles. The final fleet will include 450 light commercial vehicles and 12 electric/alternative fuel heavy goods vehicles. The new fleet will be compliant with the Clean Vehicles Directive and Public Sector Climate Action Mandate of 2022.

Arcadis is encouraged that Uisce Éireann set out clear targets for each sub-category at the start of the RC4 period, helping to measure progress. This is an improvement on RC3 where sub-category targets were unclear.

5.5.5 Uisce Éireann Transformation Programme

The UÉT programme implements the transition in responsibility of Ireland’s water and wastewater services from 31 Local Authorities to a single publicly owned national utility (Uisce Éireann). Planned to be completed in RC3, the UÉT was delayed and will complete by December 31st, 2026. As such, the only requested Capex for UÉT in RC4 is during 2025.

Uisce Éireann estimated in the RC3 Lookback submission that the UÉT would be delayed but remain within the original budget. Arcadis notes that Uisce Éireann has overspent by €5.2m (5.6%), in 2022 monies.

Although further integration and streamlining over RC4 will be required, Uisce Éireann has recognised the core processes and investments to amalgamate the previously disparate services within one national authority. Arcadis has not identified any major risks to the UÉT and believes Uisce Éireann’s progress is reasonable given the complexity of the transition.

Table 35 Uisce Éireann Transformation Programme Request by Sub-Category

UÉT Cost Sub-Category	RC4 Request (2022 €m)	Sub-Category description
Implementation costs	14.9	Resources supporting the transformation into an SPU
Internal Staff Costs	0.5	Resources directly working on the UÉT

IT Costs	0.8	Software costs including licencing, support and maintenance
Other Costs	2.1	Supporting the transfer of staff from LAs to Uisce Éireann
Total	18.3	

5.6 CRU View on Efficient Level of Capital Expenditure

Following their review, Arcadis has proposed an approach and recommended two options to incentivise Uisce Éireann’s capital expenditure for efficiency. Both options are based on applying regulatory cost reductions to network capex, and a 0.2% ongoing net efficiency challenge on the total capex. Option 1 represents an overall 6% reduction to Uisce Éireann’s capex and Option 2 represents an overall 8% reduction.

Table 36 Summary of proposed capex efficiency challenge as a reduction in capex

UÉ’s Capex submission	Option 1	Option 2
€8,561	€8,040	€7,888

5.6.1 The CRU’s Proposed Alternative Efficiency Challenge

The CRU notes that efficiency challenges can be applied in one of two ways:

- Reducing expenditure while maintaining outputs, or
- Maintaining expenditure levels while delivering additional outputs/outcomes (‘deliver more’)

In this paper, the efficiency challenge is calculated as a reduction of Uisce Éireann’s capex. However, **the CRU proposes applying the efficiency challenge through allowing the full capex request (€8,561) but requiring an 8% increase in delivery of outputs/outcomes.**

The CRU’s proposed approach enables Uisce Éireann to deliver additional deliverables rather than returning cost savings to the Exchequer. **This drives Uisce Éireann to deliver more for its customers and strive to negotiate better outcomes from its frameworks.**

In addition to the customer benefit of applying the efficiency challenge as an increase in delivery rather than reduction in capex, the CRU proposes this approach for the following reasons:

- The demonstrated need for substantial investment in water and wastewater services (stemming from historic under-investment)
- The opportunity to maximise value from Uisce Éireann’s unique funding model, where the Minister has approved a dedicated funding envelope
- Arcadis’ assessment that Uisce Éireann has capacity to “deliver more”

- Confidence in the proposed RC4 enhanced and bespoke monitoring mechanisms to incorporate the additional outputs into the RC4 Regulatory Framework and Revenue Model (see CRU2025135)

To implement the efficiency challenge through increased outputs/outcomes, Uisce Éireann will be required to submit comprehensive delivery plans that clearly define measurable outputs/outcomes and demonstrate how these will be achieved during RC4. The CRU welcomes the submission of such plans from Uisce Éireann in response to this draft decision.

While Uisce Éireann is best placed to propose the additional outputs, the CRU notes that the RC3 and RC4 assessments highlighted several key areas that may benefit from additional focus:

- Asset Health
- Wastewater Infrastructure (above/below ground)
- Leakage Reduction
- Additional wastewater network capacity
- Additional water network capacity

To assess Uisce Éireann’s proposed additional outputs, the CRU proposes using the same mechanism as for un-ringfencing, outlined in section 6.4.11.

The CRU will only accept proposals with sufficient detail and measurable outputs that are delivered within the RC4 period. Uisce Éireann’s submission must at minimum provide the below information for each additional output (Table 37).

Table 37 Required information for Proposed Projects/Programmes submission

Project / Programme	WSPS Theme	Portfolio	Cost	Completion Date	Urgency / Need	Outputs	Impact	Delivery risks & Mitigations
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In addition to the current requirement for Uisce Éireann’s Executive to sign off on reports, the relevant Committee should also provide their signature. This measure aligns with the CRU’s RC4 reporting and submission requirements and seeks to enhance accountability through greater clarity of responsibility.

Approved projects/programmes or changes to existing projects/programmes will be added to the CIP (see CRU2025135). Should Uisce Éireann fail to deliver the additional outputs associated with efficiency challenge, the CRU will claw back the proportionate funding through the k-factor review at the end of RC4.

CRU Consultation Question(s):

Q8. Do you have comments on Uisce Éireann's capital expenditure request?

Q9. What are your views on the efficiency scenarios identified by Arcadis (i.e., a 6% or 8% efficiency challenge on Uisce Éireann's proposed capital expenditure)? Please provide reasons for your view.

Q10. What are your views on the CRU's proposal to apply a regulatory challenge by requiring Uisce Éireann to deliver 8% more outputs, in place of reducing the allowed level of expenditure?

5.6.2 The CRU's Proposed Cost Efficiency Challenge

This section sets out how Arcadis' cost efficiency options above are built up, and the CRU's reasoning for its proposed efficiency challenge. Note that the cost efficiency is presented here as an expenditure reduction for easier calculation.

Arcadis' top-down review found that Uisce Éireann's governance and processes are largely on a good pathway and should become properly bedded-in during RC4 and early RC5. Arcadis find Uisce Éireann generally well positioned to deliver the submitted capital portfolio, and Uisce Éireann has identified the primary risk to delivery and have taken steps to maintain a steady supply chain.

Although Arcadis' top-down review is broadly positive, Arcadis' bottom-up review presents a mixed picture, suggesting that the implementation of these broadly reasonable processes and governance is not yet implemented. Of the 34 projects and programmes, 15 projects (49% of the deep dives by value) had either insufficient evidence justifying the expenditure or have major issues. Arcadis therefore propose cost reductions to these 15 projects.

Since the bottom-up review was of a representative sample of Uisce Éireann's complete portfolio of projects/programmes, Arcadis extrapolates the findings to propose an additional cost reduction to 49% of the remaining network capex, with a few exceptions. This 49% value reflects the proportion of Uisce Éireann programmes (by value) that Arcadis expect to have either insufficient evidence justifying the expenditure or have major issues.

The exceptions to the proportional cost reduction are the Water Supply Project and the portion of Capital Maintenance not assessed in the deep dives. The Water Supply project is exempted as it is additionally assessed outside of the revenue control³⁹. Based on NERA's econometric benchmarking on the proposed Capital Maintenance, Arcadis assess the spend as adequate and suggests no further cost challenges spend beyond the reductions stemming from the specific deep dive findings.

Arcadis proposes two options for regulatory cost challenges based on the bottom-up review. Arcadis proposes a minimum cost reduction of 5%, or a conservative 10% reduction to both the 15 above identified projects, and to 49% of the remaining susceptible network capex. This

³⁹ Note that the deep dives included the GDD, which is why it is not specifically mentioned here.

represents a regulatory challenge to Uisce Éireann for the projects and programmes it was unable to fully justify or had major issues and provides an opportunity for improving efficiency within the capex portfolio and overall performance of the Uisce Éireann.

These cost reductions reflect international best practice for applying regulatory cost reductions where costs are insufficiently detailed or justified. Arcadis notes that in other jurisdictions, these regulatory reductions can be 10%-20%, or even 100%. Given Uisce Éireann's is still a maturing company and has less regulatory cycle experience than other utilities, Arcadis recommend either a 5% (€159m) or 10% (€318m) reduction.

Table 38 Breakdown of Deep Dive and Network Capex Challenge (€m)

Total Network Capex Requested	8,070.10
Deep Dives	4,395.43
Value of the 15 Challenged Deep Dives, 49% of deep dives (A)	2,167.95
WSP	1,504.39
Capital Maintenance (excl. Deep Dives)	119.68
Network Capex excl. deep dives, WSP, Capital Maintenance (B)	2,050.60
Value of Extrapolated Challenged Network Capex (C = B*0.49)	1,011.41
Total Network Capex eligible for 5% or 10% challenge (A+C)	3,179.36

Arcadis also propose applying an annual ongoing efficiency challenge on Uisce Éireann's overall capex. This is a standard efficiency challenge regulators impose, based on the assessment of estimated growth in productivity, either across the entire economy or of comparable companies. Since Uisce Éireann did not propose any visible capex efficiencies at an overall portfolio level, Arcadis proposes an ongoing annual efficiency assumption of 1.0%. This follows discussions with NERA and is in line with recent regulatory precedent.

Uisce Éireann proposed a forecast inflation (RPE) of 1.1%, based off a hybrid index intended to best represent the inflationary pressures specific to Uisce Éireann. This hybrid index is constructed from six different price indices, tracking things such as the costs of construction labour, wholesale construction materials, wholesale fuel, and mechanical/electrical materials. Together with NERA, Arcadis reviewed Uisce Éireann's forecast and hybrid index. NERA and Arcadis accept Uisce Éireann's hybrid index as reasonable, however drawing on historical data of the sub-indices, arrive at an average RPE forecast of 0.8% increase to costs each year of RC4. As the RPE is a forecast, both the CRU and Uisce Éireann expect to update this figure throughout RC4. More information about the hybrid index and NERA and Arcadis' analysis can be found in Section 6 of CRU2025139a.

Applying the 0.8% RPE and the 1% ongoing efficiency result in a net 0.2% reduction each year of RC4. Arcadis recommends applying this net reduction to both Uisce Éireann's Network and Non-Network Capex.

Below is a summary of Arcadis' two proposed options. Note that the CRU would apply the cost challenge as an untargeted 6% or 8% reduction to the total capital expenditure. This provides flexibility and incentivises Uisce Éireann to implement and benefit from efficiencies throughout their entire capex portfolio, rather than forcing efficiencies out of one element of it.

Option 1

An overall reduction in capex totalling **6% relative to Uisce Éireann's 2024 submission**.

This is calculated from:

- a 5% reduction applied to the 15 identified deep dives,
- a 5% reduction applied to 49% of the eligible remaining Network Capex, and
- a net ongoing efficiency challenge (after accounting for inflationary RPE) of 0.2% applied to the total Capex request.

Option 2

An overall reduction in capex totalling **8% relative to Uisce Éireann's 2024 submission**.

This is calculated from:

- a 10% reduction applied to the 15 identified deep dives,
- a 10% reduction applied to 49% of the eligible remaining Network Capex, and
- a net ongoing efficiency challenge (after accounting for inflationary RPE) of 0.2% applied to the total Capex request.

5.6.3 Additional Capex recommendations

Arcadis identified 32 additional recommendations across 14 themes, listed below. These are a result of Arcadis top-down and bottom-up review, where they found shortcomings requiring Uisce Éireann's attention. **The CRU is concerned at the breadth and content of these shortcomings and proposes that Uisce Éireann implement all 32 RC4 recommendations during RC4.**

Arcadis RC3 lookback review (CRU2025139g) also provides five recommendations covering Asset Health, Strategic Wastewater and Drainage Planning, Cross-Portfolio Learning, Community Engagement, Data Quality and Reporting. 66.68. The CRU note that Uisce Éireann's understanding of Asset Health is a recurring concern.

The CRU propose Uisce Éireann implement the five recommendations outlined above during RC4, alongside the above 32 recommendations from Arcadis' RC4 forecast review. The CRU proposes Uisce Éireann reviews both sets and consolidate them where appropriate when developing its implementation plan.

The CRU will monitor Uisce Éireann's progress in implementing the below recommendations with a standalone, independent report provided by Uisce Éireann. Further details on this report and the CRU's monitoring are detailed in Section 5.2 of CRU2025135.

1. Measuring performance

- Arcadis recommends that Uisce Éireann provides supplemental outcomes and outputs for those parts of the capex programmes which don't currently have them assigned.

- Arcadis recommends that capital maintenance programmes are measured using the existing serviceability metrics within the PAF framework. For projects yielding O&Os beyond RC4 - the related RC5 O&O should still be reported separately to CRU for visibility and progress tracking. This would help to outline a clear definition of value to customers.

2. Managing Change

- Arcadis recommends that Uisce Éireann is required to document any changes to its RC4 capital programme through an annual change control process which should also indicate which drivers have led to the programme change (and proposed mitigants).
- Arcadis recommends that capex efficiency is improved by avoiding making changes to the programme unless required through external drivers.
- Arcadis recommends that the current overall process of setting priorities and funding is reviewed by Uisce Éireann, the CRU, and other stakeholders, so that late changes to funding envelope and to priorities do not lead to inefficiencies in capex delivery.

3. Improving Asset Intelligence

- Arcadis recommends that Uisce Éireann improves its asset intelligence over RC4
- Arcadis recommends that the governance of the structured stakeholder engagement for capturing asset condition and asset risk is improved.
- Arcadis recommends that Uisce Éireann develops a plan, with timelines, to reach desired asset condition data state. This can be over multiple RC periods.

4. Estimating Costs

- Arcadis recommends that Uisce Éireann checks uncertainty allowances. Stage 1 allowances are currently set at less than 30%, while industry norms are 50% to 60%.

5. Shortening Project Development Timelines

- Arcadis recommends that Uisce Éireann develops standardised solutions where known and standard solutions are available to simplify capital project optioneering. This could take the form of a simple matrix of solutions with key criteria.
- Arcadis recommends that Uisce Éireann adapts the current standard durations approach, with more frequent updates such as quarterly or semi-annually.
- Arcadis recommends that Uisce Éireann develops separate duration benchmarking focused on risks such as judicial challenges.

6. Managing Risk

- Arcadis recommends that Uisce Éireann develops a stakeholder and community engagement framework as part of Uisce Éireann's governance of capital projects. It may be worth considering if there are lessons from Eirgrid and ESN approaches as well as finding internal best practice.

7. Procurement Processes

- Arcadis recommends that Uisce Éireann ensures that contractor proposals which lead to scope and cost escalations are being appropriately challenged.

8. Capex Projects and Programmes

- Arcadis recommends that Uisce Éireann continues current good work on consistency in capital decision making.
- Arcadis challenges the need definition and scope of the current metering programme as the value for money of the large domestic component is unclear. Arcadis' view is that the programme should be significantly revised and reduced, with a focus on maintaining billing, and a minimum number of replacements to support water balance and leakage calculations. Arcadis recommends that Uisce Éireann reviews the need case for this investment.
- Arcadis recommends that Uisce Éireann investigates opportunities to drive cost efficiencies and innovation within the lead replacement programme to mitigate further cost increases during RC4. The CRU seeks feedback from Uisce Éireann on measures it can take to address this recommendation and feedback from stakeholders and customers in this regard.
- Arcadis recommends that Uisce Éireann implement a process to carry out internal project reviews for projects which have substantial cost increases between stage gates.

9. Resilience of Water Supplies

- Arcadis recommends a significant acceleration of the proposed development of the alternative metrics for security of supply.
- Arcadis recommends that Uisce Éireann develop and annually report one or more metrics of total system security of supply risk, this could be the existing Security of Supply Index metric which Uisce Éireann was required to report on in RC3 or an alternative proposed by Uisce Éireann.

10. Asset Health and Capital Maintenance

- Arcadis recommends an increase in ambition and accelerating of the asset strategies development and asset data understanding to improve asset management and the resulting asset performance within RC4.
- Arcadis recommends that Uisce Éireann set out a clear timeline for achieving ISO 55001 Asset Management Certification to drive ambition and focus on most relevant data-based development in its capital maintenance and asset management practices. The approach and timelines should enable the CRU to track progress throughout RC4.

11. Funding Major Projects

- Both major projects were funded via ringfenced funding in RC3, and Arcadis opines it reasonable to use a similar funding mechanism for RC4, however Uisce Éireann should provide updates on progress for each project as part of annual performance reporting.
- Arcadis recommends that Uisce Éireann build on the existing delivery plan to include detailed and structured stakeholder engagement map and plan to manage various interested parties to limit potential further delays.
- Arcadis recommends regular reviews by Uisce Éireann of innovation and efficiencies to drive collaborative and efficient approaches throughout WSP and GDD delivery and identify efficiencies that lead to cost and time savings.

12. Complying with Environmental Regulations

- Arcadis recommends early discussion between Uisce Éireann and CRU on implications of the recast UWWTD to understand the additional work and funding required. Whilst Uisce Éireann is currently assessing the details, early engagement with CRU can help with early visibility and understanding of any potential impact on the RC4 portfolio. A balance will need to be struck between maintaining regulatory oversight and keeping administrative overheads to a minimum.
- As it is unlikely all RBMP will become compliant by 2027, Arcadis recommends discussion on accelerating assessments as well as completion of Drainage Area Plans to enable informed decision making on future investment needs.
- Arcadis recommends Uisce Éireann maintain communication with the EPA to align reporting on agglomeration compliance with reporting in the business plan.

13. Information Technology (IT)

- Arcadis recommends further investigation into cost saving opportunities in the IT Run Maintain category.

14. Connections

- Arcadis recommends developing metrics to measure how Uisce Éireann contributes to housing growth through new connections. Other regulators of water companies have done this through a mixture of time-to-quote, time-to-connect targets, strategic connections planning for large developments (where standard time targets may not be appropriate), and developer experience measures.
- Arcadis recommends developing suitable metrics for housing developers and for non-domestic connections such as time-to-quote, time-to-connect.
- Arcadis recommends developing a measure of developer experience of housing developers which could be based on the DMEX metric used by Ofwat for England and Wales

RC3 Lookback recommendations

Arcadis' RC3 lookback review (CRU2025139g) identified five recommendations for Uisce Éireann to improve upon, listed below. The CRU expects Uisce Éireann to implement and report upon these recommendations along with the 32 recommendations derived from Arcadis' RC4 forecast review.

1. Strategic Wastewater and Drainage Planning

- Extend the catchment-based approach used in water resource planning to wastewater and drainage. Early steps toward short-, medium-, and long-term drainage strategies should begin in RC4 to enable optimised, collaborative solutions.

2. Asset Health

- Prioritise capital maintenance and asset health planning alongside new infrastructure delivery. Develop robust condition and risk assessment frameworks, consistent reporting metrics, and transparent protocols for asset health data.

3. Cross-Portfolio Learning

- Embed structured cross-learning between water and wastewater teams. Institutionalise practices such as early engagement, modular construction, improved procurement, and programme-based delivery.

4. Community Engagement

- Adopt a systematic approach to early stakeholder engagement across all programmes to reduce delays and mitigate risks. Establish clear internal protocols to ensure consistency.

5. Data Quality and Reporting

- Improve completeness and accuracy of project data, maintain clear audit trails, and align reporting standards with EPA requirements. Strengthen internal controls to support transparent and consistent portfolio reporting

CRU Consultation Question(s):

Q11. Do you have any comments on the CRU's proposal for Uisce Éireann to implement and report on Arcadis' 32 recommendations identified for RC4, and the additional five recommendations from the RC3 lookback review? Please indicate, with reasoning, if you believe any should be prioritised or modified.

5.7 Summary of the CRU's Capex Proposals and View on Deliverability

This section summarises the CRU's proposed Capex Efficiency challenge, and further proposals stemming from Arcadis' capex review. The section concludes with Arcadis' opinion on the deliverability of Uisce Éireann's RC4 Investment Plan.

5.7.1 Capex Efficiency Challenge

The CRU proposes an 8% efficiency challenge to Uisce Éireann's total capital expenditure submission, implemented through additional delivery obligations, funded within the requested expenditure envelope. This drives Uisce Éireann to deliver more and better outcomes for its customers.

Table 39 RC4 Capex values showing Arcadis' Options and the CRU's proposed capex efficiency challenge (€m)

	UE's Capex submission	Option 1	Option 2	CRU's Proposal
RC4 Capital Expenditure	8,561	8,040	7,888	8,561
Efficiency in €m (2022)	-	521	673	673
Efficiency as % of Capex submission	-	6% reduction	8% reduction	8% increase in delivery

The CRU notes that an efficiency challenge may be applied either by reducing Uisce Éireann's capital expenditure or by requiring the delivery of additional outputs within the same level of expenditure. The CRU favours the latter approach, enabling Uisce Éireann to deliver additional deliverables rather than returning cost savings to the Exchequer.

For the CRU to implement this approach, Uisce Éireann will be required to submit a detailed update to the RC4 Investment Plan with defined and measurable outputs and to clearly demonstrate how it intends to achieve these (see section 6.6 below for details). The CRU welcomes such a submission from Uisce Éireann as part of its response to this paper.

5.7.2 Recommendations arising from Arcadis' RC4 Assessment

Arcadis identified 32 recommendations across 14 thematic areas during the RC4 capex review (see Table 40 below). These recommendations are a response to shortcomings Arcadis identified, primarily through its deep-dive assessment. **The CRU propose that Uisce Éireann implement all 32 RC4 recommendations during RC4.** The CRU will monitor Uisce Éireann's progress in implementing the below recommendations with a standalone, independent report provided by Uisce Éireann. Further details on this report and the CRU's monitoring are detailed in Section 5.2 of CRU2025135.

Table 40 Themes under which Arcadis propose 32 recommendations

1	Measuring Performance	8	Capex Projects and Programmes
2	Managing Change	9	Resilience of Water Supplies
3	Improving Asset Intelligence	10	Asset Health and Capital Maintenance
4	Estimating Costs	11	Funding Major Projects

5	Shortening Project Development Timelines	12	Complying with Environmental Regulations
6	Managing Risk	13	Information Technology (IT)
7	Procurement Processes	14	Connections

5.7.3 Recommendations Building on RC3 Learnings

Arcadis identified five additional recommendations in its RC3 lookback review, covering Asset Health, Strategic Wastewater and Drainage Planning, Cross-Portfolio Learning, Community Engagement, Data Quality and Reporting. **The CRU propose Uisce Éireann implement these five recommendations during RC4**, alongside the above 32 recommendations from Arcadis' RC4 forecast review.

While some of the recommendations may overlap, the CRU has kept them separate here for transparency. The CRU proposes Uisce Éireann reviews both sets and consolidate them where appropriate when developing its implementation plan. The plan and the monitoring of Uisce Éireann's implementation of the plan through a regular standalone report is detailed in Section 5.4 of the CRU2025135 Regulatory Framework.

5.7.4 Projects and Programmes Without Clear Delivery Obligations

Uisce Éireann provided substantially more information for the RC4 review than in RC3. However, the CRU is particularly concerned that a proportion (26%) of proposed RC4 projects and programmes do not have quantified delivery obligations. There is therefore no clear plan on what Uisce Éireann will do with the requested funding allocated to these projects and programmes. Chapter 3.7 of CRU2025135 outlines how the CRU proposes to approach the funding and monitoring of these projects/programmes, to ensure transparency and accountability.

5.7.5 Addressing projects and programmes of assessed in the Deep Dives

Arcadis' bottom-up assessment included deep dives on 34 projects and programmes, representing 54% of total network capex. In addition to the 15 projects and programmes with significant issues or major information gaps, the CRU note that Arcadis identified an additional 10 projects and programmes with potential deliverability or cost escalation issues. These 10 projects and programmes do not inform the proposed regulatory challenge.

Separate from the regulatory challenge, the CRU proposes incentivising and requiring additional accountability for these 25 projects/programmes to strengthen accountability and improve deliverability. These proposals are not to be interpreted as a critique or response to Uisce Éireann's overall capital programme. Instead, they reflect the CRU's commitment to ensuring value for customers and accelerating the delivery of capital works that Arcadis identified as requiring additional attention from Uisce Éireann.

The CRU's proposals, detailed in the following tables, include the use of the CRU's Enhanced Capital Investment Plan (CIP) Report. The Enhance CIP is a key monitoring tool used by the CRU, designed to closely track and report on the progress and spend of all of Uisce Éireann's projects and programmes. The Enhanced CIP is set out in detail Section 5.4 of CRU2025135.

For six programmes that Arcadis specifically called out with serious concern, the CRU is additionally proposing the following:

Capital Maintenance programmes (WWAG and WSAG): Uisce Éireann did not provide clear delivery obligations, so the CRU will monitor and these programmes through proxy indicators in the CRU’s Performance Assessment Framework (PAF). More detail on the PAF and this monitoring can be found in CRU2025135.

Find and Fix (Leakage): The CRU proposes additional annual reporting and a detailed programme plan from Uisce Éireann. Further information on this monitoring and requested plan can be found in CRU2025135. Please also see Section 5.2.4.3 for more detail on Uisce Éireann’s leakage programme and targets.

Metering Programme: The CRU propose that Uisce Éireann to carry out a review to justify the scale of the programme and consider deprioritising the domestic component. Further information is found in Section 5.2.4.

Early-Stage Wastewater Projects: Uisce Éireann did not provide clear delivery obligations, so the CRU will monitor these projects through an enhanced monitoring framework based on tracking progress through Uisce Éireann’s I2O steps. If evidence and discussions indicate concerns with following years plan for early-stage projects, the CRU may engage with Uisce Éireann to redirect a share of this funding towards other investments. See CRU2025135 for more detail.

The enhanced monitoring will strengthen the CRU’s and public oversight, ensuring accountability and transparency from Uisce Éireann in delivering their biggest Investment Plan to date. It is important that Uisce Éireann’s Executive are fully satisfied that any systematic issues from the findings of this RC4 review are shown to be either fully embedded in its processes or proactive steps taken to address the findings, so that Uisce Éireann Executive is also satisfied. The CRU is open to receiving this information during consultation phase.

Table 41 Summary of Projects and Programmes Arcadis identified as having major issues or significant information gaps

Portfolio	Number of Projects	Submitted cost (€m)	CRU’s Proposals for increased accountability
Water Service Above Ground	3	243.4	Close tracking within the Enhanced CIP
Water Service Below Ground	1	83.8	Close tracking within the Enhanced CIP
Wastewater Above Ground	5	195.9	Close tracking within the Enhanced CIP
Specifically called out Programmes (see Table 42)	6	1,644.4	Various, see Table 15 below

Table 42 Specific programmes identified by Arcadis as having major issues or significant information gaps

Programme Name	Submitted cost (€m)	CRU’s Proposals for increased accountability
Capital Maintenance (WWAG)	290.0	Additional monitoring through additional proxy indicators in the PAF (CRU2025135)
Capital Maintenance (WSAG)	272.5	Additional monitoring through additional proxy metrics in the PAF (CRU2025135)
Find and Fix (Leakage)	530.6	Additional Annual Reporting with UÉ to provide detailed plan with targets, milestones, resourcing, risks and mitigations (CRU2025135)
Metering Programme	210.4	Uisce Éireann to carry out a needs and CBA review to justify the scale of the (revised) programme.

		<p>Uisce Éireann consider deprioritising domestic meter installation/replacement and either:</p> <ul style="list-style-type: none"> • reduce allowed expenditure, • reallocate funding to Find and Fix, or • reallocate towards other new or existing projects <p>Further information in section 5.2.4</p>
Early-stage Projects – Wastewater (Availability and Reliability)	170.6	<p>Full funding approved in principle. An enhanced monitoring framework based on monitoring of UÉ’s I2O steps. If evidence and discussions indicate concerns with following years plan for early-stage projects, the CRU may engage with Uisce Éireann to redirect a share of this funding towards other investments. See CRU2025135 for more detail.</p>
Early-stage Projects – Wastewater (Safety and Quality)	170.3	<p>Full funding approved in principle. An enhanced monitoring framework based on monitoring of UÉ’s I2O steps. If evidence and discussions indicate concerns with following years plan for early-stage projects, the CRU may engage with Uisce Éireann to redirect a share of this funding towards other investments. See CRU2025135 for more detail.</p>

Table 43 Projects/Programmes identified by Arcadis as potentially experiencing deliverability issues or cost escalations

Portfolio	No. Projects/Programmes	Submitted cost (€m)	CRU’s Proposals for increased accountability
Water Service Above Ground	2	127.6	Close tracking within the Enhanced CIP
Water Service Below Ground	2	104.7	Close tracking within the Enhanced CIP
Wastewater Above Ground	3	64.7	Close tracking within the Enhanced CIP
Wastewater Below Ground	3	199.8	Close tracking within the Enhanced CIP

5.7.6 Arcadis’ View on Deliverability

The CRU acknowledges Arcadis’ assessment that Uisce Éireann is well positioned to deliver its RC4 Investment Plan and is a maturing utility on a positive trajectory. This view is supported by Arcadis’ finding that Uisce Éireann has broadly established the necessary contractual frameworks, is maintaining a diverse supply chain, and has a clear contracting strategy. Arcadis identified only a small number of projects (12) with potential deliverability risks (see Section 5.4.6) and recommended improvements in stakeholder engagement, risk mitigation, and addressing optimism bias (included in Arcadis’ 32 recommendations detailed in Section 5.6.3).

Arcadis note that Uisce Éireann is actively engaging with the market, suppliers etc. and is updating its frameworks to support long-term delivery. The CRU recognises this positive feedback. Arcadis note that while supply chain mobilisation remains a risk outside Uisce Éireann’s direct control, early contractor feedback has been positive. Uisce Éireann is also strengthening performance monitoring and cost oversight as it continues to build delivery capability.

CRU Consultation Question(s):

Q12. Do you have additional comments or views on any other proposals relating to this section on Capital Expenditure for RC4? Please reference the exact section number and provide your feedback with the rationale to assist the CRU’s final decision.

6. Review of Forecast Operational Expenditure

Opex refers to a business’s daily operational costs, categorized as controllable (e.g., staff, contractors, consultants, materials) and uncontrollable (e.g., regulatory levies and license fees). The regulatory framework incentivises Uisce Éireann to operate efficiently by setting future opex allowances based on efficient costs rather than actual or forecasted expenses, ensuring better value for customers. A thorough and independent regulatory review of opex is key to effective RC.

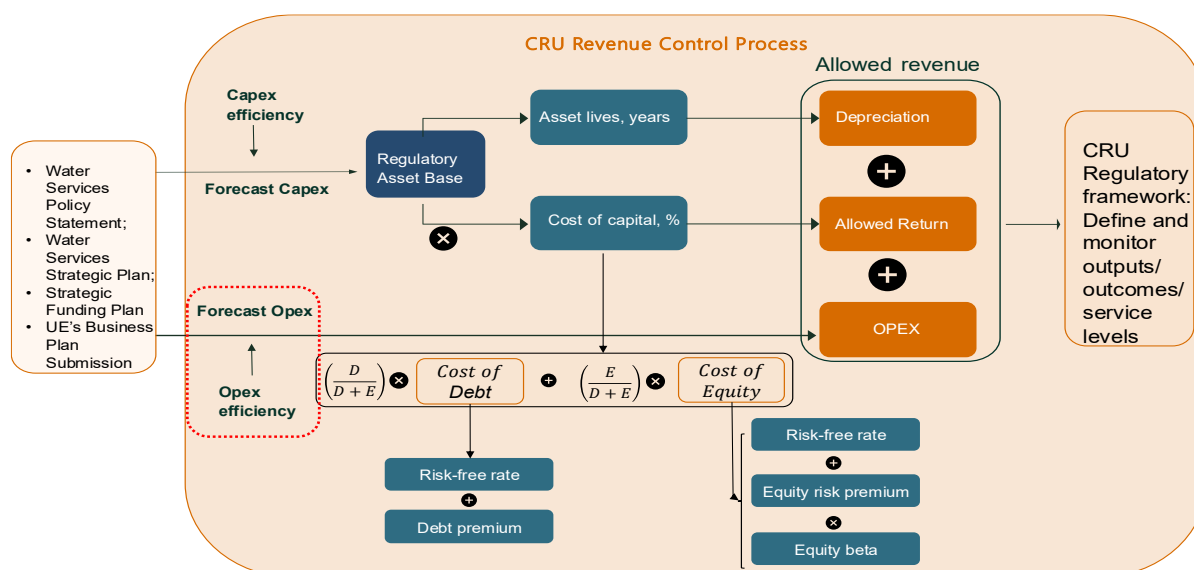
This section provides an overview of Uisce Éireann’s proposed operating costs for the RC4 period (2025-2029), CRU’s assessment of the efficiency of Uisce Éireann’s proposed opex costs, and the CRU’s proposed opex allowance for the period. Drawing on NERA’s benchmarking analysis, the CRU considers adjustments to incentivise Uisce Éireann is incentivised to deliver value for its customers and improve operational performance over time.

It is important to note that the opex cost assessment is based on information and data provided by Uisce Éireann’s board-approved RC4 Business Plan submitted in December 2024.

The abovementioned recent submissions (Section 1.3.2) from Uisce Éireann appears to highlight that at present Uisce Éireann does not have a full and completed understanding its full asset base and its opex needs. This will be discussed further in Section 6.4.4.

Visually, this section considers the following design features in respect of the opex efficiency to be applied to forecast opex highlighted in red in Figure 14.

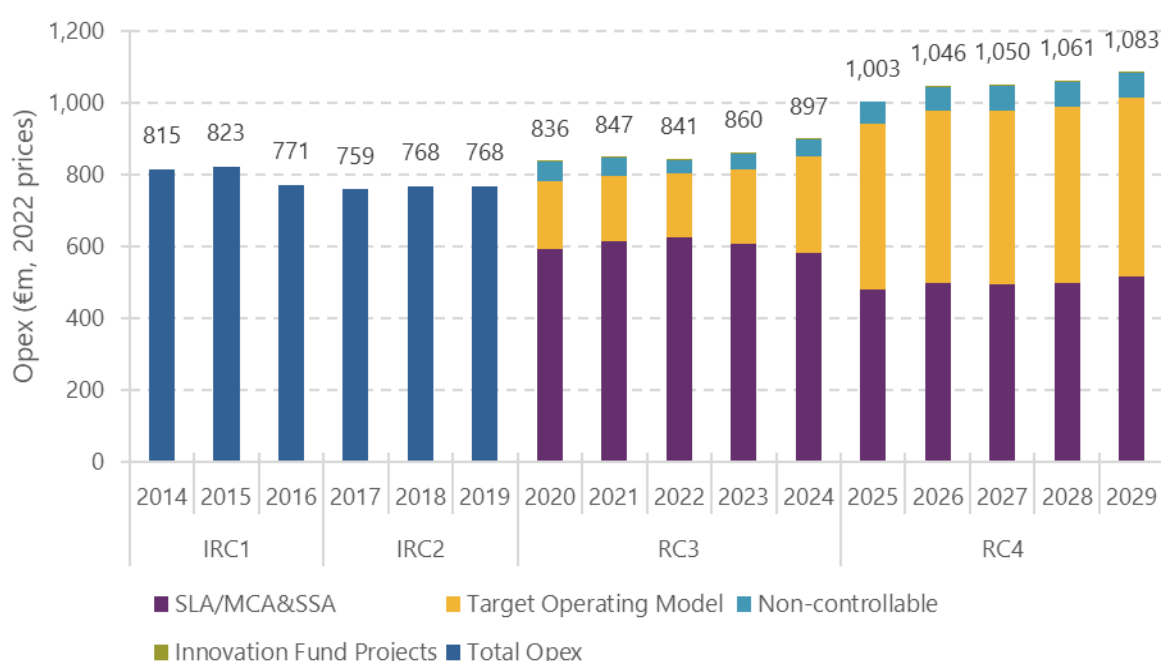
Figure 14 Illustration of the Cost of Capital’s Role Within the Revenue Control Process



6.1 Uisce Éireann’s Proposed Opex

Uisce Éireann has requested a total of €5,242m over the five-year RC4 period (Figure 15). This includes approximately €4,900m controllable Opex (including RPEs but excluding ongoing productivity), and €337m in non-controllable Opex. This total Opex figure represents an increase of 21% in controllable opex over RC4 relative to RC3 on average, and a 22% increase in total opex. The CRU’s assessment and proposal of opex allowances are set out in Section 6.4.

Figure 15 Uisce Éireann Historical Outturn and RC4 Proposed Operating Expenditure (sourced from Figure 2 in NERA’s RC4 Opex Look Forward Report (CRU2025139b))



At RC4, Uisce Éireann categorises its opex falling under various categories as summarised below:

- Design, Build and Operation (DBO) costs:** costs paid to external suppliers for the Design, Build and Operation of plants on behalf of Uisce Éireann. The DBO contracts are legacy contracts, consists of over 250 operational plants under 110 contracts with third-party contractors that were primarily negotiated by the LAs. Uisce Éireann’s intention is to gradually achieve full ‘in house’ operation of these sites, once each individual DBO contract matures.
- Energy costs:** energy costs associated with energy purchased from the ongoing operating of the network. This excludes energy procured by DBO contractors.
- Operations and Maintenance costs:** costs related to drinking water and wastewater operations and maintenance activities currently delivered in partnership with the LAs

through Master Cooperation Agreements and individual Support Service Agreements as agreed during the UÉT Programme.

Please note that the above three cost categories will be treated as expenditures under the Master Cooperation Agreements (MCA) and Support Service Agreements (SSA). Further details are provided in the sections below.

- **Uisce Éireann Target Operating Model (TOM):** costs related to the organisational structure, processes and systems to operate Uisce Éireann in line with the UÉT Business Case and Uisce Éireann SFP. Key functions within the TOM cost category are Payroll and Labour related costs, Finance and Facilities.
- **Uncontrollable Costs:** pass-through cost items not under Uisce Éireann's direct control, including Local Authority rates, regulatory levies and license fees.
- **Innovation Funded Projects:** costs which historically have been separately funded by the CRU, which enable Uisce Éireann to invest in new approaches and technologies which provide customer and environmental benefits.

6.1.1 Controllable Opex Costs (93.5%)

Uisce Éireann forecasts circa €4,900m in controllable opex over RC4, accounting for 93.5% of Uisce Éireann's total opex request. These opex costs can be regrouped into the following two categories:

- **Master Cooperation Agreements (MCA) and Support Service Agreements (SSA) expenditures** (51% of the controllable opex): At RC4, MCA and SSA replace the original Service Level Agreement (SLA) structure through the UÉT process, including the operational component of DBO costs (Design Build and Operate) which are contracted to external suppliers. Uisce Éireann forecasts a slight increase in service-related opex, from an average of €454m over RC3 to €497m over RC4. MCA and SSA costs account for a large proportion of Uisce Éireann's proposed controllable operational expenditure (47% of total proposed opex or 51% of Uisce Éireann's total proposed controllable opex).
- **Target Operating Model (TOM) costs** (49% of the controllable opex): TOM costs consist of Payroll costs, which account for labour-related costs such as staff resources and training, and Non-Payroll costs, which refer to other costs incurred by each TOM function in delivering their activities. Uisce Éireann forecasts that TOM will rise from an RC3 average of €356m to an RC4 average of €483m. The cost increase over RC4 is explained by a step-up in labour-related costs at RC4, as well as an increase in costs across a wide range of other categories, including professional services, establishment and rent, which includes costs related to the termination of the centre management costs (CMC), and IT and telecoms. TOM costs account for 46% of Uisce Éireann's total proposed operational expenditure and 49% of Uisce Éireann's total proposed controllable opex.

6.1.2 Non-Controllable Opex (6.4%)

Uisce Éireann's request for uncontrollable operation costs is consistent with the CRU's previous RC decisions, which defined Licences / Levies and Commercial Rates as uncontrollable costs. As part of its RC4 submission, Uisce Éireann requested €337m to cover its Regulatory Levies and Commercial Rates for 2025 – 2029, reflecting a 46% increase in non-controllable costs from RC3 to RC4. Table 1 in NERA's RC4 Opex Look Forward Report (CRU2025139b) shows a further year-by-year breakdown of Uisce Éireann's request. The CRU accepts these as pass-through costs and has proposed a full allowance in line with established regulatory practice.

6.1.3 Innovation Funded Opex (0.1%)

In addition to the rollover of unspent RC3 funds (€1.1m), Uisce Éireann proposes an allowance of €5.43m for innovation projects over the RC4 period. The CRU is of the view that Uisce Éireann's proposal is appropriate, and the allowance is not subject to the CRU's efficiency challenge discussed in Section 6.4.

Proposed changes to the existing governance process of the Fund

Over RC3, both Uisce Éireann and the CRU recognised the need for an update of the Fund's governance process. A governance update reflects the growing maturity of the Fund and would bring the Fund in line with comparable funds in the Irish Electricity and Gas sectors. Updating the Fund's governance is also required to promote and incentivise the effectiveness of the Fund, particularly in encouraging relatively small-scale projects, and to provide the Fund with the necessary agility for engaging in a changing and more collaborative innovation landscape.

Uisce Éireann's proposal:

Uisce Éireann submitted a proposal in December 2024, requesting the early implementation (from 2025) of a revised governance framework for the Fund. The key elements of Uisce Éireann's proposal include:

- Two-tier application process:
 - Tier 1: Projects valued over €1m would continue to require CRU approval.
 - Tier 2: Projects under €1m would be approved internally, with oversight from a newly established Steering Group, with membership including external experts.
- Annual Reporting: Replace biannual updates with an annual summary report on all in-flight projects, complemented by project close-out reports.
- Increased risk appetite and strategic direction: Expand the scope of the Fund to support broader innovation goals and allow greater collaboration with strategic partners.

- Revised treatment of benefits: Allow project benefits to align with Uisce Éireann's innovation strategy and contribute to delivery and efficiency performance metrics, rather than being returned directly to customers as monetary refunds.

CRU views and proposals:

The CRU notes that Uisce Éireann's proposed governance structure for the Water Services Innovation Fund aligns more closely with equivalent arrangements in the Electricity Price Review 5 and Gas Price Control 5. Please see Table XXX in the Appendix 2, which provides a comparative summary of the current and proposed governance for water in relation to the Electricity and Gas Innovation Fund Frameworks. The CRU supports Uisce Éireann's proposal in principle, subject to several amendments on governance and reporting, to retain appropriate regulatory oversight and transparency.

The CRU proposed **Governance Amendments** include:

- **Steering Group Oversight:** The Steering Group to have final approval and veto authority for Tier 2 projects, thereby sharing accountability while preserving the speed of decision-making.
- **Steering Group Membership:** The CRU to approve the appointment of independent Steering Group members to ensure that appropriate technical expertise and impartiality are maintained.

The CRU proposed **Reporting Enhancements** include:

- Uisce Éireann to present an annual report to the CRU to facilitate discussion and feedback. The annual report should additionally include:
 - Progress and status of each funded project
 - The rationale and expected impact of each funded project
 - A list of unsuccessful applications, with justification for funding denial
 - Details on completed projects and how these have been incorporated into Business-as-Usual operations, including quantified benefits or efficiencies
- Uisce Éireann to provide a Revenue Control Lookback Summary in, or alongside, the final annual report prior to each new RC period. This should include:
 - Overview of all Fund projects
 - Summary of progress and key obstacles
 - Recommended changes to governance for the next RC period

CRU Consultation Question(s):

Q13. Do you have any comments on the proposed changes to the existing governance process of the Innovation Fund?

6.2 Uisce Éireann’s Additional Costs over RC4

As part of the CRU’s review of Uisce Éireann’s proposed expenditure under RC4, we considered both the efficiency of its aggregate cost base and the justification for specific increases in operational expenditure (Table 44). Uisce Éireann’s base controllable opex costs over the RC4 period is approximately €4.7 billion, which reflects the baseline cost requirement for maintaining existing levels of service and operations before accounting for proposed additional costs or efficiency savings.

Uisce Éireann has identified €214m of additional opex over RC4, which includes externally driven costs, UÉT implementation costs, compliance-driven increases, and real price effects in labour, offsetting by energy and DBO real price effects (RPEs) of €52m (see Section 6.2.2) and forecasted efficiency savings of €7m (see Section 6.2.3).

Table 44 Summary of Uisce Éireann Controllable Opex Forecast Over RC4 (€m, 2022 prices, adapted from Table 3.1, CRU2025139b)

€m	2025	2026	2027	2028	2029	RC4 Total
Base Controllable Costs	859	941	977	979	990	4,746
Compliance, Growth & External Costs	113	37	20	22	22	214
Real Price Effects	-27	1	-18	-10	2	-52
Efficiencies	-4	-1	-1	-1	0	-7
Controllable Opex Total	941	977	979	990	1,013	4,900

Note: Uisce Éireann also estimates “Costs Avoided”. Uisce Éireann comments that these are not included in the opening Base Controllable Costs and are therefore not included in the calculation of RC4 Controllable Opex needs.

6.2.1 External, Compliance & Growth Costs

The €214m increase in opex over the RC4 period proposed by Uisce Éireann is composed of the following three components:

Externally driven costs - €139m

This represents the largest component of Uisce Éireann’s proposed increase, with a total of approximately €139m over the RC4 period. Uisce Éireann has identified the following three key external driven costs that relate to investment driven opex, the operation and maintenance of new and existing assets, particularly at Ringsend, and due to economic growth.

- Incremental Opex from New Assets (€77m)
- DBO Growth (€48m)
- Growth-Related Opex (€14m)

Please see further details in Section 3.1.2.2.3 in NERA’s RC4 Opex Look Forward Report (CRU2025139b).

Compliance-driven opex – €40m

The substantive elements include the following two key categories:

- Road Opening Licences (ROL): €9m (increase to €27m in 2025 based on ~50,000 road openings per year).
- National Scientific and Technical Services: Net €8m increase (gross €15m, offset by €7m in existing costs and ~€3m efficiency savings from outsourcing).
- Please see Section 3.1.2.2.1 in NERA's RC4 Opex Look Forward Report (CRU2025139b) and Uisce Éireann's RC4 look-forward opex submission (CRU2025139i) for further detail of these cost requests⁴⁰.

Industry Transformation: Uisce Éireann Transformation (UÉT) costs – €35m

Uisce Éireann has identified €35m in new enduring costs arising from the UÉT programme, primarily linked to new depots, offices, and standardised operations. These replace previous local authority-provided services (valued at €71m under the central management charge at RC3), resulting in net efficiencies of €16m⁴¹ from the discontinuation of the CMC payment to the LAs. In addition, Uisce Éireann forecasts €23m in cost avoidance through a lower permanent headcount.

Although UÉT efficiencies with a total €39m, or approximately 4% of the annual €1 billion opex envelope, NERA notes that this appears modest relative to the scale and ambition of the UÉT programme.

As noted by Uisce Éireann, UÉ identifies six levers to improve cost performance and quality of service (see Uisce Éireann's RC4 look-forward opex submission (CRU2025139i), and UÉT will have a transformational impact on the way of working. Uisce Éireann has indicated that further synergies will be realised following the rollout of a new asset operations structure in 2026. The CRU acknowledges this but expects more concrete and quantifiable efficiencies over the course of RC4.

6.2.2 Real Price Effects (RPEs)

RPEs (also sometimes referred to as differential inflation) are the changes in input prices (e.g., inflationary pressure on energy costs), net of HICP inflation already applied under the regulatory framework. At RC3, the CRU addressed differential inflationary pressures during the 2022 Interim Review ([CRU/2022977](#)). As part of this process, it consulted on various approaches, including adjustments based on the HICP, additional differential inflation adjustments, and an option for an ex-post review. For Opex, CRU applied targeted differential inflation adjustments specifically for energy costs and Design Build Operate (DBO) contracts.

⁴⁰ UÉ (December 2024), Uisce Éireann Revenue Control 4 (2025-2029) Operational Expenditure Look forward 2025-2029, p.21-25.

⁴¹ During the questionnaire process, UÉ responded that €16million is calculated as CMC reduction (€71million) less pension transfer (€20m) less UÉT integration and support costs (€35m).

In Uisce Éireann's RC4 submission, Uisce Éireann proposes ex-ante RPEs mechanisms to apply to the following three opex cost categories to account for the difference between the projected inflation of a particular cost category and HICP:

- **Energy Indexation Costs:** For Uisce Éireann's own energy costs (i.e., excluding energy procured by DBO contractors), this accounts for ca. 11% (ca. €601m) of Uisce Éireann's total opex costs. Uisce Éireann bases energy input inflation on energy market forward pricing as at Q2 2024 to reflect the forward pricing at the time of the SFP completion related to energy costs (i.e. forward curves suggesting a fall in prices).
- **DBO Indexation Costs:** The DBO contracts are legacy contracts, consists of over 250 operational plants under 110 contracts with third party contractors that were primarily negotiated by the LAs. Uisce Éireann's intention is to gradually achieve full 'in house' operation of these sites, once each individual DBO contract matures. At RC4, the costs related to DBO contracts account for ca. 15% (ca. 800€) of Uisce Éireann's total opex costs. The CRU is not aware of any new DBO contracts signed since the establishment of Uisce Éireann. This RPE does not apply to non-legacy DBO contracts, should any exist. As discussed in Section 2.1, these high-value contracts are linked to the WPI index, and Uisce Éireann proposes applying the RPE to reflect a forecast of the impact relative to the HICP.
- **Payroll Costs:** Uisce Éireann assumes higher real wages, relative to the HICP, of 1.7% in 2025 and 1% in 2026, to reflect a tight employment market. According to Uisce Éireann, it bases this RPE on its assessment of affordability, and the RPE is below the pay RPEs estimated by the Central Bank of Ireland (2.5% in 2025 and 2.6% in 2026).

Uisce Éireann forecasted a net reduction in RPEs of €52m over RC4, primarily driven by declining energy and DBO costs, but partially offset by rising labour-related RPEs of €4m. This reduction represents a circa 5% reduction in real input prices by the end of the RC4 period. Figure 3.4 in NERA's RC4 Opex Look Forward Report (CRU2025139b) illustrates Uisce Éireann's estimate of the monetary impact of the RPEs applied to the three cost categories over the RC4 period to account for the difference between the projected inflation of a particular cost category and HICP⁴².

CRU View and Proposals

The CRU recognises that macroeconomic cost pressures can lead to deviations in input prices that are not adequately captured by general inflation indices such as HICP. While the existing regulatory framework includes HICP indexation to account for broader general inflation, evidence from recent economic conditions, particularly volatility in energy cost, demonstrates that specific input costs relevant to utility operations can diverge significantly from headline inflation measures. This was most clearly demonstrated when Uisce Éireann sought reopeners in 2022 and 2023 for inflation above HICP (related primarily to Energy and DBO costs for Opex).

⁴² UÉ (December 2024), Uisce Éireann Revenue Control 4 (2025-2029) Operational Expenditure Look forward 2025-2029, p.19. For other categories, UÉ assumes the costs increases in line with HICP.

In this context and the constraints of Uisce Éireann's funding model, the CRU considers that setting ex-ante RPE adjustment mechanism in cost allowance at RC4 offers a proportionate and transparent means of addressing legitimate, material variations in input costs that lie outside Uisce Éireann's control. The proposed DBO indexation and Energy RPEs do not allow a cost pass-through; rather, they allow an update to the forecasted DBO/energy costs that are already included in Uisce Éireann's RC4 Investment Plan. In effect, the DBO/energy RPE simply allows Uisce Éireann to offset specific price increases/decreases if they occur. These are updated from forecasts. The CRU will assess the outturn values in the k-factor lookback at the end of RC. Specifically, in the RC4 Regulatory Framework Draft Determination Paper (CRU2025135) published along with this paper, the CRU presents proposals for three separate Uncertainty Mechanisms related to Energy, DBO and Capital costs. Formal RPE's mechanism is introduced for the first time for RCs, allowing for specific adjustments for changes in macroeconomic factors.

The CRU is consulting on a proposal to allow for an annual redetermination of the Energy and DBO costs (Capital RPE costs will be granted ex-post during the RC4 lookback). This Uncertainty Mechanism has been designed to apply only to cost categories where price movements are both demonstrable and measurable, such as Uisce Éireann's direct Energy needs and DBO contracts, and where the cost impact was material in previous re-openers. More information on the proposed RPE Uncertainty Mechanisms can be found in the accompanying RC4 Regulatory Framework Draft Determination Paper (CRU2025135).

This targeted approach strikes a balance between providing Uisce Éireann with appropriate cost recovery and maintaining incentives to manage controllable costs efficiently. It avoids undue complexity by limiting application to areas with robust and transparent indices, and it mitigates the need for frequent re-openers or reactive cost assessments, which can introduce regulatory uncertainty.

The CRU is of the view that such a mechanism, when coupled with appropriate governance (i.e., by Uisce Éireann's Executive) and the overall efficiency challenge applied at RC4, is aligned with its strategic objectives, particularly those of protecting customers, ensuring cost reflectivity, and supporting prudent and practical use of resources and value for its customers. It provides a framework that enables the utility to respond flexibly to external cost shocks, while retaining accountability for its cost control and performance.

Therefore, the CRU proposes to include a limited RPE adjustment mechanism for certain proposed RPE cost categories for RC4 (i.e., Energy, DBO indexation and Capital costs), implemented through the uncertainty mechanism, to allow for fair, evidence-based adjustments to allowances were warranted by material and verifiable changes in input costs.

The CRU has also proposed material and labour RPEs for both the Distribution System Operator and the Transmission Asset Owner ([CRU202587](#)), given that material and wages may potentially catch up with the recent high rate of general consumer price inflation. A similar RPE mechanism related to labour, energy and capital is being applied in the England & Wales water sector, see NERA RC4 Uncertainty Mechanism Proposal (CRU2025139d) for more details.

6.2.3 Wider Efficiencies

Outside of UÉT (total efficiency of €39m), Uisce Éireann has proposed only €7.4m in additional efficiencies, with €3.4m from IT efficiencies through the implementation of a single supplier managed service, and €4m from potential operational and procurement efficiencies related to the transfer of 77 sites to Uisce Éireann currently under DBO costs. The CRU notes that Uisce Éireann has not extended efficiency savings to other key operational areas, including:

- **Energy Efficiency:** Uisce Éireann targets a 6% reduction in energy use (25 GWh) over RC4, supported by asset upgrades and PV installations. However, no corresponding reduction in energy-related opex is included in the plan, despite climate action obligations requiring a 50% improvement in energy efficiency and a 51% reduction in greenhouse gas emissions by 2030. Uisce Éireann, as one of the largest energy users in Ireland's public sector, as a public body it is bound by specific climate action plans. The CRU expects Uisce Éireann to reduce its energy usage (e.g. MWh) and unit energy consumption (e.g. MWh per 1,000 m³ of treated water/wastewater) over the RC4 period. The CRU, therefore, through its regulatory framework, requires Uisce Éireann to report on the actions considered and progress being made.
- **DBO contract management:** Uisce Éireann only proposes €4m from potential operational and procurement efficiencies related to the transfer of third-party DBO contracts to Uisce Éireann, which is immaterial compared to the requested DBO opex of around 800m. The CRU notes that while some legacy DBO contracts include fixed indexation terms that limit Uisce Éireann flexibility to change the costs, there remain opportunities to improve value for money. The CRU expects Uisce Éireann to undertake a holistic review of DBO contracts to realise efficiency opportunities through contract renegotiations, employing the necessary and appropriate arrangements, or improved contract performance management, etc, to drive value for customers. The CRU expects to see a performance improvement and report in this regard.
- **Goods and Services:** Uisce Éireann has not proposed further efficiencies in goods and services despite significant cost growth. Uisce Éireann notes that prior savings have already been realised through national procurement frameworks and optimisation since 2013.
- **Productivity Improvements:** Uisce Éireann has not included any ongoing productivity targets. This contrasts with regulatory precedent in other jurisdictions, where ongoing efficiency challenges of 0.8-1.1% per annum have been applied. The CRU believes an appropriate ongoing efficiency challenge should be considered for RC4.

6.2.4 Ongoing productivity

NERA noted that Uisce Éireann has not included any improvements in ongoing efficiency or productivity improvements, driven by advancements in technology, management practices, innovation, and quality standards, etc. In recent regulatory decisions, regulators in Great Britain have set an ongoing efficiency challenge of around 0.8-1.25% (see Table 4.10 in NERA RC4 Opex Look Forward Report (CRU2025139b) with a wide range of productivity estimates). For example, Ofwat applied a 1% per annual efficiency challenge to ex-ante totex ("frontier

shift efficiency”) in its PR24 decision for water and sewerage based on productivity growth in comparable industries.

CRU Proposals

The CRU has proposed an ongoing efficiency assumption of 1% to be applied to Uisce Éireann’s controllable opex, based on: i) The CRU has proposed a similar 1% ongoing efficiency target for both the ESB Networks Distribution System Operator and the Transmission Asset Owner’s opex as part of its Price Review 6⁴³, supported by evidence from CEPA; and ii) NERA’s recommendation, which identified a range of recent decisions for UK networks of around 1%.

Similar to the electricity networks sector, there are several potential tailwinds in the water sector, including:

- A step-up in water and wastewater investment over the RC4 period.
- Potential for artificial intelligence and increasingly digitised methods of managing the networks.
- Continued innovation funding in RC4 building on investment in prior RCs.

Overall, the CRU considers that an ongoing productivity target is required, and base assumption for a proposed, ongoing productivity target in RC4 at 1% per annum to be reasonable. This is consistent with the range of recent price control decisions on this issue in the UK and Ireland. The CRU expects comparable ongoing productivity for the water and wastewater sector in Ireland and the UK, given common industry structures, supply chains, regulation, etc. It is also noted that a key RC4 objective is to increase efficiency and protect customers. Therefore, the CRU considers it important that a stretching, but achievable, efficiency challenge is put on Uisce Éireann.

6.3 Operational Expenditure Benchmarking 2025-2029

The Revenue Control design aims to incentivise Uisce Éireann’s performance so that customers only pay for the efficient costs of providing water services. This is done by setting challenging but realistic and achievable targets and incentives for Uisce Éireann. NERA conducted a comprehensive econometric, benchmarking exercise to support the development of an efficiency challenge for Uisce Éireann’s operational costs. To inform their assessment of Uisce Éireann’s opex, NERA examined the methodology employed by other regulators to evaluate comparative efficiency. Particular emphasis was placed on models developed by

⁴³ At Price Review 6, the CRU has proposed a similar 1% ongoing efficiency target for both the Distribution System Operator and the Transmission Asset Owner ([CRU202587](#)). The CRU applied a 1% ongoing efficiency (OE) challenge to Gas Networks Ireland (GNI)’s opex at Price Control 5 ([CRU2023139](#)). This was informed by GNI’s own proposal and supported by CEPA’s analysis ([CEPA report on PC5 Frontier Shift](#)), which drew on the 2011 EU KLEMS database. The database provides evidence of historic productivity trends across various sectors of the Irish economy from 1988 to 2007, broadly supporting the long-term 1% efficiency assumption previously used by the CRU in its opex determinations.

Ofwat in its most recent price control framework. In addition, NERA reviewed the modelling submitted by Uisce Éireann's economic consultants, Frontier Economics, as part of the RC4 business plan. Please see further details in Uisce Éireann's RC4 look-forward opex submission (CRU2025139i).

In considering the appropriate opex efficiency challenge for Uisce Éireann, NERA adjusted its benchmarking assessment for Irish specific factors, including real wages, differences in scope (e.g. removing retail costs), differences in taxes (e.g. VAT) and considered adjustments based on both policy considerations and Uisce Éireann's specific operating environment (e.g., the timing and cost efficiencies associated with UÉT).

The approach taken to assess the efficiency of RC4 Opex costs is discussed in NERA's RC4 Opex Look Forward Report (CRU2025139b), and can be summarised as follows:

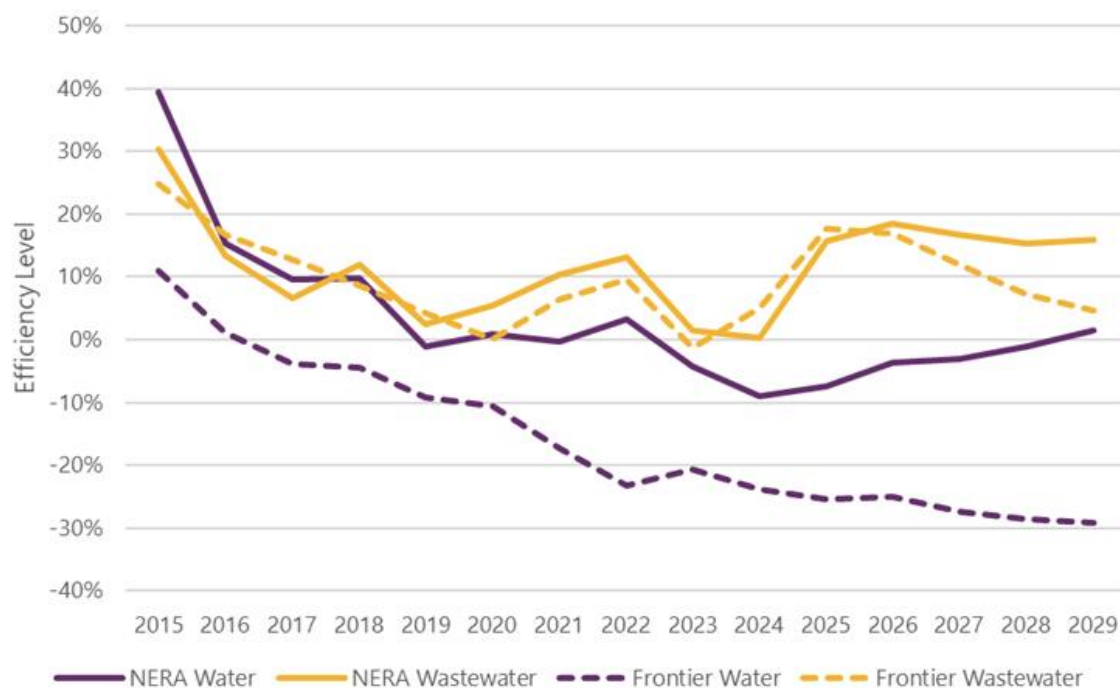
1. Calculate the cost an average efficient company would face given the historical relationship between costs and drivers (based on regression analysis),
2. Roll-forward average efficient costs based on forecast cost drivers (e.g. connection growth), and
3. Assume a step increase in efficiency such that Uisce Éireann approaches the efficient/modelled costs over RC4.

By using 13 years of outturn data from 2012 to 2024 of the 17 water companies and 10 wastewater companies, NERA can independently assess whether Uisce Éireann's aggregate costs

6.3.1 RC4 Benchmarking – Results

Please see Figure 16 for the outcomes of various benchmarking models developed by NERA and Frontier Economics, Uisce Éireann's consultant, to evaluate Uisce Éireann's relative efficiency. The efficiency score is calculated as the difference between Uisce Éireann's actual/forecasted costs and the modelled costs that reflect the efficiency of the average company, expressed as a percentage of the modelled costs. A positive efficiency gap suggests that Uisce Éireann's costs are inefficient relative to the estimated average level. Conversely, a negative efficiency level indicates that Uisce Éireann's costs are below the level predicted by the model, suggesting efficiency.

Figure 16 Econometric Benchmark Analysis of Uisce Éireann’s Opex, 2015-2029



While improvements have been made since IRC1, Uisce Éireann remains above the benchmark, particularly in wastewater services.

- **Water service opex is estimated to be on average 3% efficient** relative to the sector average. They are about -18 – 17% higher than the benchmarking level over the RC4 period. The wide variation across different models for water is due to different definitions of the density variable (see details in Section 6.3.3).
- **Wastewater service opex is 13 – 21% higher than the benchmarking level** across the RC4 period.

Combined with Uisce Éireann's RPE forecast, NERA's benchmarking exercise⁴⁴ indicates that the projected operating cost for combined water and wastewater services is estimated to be approximately 11% higher than the average operating costs of utilities in the UK and Ireland by the end of the RC4 period.

As discussed in NERA's RC4 Opex Look Forward Report (CRU2025139b), NERA is of the view that these figures are considered conservative for the following reasons: 1) The efficiency gap is measured relative to the average efficient company, rather than the upper-quartile one as usually done by other regulators (e.g. Ofwat), 2) The model does not account for expected productivity improvements or reductions in real input prices (e.g., energy, chemicals) over RC4, 3) Uisce Éireann's transitional status and asset base rationalisation may yield longer-term efficiencies not yet captured, and 4) results are likely to be biased in favour of Uisce

⁴⁴ Please see Section 4.3 in NERA's report for NERA's approach for assessing UÉ's efficiency using econometric benchmarking.

Éireann as Uisce Éireann avoids costs incurred by comparators given lower levels of compliance.

6.3.2 Benchmarking Provided by Uisce Éireann

Benchmarking provided by Frontier Economics suggests that Uisce Éireann's water opex to be 24-30% efficient than the benchmark level of efficient costs and wastewater opex 8-15% inefficient, resulting in a combined water and wastewater operating costs are 8 – 14% efficient than the benchmark level of efficient costs. Therefore, Frontier Economics concludes that Uisce Éireann's cost forecasts are relatively efficient on a combined service basis over RC4.

However, their modelling included assumptions that the CRU and its consultants consider inappropriate or overly optimistic (see Section 6.3.3), such as the assumption of real cost increases over time and a narrow measure of density.

Most importantly, Uisce Éireann's wastewater service is inefficient even under Frontier Economics assessment.

The CRU agrees with its economic advisor, NERA, that it is untenable to assume that “super-efficient” water service (which, in our view, is not clearly efficient) can offset inefficiencies in wastewater.

6.3.3 Differences between Uisce Éireann and CRU Benchmarking

The differences between the approaches and data used in the benchmarking commissioned by the CRU, and the benchmarking provided by Uisce Éireann are discussed in detail in the NERA RC4 Opex Look Forward Report (CRU2025139b, Section 4.3.2.1 for water and Section 4.3.2.2 for wastewater) which is published alongside this paper. Some key methodological differences include:

- NERA relied on consistent costs in real terms over RC4⁴⁵, other than for expected changes in energy, DBO and labour costs (or collectively, real price effects, RPEs) net of on-going improvements in efficiency. The CRU's benchmarking exercise includes time specific dummies⁴⁶ whereas Uisce Éireann uses time trend to control for changes in companies' costs over time which are not explained by changes in cost drivers. NERA noted that Ofwat does not control for time effects in its models as it argues there is a risk that a time trend captures factors that are under management control. In addition, Ofwat also claims there is a risk that the increase in wholesale water base expenditure observed in recent years is not permanent or will continue at the same rate. Frontier's models incorporate a 3-5% real increase in costs per annum. – i.e. the models assume that, holding all drivers constant, an efficient company's costs will increase over RC4 by up to 20% in real terms.
- Second, while Frontier's models draw on a single definition of density, measured as number of connections per length of main, NERA developed a wider set of models (i.e., six models) for water service drawing on two additional definitions of density used

⁴⁵ NERA's approach is consistent with Ofwat and other UK regulators' approaches to forecasting cost changes.

⁴⁶ Time dummies control for specific shocks in a particular year that may have changed the cost environment and pick up any trend in cost over time.

by Ofwat at PR24, which rely on measures of population per electoral division (ED) and local electoral area (LEA)⁴⁷. NERA's approach will recognise that Uisce Éireann is an outlier in terms of network length (i.e., the lowest density and highest cost per property), thereby appearing artificially efficient when defining density as properties per length of main. Given this, Uisce Éireann's position within the sample may distort the results and contribute to overfitting when properties per length of main is used as the density measure.

For these reasons, the CRU is of the view that the benchmarking which it has undertaken through NERA, provides a more comprehensive study of Uisce Éireann's costs⁴⁸ and its performance against comparable utilities, using actual data and noting its early stage of development.

In summary, the benchmarking commissioned by the CRU indicates that Uisce Éireann's forecasted costs are approximately 11% inefficient relative to established water and wastewater utilities in E&W after considering Uisce Éireann's RPE forecast. The results of benchmarking exercises indicate that Uisce Éireann's business plan is not sufficiently stretching in reducing its costs.

For this reason, the CRU considers that it is appropriate to require Uisce Éireann to meet an additional efficiency challenge. Section 6.4 of the paper outlines the proposed rate at which Uisce Éireann will be required to realise efficiencies over the RC4 period to continue a path to reduce its costs to the efficient benchmark level.

6.4 CRU View on Efficient Level of Operating Costs

6.4.1 Progress to Date and Challenges in RC4

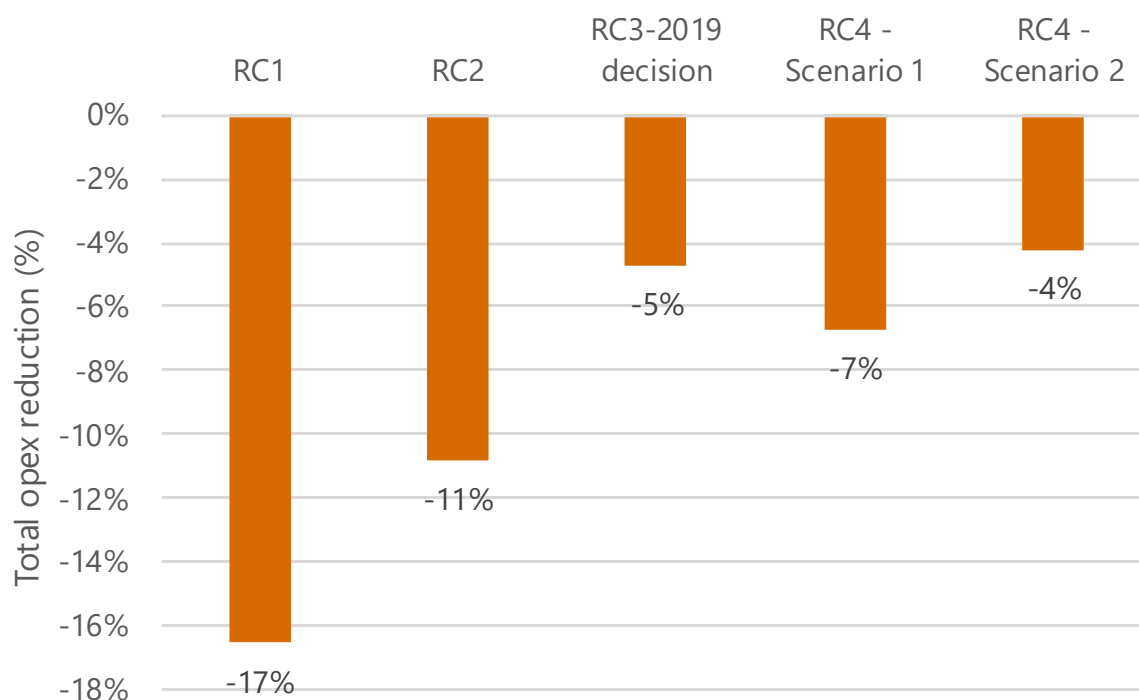
The CRU acknowledges the good progress that Uisce Éireann has made in reducing its operational costs across IRC1, IRC2, and RC3, but remains relatively inefficient over RC4. The CRU expects Uisce Éireann to improve its operational costs, especially in wastewater, where the efficiency gap is relatively wider compared to its water services when benchmarked against E&W companies (Figure 16).

Figure 17 highlights the opex cost reductions set by the CRU across various RCs, based on the difference between Uisce Éireann's total opex request and the CRU's final approved allowance.

⁴⁷ ED is the smallest published census unit in Ireland. Ireland consists of 3,420 of these. LEA is used for electoral and some statistical reporting purposes in Ireland, and there are 166 LEAs in the country.

⁴⁸ Notwithstanding the differences in techniques and data used, the results of both UÉ and CRU's benchmarking exercises were broadly similar.

Figure 17 Comparison of the Opex Cost Challenges at Different RCs



Balancing Cost Pressures and Efficiency Expectations

While the CRU accepts that Uisce Éireann will face upward cost pressures over the RC4 period (2025–2029), it also notes that regulated utilities in other jurisdictions have historically absorbed similar pressures while achieving substantial cost reductions, especially in the early years following the introduction of economic regulation. The CRU is of the view that Uisce Éireann should similarly be expected to manage such pressures. For instance, sustained progress in reducing leakage levels should lead to lower related operating costs over time.

Nonetheless, the CRU is conscious that Uisce Éireann cannot reasonably be expected to reduce its costs to match those of established, mature utilities in the short term while continuing to provide an adequate level of service. Setting overly ambitious or unrealistic efficiency targets could risk deteriorating service levels, which would not be in the interest of customers.

In setting allowed opex for RC4, the CRU has sought to strike a careful balance between incentivising efficiency and ensuring that Uisce Éireann has sufficient resources to maintain and improve service levels during a period of substantial transformation (including the implementation of UÉT) and investment. Therefore, the CRU aims to set a challenging but achievable efficiency target that allows Uisce Éireann to continue its path toward cost comparability with efficient international utilities. In doing so, the CRU has reviewed the comparative benchmarking analysis provided by NERA, while also taking into account Uisce Éireann’s specific operating environment and wider policy considerations.

6.4.2 UÉT Cost Efficiencies

In a recent engagement with Uisce Éireann, Uisce Éireann has argued that while the UÉT programme is delivering service and compliance improvements, any cost efficiencies that

might arise have already been realised or offset by new compliance and growth requirements, leaving no further scope for net opex reductions in RC4.

The CRU acknowledges the scale and complexity of the UÉT programme and recognises the progress achieved in consolidating operations under a single public utility. The CRU also acknowledges that compliance obligations, particularly in relation to environmental and water quality standards, will place an upward pressure on operating costs over RC4. However, the CRU does not agree that there are no net cost efficiencies achievable in RC4 for the following reasons:

- Uisce Éireann's own submission identifies six efficiency levers: Uisce Éireann's Operational Expenditure Look forward RC4 submission (CRU2025139i) explicitly sets out six efficiency levers (Table 45), each of which is designed to deliver tangible reductions in cost to serve:
 - **Enhanced scheduling and work optimisation** (reduced travel, reduced wasted field time, fewer repeat visits).
 - **Planned maintenance and standardised procedures** (reduced unnecessary tasks, lower failure rates).
 - **Organisation design, streaming & crew sizing** (reduced travel, reduced time on site, better deployment of resources).
 - **Streamlined Operational & Maintenance management structures** (reduced duplication, fewer handoffs, faster completion times).
 - **Stores, inventory and logistics reform** (reduced admin, reduced travel, better first-time fix rates).
 - **Fleet transformation** (reduced repeat visits, more efficient field deployment).

These levers go beyond quality or compliance. Uisce Éireann explicitly framed them as **cost efficiency enablers**. Therefore, the CRU is of the view that it is not credible for Uisce Éireann to claim no further scope for net opex cost efficiencies via UÉT over RC4.

- Timing of UÉT cost savings/efficiencies: Uisce Éireann's submission acknowledges that RC3 was focused on the transition from local authorities, while RC4 will focus on operational transformation and the delivery of the enduring operating model. Therefore, the CRU expects that the major efficiency benefits of standardisation, streaming, and workforce optimisation are therefore expected to materialise during RC4.
- Separation of compliance & growth costs and efficiency gains: While new compliance & growth requirements must be funded, this does not wipe out the cost reductions from the UÉT process and operational improvements. Cost efficiencies should be based on tangible actions that are quantified, such as optimisation of its contracts/procurement, any innovations that will reduce the cost by a measurable amount.

To date, Uisce Éireann has proposed only limited UÉT cost efficiencies in its business plan, with a total of €39m, or approximately 4% of the annual €1 billion opex envelope; and these cost reductions were realised prior to RC4. Uisce Éireann has not presented quantified cost efficiencies post UÉT implementation, expected from 2027. Efficiency gains should be assessed relative to a counterfactual scenario: what it would have costed to deliver the same outputs and service levels without UÉT. In other words, even if compliance & growth spending increases, UÉT should mean that the same obligations are delivered at lower cost than otherwise would have been the case.

The CRU welcomes Uisce Éireann submission with quantified UÉT cost savings if Uisce Éireann is of the view that no further UÉT cost efficiency can be achieved at RC4.

Given the abovementioned reasons, absent of substantiation from Uisce Éireann, the CRU considers it is implausible that all efficiency benefits of UÉT are already delivered at RC3 and will be fully offset by new obligations at RC4.

Based on the data and information provided through its RC4 submission, prior discussions related to UÉT and discussions related to the submissions, the CRU’s view that Uisce Éireann is well positioned to realise the efficiency savings as set out under the CRU’s opex efficiency proposals detailed in Section 6.4.3.

Table 45 Key Enablers of Efficiency Enabled by the UÉ Transformation (Sourced from Uisce Éireann’s RC4 Look-Forward Opex Submission (CRU2025139i))

Efficiency Levers	What’s going to change?	What are the benefits?
LEVER 1: ENHANCED SCHEDULING ACTIVITY & INCREASED WORK OPTIMISATION	Work schedules created based on most efficient deployment of staff	Reduced non-productive time travelling , creating capacity for more work to be completed by fewer people
	Visibility of field force location in Scheduling and Management	Allows more effective deployment of staff to work on-day based on location, reducing unnecessary travel time , creating capacity for more work to be completed by fewer people
	Visibility of field force skills, training and equipment in Scheduling and Management	Allows the right resource to fix the issue to be deployed first time, reducing unnecessary repeat visits
	Work available to field force on devices , with full schedule visible by start of day	Reduces wasted time in the field waiting for work , creating capacity for more work to be completed by fewer people
LEVER 2: TARGETTED PLANNED	Routine tasks & planned maintenance schedules created	Clarifies the routine work required on sites and assets, reducing the amount of time spent carrying out unnecessary tasks

MAINTENANCE	Standard operating procedures produced for asset operation	Standardises the way that assets should be operated & maintained, reducing failure rates of assets linked to incorrect operation/maintenance, reducing unnecessary work
LEVER 3: ORGANISATION DESIGN, STREAMING & CREW SIZING	Standardised crew sizes and required roles in field force	Reduces unnecessary time on site , through people/skills not attending where they are not needed
	Revision of operational areas & boundaries	Ensures the most effective boundaries are in place based on site location and travel, as well as enabling more effective deployment of resource, reducing unnecessary travel time
	Start & finish from home	Reduces wasted travel time to site/depot at start of day, creating capacity for more work to be completed by fewer people
LEVER 4: FULFILMENT OF THE O&M MANAGEMENT STRUCTURE	Dedicated, streamed and streamlined roles across O&M management and specialised teams	Time taken to complete tasks is reduced, due to a reduction in the number of repeated touchpoints, handoffs, and work. A flatter management structure is created, by standardising spans of control.
LEVER 5: TRANSFORMATION OF STORES, INVENTORY & LOGISTICS	Central team managing procurement of spares/materials	Reduces the amount of admin time for field force managing their own ordering of required spares & materials
	Inventory & stores physical network stood up	Improves availability of spares and materials and their locality, reducing unnecessary repeat visits and travel time to obtain spares & materials
LEVER 6: FLEET TRANSFORMATION	Vehicles stocked with standardised critical spares & equipment	Increases the percentage of work that can be completed first time, reducing unnecessary repeat visits

6.4.3 Efficiency Challenge Scenarios for RC4

In light of Uisce Éireann’s ongoing UÉT programme, the CRU therefore proposes two scenarios for profiling efficiency improvements over the control period. These are summarised below:

Scenario 1: Benchmarking-Based Challenge

A phased reduction in opex totalling **16% relative to Uisce Éireann’s controllable opex submission in 2029**, reflects NERA’s comparative efficiency modelling, adjusted to reflect Uisce Éireann’s own Real Price Effects (RPE) forecasts (a 5% real reduction in opex by 2029, see Section 6.2) and potential ongoing efficiency gains (similar to the 1% per annum applied by Ofwat, see Section 6.2).

- Profiled reductions: 0% in 2025 and 2026, 8% in 2027, 12% in 2028, and 16% in 2029⁴⁹.
- Total opex allowance: €4,883m, **6.85% below Uisce Éireann's request** of €5,242m.

Scenario 2 (CRU Minded-to Proposal): UET-Based Stretch Target

While NERA's benchmarking suggests an efficiency gap of 11% (post RPEs), the CRU has considered the ongoing transformation, implementation risk of the UÉT programme, relatively minimal cost efficiencies in Uisce Éireann's plan, and historical cost trends in proposing a more modest efficiency target of **10% relative to Uisce Éireann's controllable opex submission in 2029**.

- Profiled reductions: 0% in 2025 and 2026, 5% in 2027, 7.5% in 2028, and 10% in 2029.
- Total opex allowance: €5,018m, **4.27% below Uisce Éireann's request** of €5,242m.

The CRU does not propose any reductions for the initial two years of the control period (i.e., **zero efficiency applied to 2025 and 2026**), given Uisce Éireann's ongoing reorganisation and potential resourcing constraints. This approach recognises that operational efficiency improvements typically take time to deliver and supports a realistic transition path.

The CRU believes both scenarios are reasonable and grounded in robust analysis. The efficiencies proposed by the CRU for RC4 do not bring Uisce Éireann to the average level of operating costs for UK utilities (under either the CRU's benchmarking or that provided by Uisce Éireann) by 2029, but rather are aimed at moving Uisce Éireann to the average level of costs (and in time to the efficiency frontier) under Scenario 1. The CRU is of the view that Scenario 2 is the minimal cost efficiency that should be achieved by Uisce Éireann, considering Uisce Éireann's business plan, i) includes relatively minimal cost efficiencies, given the transformational nature of the UÉT, and ii) does not include any improvements for ongoing efficiency. The CRU welcomes stakeholder views on the appropriate efficiency challenge for Uisce Éireann over RC4.

The total Opex allowances for Uisce Éireann are detailed in Table 46 below. Both scenarios reflect a combination of benchmarking insight and pragmatic recognition of Uisce Éireann's reform path. These allowances are conservative, reflecting costs relative to average (not upper quartile) benchmarked levels, and assume modest efficiency gains compared to peer regulators.

As mentioned previously (and outlined in RC4 Opex Look Forward Report (CRU2025139b)) Uisce Éireann has not proposed any meaningful or material level of opex efficiency for its RC4 Investment Plan, despite its ongoing UÉT programme and its development as a maturing utility. This omission came as a surprise to the CRU and remains an area of concern.

⁴⁹ Please note that the profiled percentage figures are based on UÉ's controllable opex submission for the respective year.

The CRU expects that the efficiency challenge outlined in this section will be met by Uisce Éireann without it needing to defer any of the activities to which it has committed. The targets set out by the CRU should be achieved through efficiencies that do not impact the service Uisce Éireann provides to its customers.

As mentioned previously, Uisce Éireann is responsible for overseeing the effective and efficient delivery of its RC4 plan and taking the necessary actions as the Public Utility. However, the CRU proposes to monitor Uisce Éireann's efficiency progress annually across the remaining RC4 period. Please see further details in the Regulatory Framework Draft Determination paper (CRU2025135).

Table 46 Summary of CRU's Proposed Efficiency Challenge for Uisce Éireann on Controllable Opex over RC4

CRU's proposed efficiency challenge for UÉ on total opex over RC4 (€m, 2022 prices)								Reduction vs. UÉ Submission	
Cost Categories		2025	2026	2027	2028	2029	Total	€m	(%)
A	Controllable operating costs -- UÉ submission	941	977	979	990	1,013	4,900		
B	Controllable opex - Scenario 1	941	977	901	871	851	4,541		
C	Controllable opex - Scenario 2	941	977	930	916	911	4,675		
D	Uncontrollable costs	62	67	68	69	70	337		
E	Innovation Fund (one off allowance not subject to efficiency challenge)	0	1	2	2	1	5		
A+D+E	Total opex - UÉ submission	1,003	1,046	1,050	1,061	1,083	5,242		
B+D+E	Total opex - Scenario 1	1,003	1,046	971	942	921	4,883	-359	-6.85%
C+D+E	Total opex - Scenario 2	1,003	1,046	1,001	986	982	5,018	-224	-4.27%

Note: Figures may not add up due to rounding.

Alternative Scenario

The CRU expects that if Uisce Éireann (or stakeholders) propose an alternative approach to the efficiency challenge, including a lower target than the proposed 10% relative to Uisce Éireann's controllable opex submission in 2029 (i.e., Scenario 2), it must be accompanied by substantiated justification and supporting data. This information should clearly explain why the 10% target is not achievable or reasonable.

Any alternative proposal must provide how Uisce Éireann has sought to achieve efficiencies and considered the customer impacts, at a minimum:

- Be substantiated with robust analysis and supporting data;
- Include a clearly quantified efficiency target expressed as a percentage;
- Demonstrate how the proposed approach will deliver tangible cost efficiencies for customers;
- Provide a rationale for why the alternative is appropriate.

The CRU notes that a zero-efficiency challenge for Uisce Éireann is not appropriate and acceptable. The CRU expects Uisce Éireann to continuously improve its operational efficiency (e.g., UÉT, OE, energy saving, DBO contract management, etc, as discussed in this section) and to demonstrate value for money for customers.

6.4.4 Addressing Potential Gaps in Operational Expenditure Requirements

Since the December submission, Uisce Éireann has flagged the requirement of additional opex and capex requests as discussed in Section 1.3.2. The CRU will review Uisce Éireann's submission in due course, assessing the needs case, the justification for the additional expenditure, the methodology and efficiency of the requested additional opex. The CRU will also consider any additional reporting requirements related to opex monitoring.

6.5 Conclusions

Uisce Éireann proposes a total opex of €5,242m over RC4, representing a 22% increase from RC3, driven by both base and additional cost pressures linked to the UÉT programme, new asset operations, compliance obligations. Approximately 93.5% of Uisce Éireann's total opex relates to controllable costs, with significant expenditure forecasted for MCA/SSA services and the TOM.

The CRU recognises the operational challenges facing Uisce Éireann during RC4, including the delivery of an ambitious transformation programme. However, it considers that the business plan does not demonstrate sufficiently stretching efficiency improvements, particularly in areas such as productivity, goods and services, and energy use. While Uisce Éireann has identified €39m in transformation-related efficiencies, additional forecast efficiencies are limited to €7m.

NERA's benchmarking analysis indicates that Uisce Éireann's costs are expected to remain approximately 16% above efficient levels by 2029. Informed by NERA's benchmarking and wider regulatory precedent, the CRU proposes two efficiency challenge scenarios:

- Scenario 1: A benchmarking-based challenge with a 16% reduction by 2029, resulting in an opex allowance of €4,883m (6.85% below Uisce Éireann's request).
- Scenario 2 (CRU Minded-to Proposal): A UÉT-based stretch target of 10% by 2029, resulting in an allowance of €5,018m (4.27% below Uisce Éireann's request).

The CRU proposes no efficiency reductions in 2025 and 2026, allowing Uisce Éireann time to implement UÉT. Additionally, the CRU supports the RPE mechanism related to DBO and energy costs within the uncertainty framework to address verifiable external input cost pressures.

The CRU considers the proposed allowances to be achievable and consistent with delivering improved operational efficiency while safeguarding service quality.

The CRU welcomes stakeholder views on the following questions related to operating expenditure efficiency during RC4.

CRU Consultation Question(s):

- Q14. Do you have comments on Uisce Éireann's RC4 operational expenditure request?
- Q15. Given the breadth of econometric modelling conducted by the CRU's consultants, NERA, what are your views on the proposals relating to Scenario 1 (16%) or Scenario 2 (10%, CRU minded-to proposal) by 2029 to Uisce Éireann's RC4 controllable operational costs?
- Q16. If you do not agree with the CRU's proposed efficiency challenge of 10%, please provide your rationale and the alternative (%) proposal for the duration of RC4.
- Q17. Do you have any views on any of the proposals set out in Section 6: Review of Forecast Operational Expenditure?

Part 5: Financeability & Allowed Revenues

This part outlines the key financial mechanisms underpinning the review, including the Regulatory Asset Base (RAB), the cost of capital, and k-factor adjustments. It also sets out the proposed allowed revenues for Uisce Éireann and the potential impact of the RC4 Draft Determination proposals on customers.

7. The Regulatory Asset Base

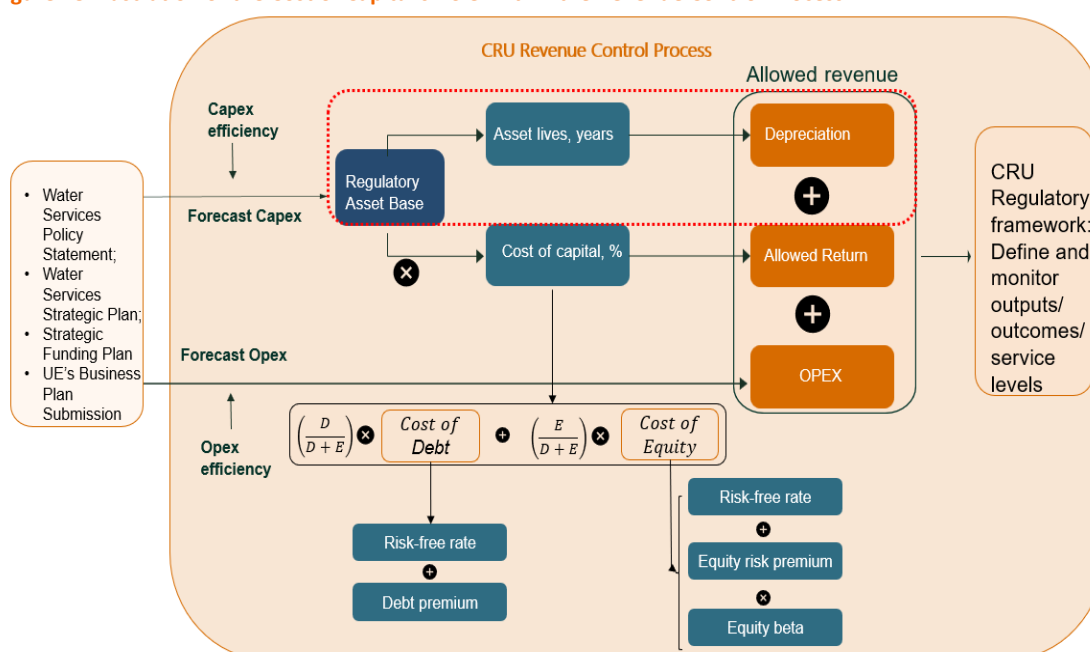
The regulated asset base (RAB) represents the value of undepreciated capital expenditure (capex) recognised by CRU in delivering regulated water services. The RAB construct allows Uisce Éireann to receive a fair and appropriate return on its capital investments in water infrastructure. Only efficiently incurred expenditures should be included in the RAB’s valuation. The RAB feeds through into Uisce Éireann’s revenue allowance through the inclusion of an allowance for both depreciation and the rate of return on RAB assets, as illustrated in the figure below.

This section outlines the CRU’s approach to a number of interrelated issues on the RAB for Uisce Éireann as follows:

- The expected growth in the RAB over RC4;
- The determination of asset lives and depreciation methodology;
- The regulatory treatment of additions.

Visually, this section considers the following design features in respect of the regulated asset base and depreciation highlighted in red in Figure 18 below.

Figure 18 Illustration of the Cost of Capital’s Role Within the Revenue Control Process



7.1 Expected Evolution of the Regulatory Asset Base over RC4

For RC3, opening RAB values and additions to the RAB (via approved capex less depreciation) were tracked annually. Uisce Éireann’s capital expenditure is depreciated using

asset life categories based on the expected economic life of the assets. Please refer to Section 8.5 of the CRU Decision Paper ([CRU19148](#)) for a detailed discussion of the asset lives used for the RAB.

A similar approach is proposed for RC4, with refinements where appropriate to reflect better asset categorisation and maturing data availability. Please see the CRU's revenue model for detailed composition of Uisce Éireann's regulated asset base on 01 January 2025. Information on the value of the assets is provided within the asset base itself.

Table 47 shows the expected evolution of Uisce Éireann's regulated asset base values over RC4, with an opening asset value of €6,966m and a closing asset value of €13,425m.

Table 47 Uisce Éireann RAB 2025-2029 (€m, 2022 prices)

		2025	2026	2027	2028	2029
A	Operating Asset Value	6,966	7,866	8,772	9,852	11,437
B	Capex (allow Uisce Éireann's full request & do more)	1,090	1,116	1,311	1,847	2,285
C	Depreciation	-190	-209	-232	-261	-298
=A+B+C	Closing Asset Value	7,866	8,772	9,852	11,437	13,425

Increasing RAB and Implications on Stakeholders

The large-scale expansion of Uisce Éireann's asset base reflects its infrastructure investment, increased demand, more stringent environmental standards, and long-term service improvements. This is also aligned with the themes of Water Services Policy Statement and objectives outlined in Water Services Strategic Plan.

Please see Figure 19 for Uisce Éireann's steady and accelerating growth trend in the closing RAB from 2020 to 2029. The overall RAB has increased more than three-fold over the decade. There is a significant increase in RAB from 2026 to 2029, reflecting significant capital project investments. Notably, Uisce Éireann plans to ramp up the delivery of the Water Supply Project for RC4, with a significant step change in expenditure forecasted for 2028-29. Please see further details on major projects and capital investment as outlined in Arcadis' RC4 Capex Look Forward Report (CRU2025139a).

The CRU notes that the delivery of the WSP and the GDD project shows a €65m (2017 prices) underspend due to the much slower progress during the RC3 period than forecast by Uisce Éireann. The k-factor adjustment (discussed in Section 9.3) recognised this underspend by applying a reduction to the regulated asset based.

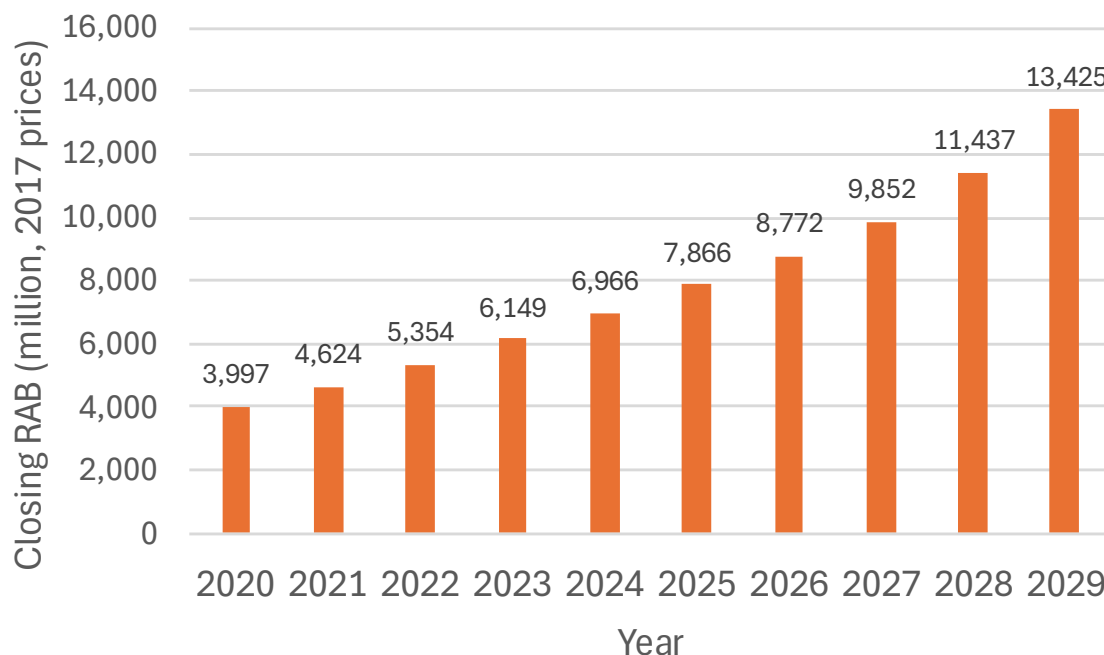
Uisce Éireann has projected a further increase in the RAB beyond RC4 to address the needs and risks in the network out to 2050, based on the current methodology.

The level and scale of investment in the water and wastewater infrastructure have corresponding impacts on:

- Uisce Éireann's financing requirements: The increased funding needs coupled with limited sources of funding will pose challenges to Uisce Éireann's funding certainty. This uncertainty may affect its ability to optimal plan, procure and deliver of essential infrastructure, and

- non-domestic customers' revenue: The scale and duration of investment required to maintain and upgrade water services will substantially increase Uisce Éireann's costs of providing water and wastewater services to its customers, contributing to increase in non-domestic revenue. The CRU notes that the revenue to be recovered from the Government subvention for the domestic customers will also be proportionately impacted.

Figure 19 Growth in Uisce Éireann's Regulated Asset Base from 2020 to 2029 (million, 2017 prices)



7.2 Determination of Asset Lives

7.2.1 Introduction

The determination of the asset lives used for depreciation purposes affects how quickly Uisce Éireann recovers the costs of its capital investment. For example, an asset with a historical cost of €100m and an assumed asset life of 10 years and depreciated on a straight-line basis results in an annual depreciation charge recovered by revenue to Uisce Éireann of €10m in each year over 10 years.⁵⁰

Typically, capital expenditure is depreciated using asset life categories based on the expected economic life of the assets to be depreciated, thereby ensuring depreciation charges align with the cost of service provision.

7.2.2 Summary of Asset Lives Applied to the RAB

It was decided in the previous revenue controls for Uisce Éireann that the use of average lives in line with expected economic lives informed by current international practice would be appropriate due to insufficient data on Uisce Éireann's asset portfolio. The CRU considered

⁵⁰ Simplified example which does not include inflation effects or the rate of return to reflect the cost of capital.

this method a reasonable representation of the working life of assets, with typical asset life assumptions based on Scottish and Northern Uisce Éireann sector experience.

For RC3 ([CRU19148](#)), the CRU reviewed the appropriateness of the asset lives, taking account of the economic and technical lives of the assets on Uisce Éireann's RABs. The CRU accepted Uisce Éireann's proposal to refine its asset life assumptions, based on a more mature understanding of its asset base. These changes reflect standard practices in other regulated sectors and support better alignment between asset cost recovery and operational lifetimes. This change resulted in extended average asset lives and a corresponding reduction in annual depreciation charges, estimated by Uisce Éireann as a 14% annual reduction in the sum of depreciation and return on capital.

In line with established practice, the CRU proposes to continue with this enhanced categorisation, using average asset lives as determined in RC3. As at previous reviews, the CRU also proposes to maintain the straight-line method used to date during the RC4 period covering 2025 to 2029. This methodology is consistent with practices in previous RCs and the electricity and gas sectors regulated by the CRU, and it provides a transparent and stable approach to cost recovery. The straight-line method is particularly suited to the nature of water and wastewater assets, which typically have long, stable operational lifespans. This approach promotes regulatory stability and the full depreciation of assets over a period of time.

7.3 Additions to Uisce Éireann's RAB

This section sets out the CRU's proposal to continue the current regulatory approach to the treatment of additions to Uisce Éireann's RAB, Capital contributions and grants, and variations between Allowed and Actual Expenditure during RC4 (once approved).

7.3.1 Recognition of Assets in RAB

For previous RCs, assets were added to the RAB as the costs were incurred, not on the date of commissioning. Uisce Éireann received a return on the assets from the middle of the year in which the costs were incurred, rather than when the asset was commissioned. As in RC3, the CRU proposes using the same approach for the RC4 period (2025 -2029).

7.3.2 Capital Contributions and Grants

The CRU proposes to maintain the existing treatment of capital contributions and grants by subtracting these from capital expenditure in the relevant year they are received during RC4, so that customers only pay for the net investment funded by Uisce Éireann.

7.4 Conclusions

The CRU proposes to continue applying established methodologies for RAB from RC3. This includes maintaining the replacement cost valuation basis, applying average economic asset lives aligned with sectoral best practices, and continuing the straight-line depreciation method. These decisions promote regulatory certainty, transparency, and consistency across RC periods and align with approaches used in other utility sectors.

The projected growth in Uisce Éireann's RAB, driven by a significant capital investment programme over RC4, reflects both the scale of Uisce Éireann's infrastructure investment and the increasing expectations for long-term environmental and service outcomes. Through this comprehensive and structured RAB policy, the CRU aims to support Uisce Éireann's strategic investments while delivering long-term value and resilience for water and wastewater services in Ireland.

CRU Consultation Question(s):

Q18. Do you have any comments on the proposals to retain the existing asset categorisation, asset lives, depreciation method for RC4?

8. The Cost of Capital

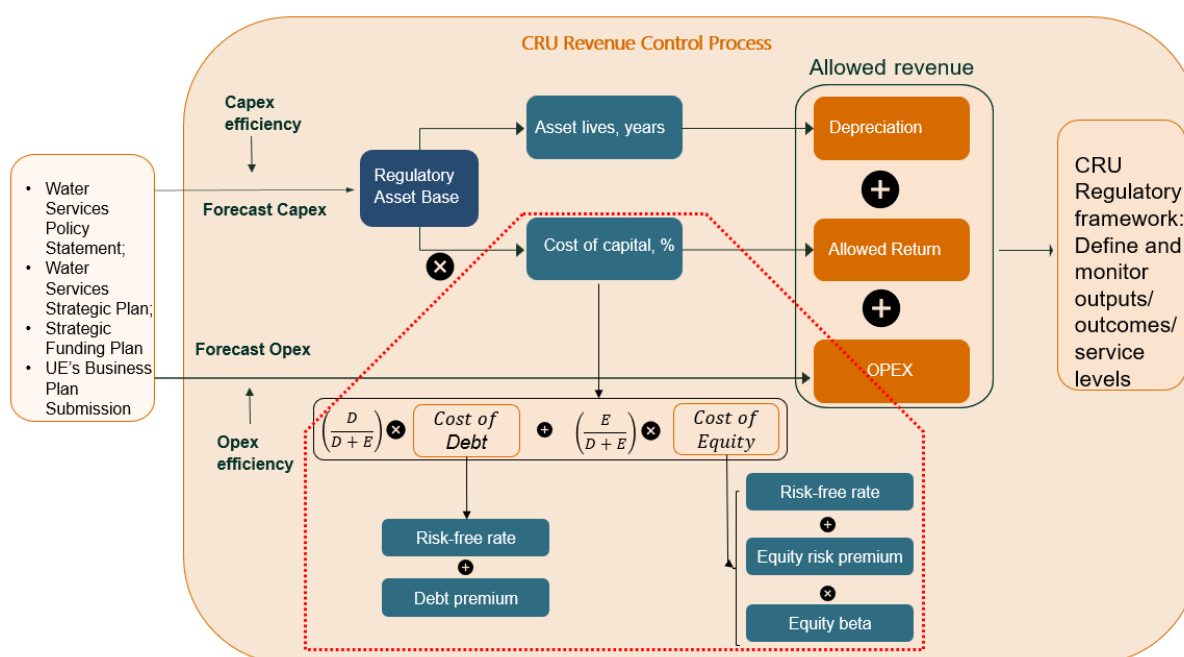
In regulated sectors, the cost of capital represents the rate of return that a company must be allowed to earn on its investments to attract financing and deliver services reliably over the long term. Regulators include an allowed return within revenue control to cover the firm's efficient costs of financing. This ensures that:

- Investors receive appropriate remuneration for historical investment, and
- The firm can raise the finance that it needs to fund future investments.

A key tool used to estimate this rate of return is the Weighted Average Cost of Capital (WACC), which is a weighted average of the cost of debt and the cost of equity, with the weights determined by the notional capital structure.

Visually, this section considers the following design features in respect of the cost of capital as highlighted in red in Figure 20 below.

Figure 20 Illustration of the Cost of Capital's Role Within the Revenue Control Process



This section outlines the CRU's proposed approach for determining the cost of capital (i.e., the Weighted Average Cost of Capital or WACC) that Uisce Éireann can earn on the efficiently incurred capital investments in its regulated asset base, considering its unique funding model.

8.1 Introduction

Setting an appropriate WACC is a critical regulatory decision that gives a fair deal to customers and companies. If the CRU sets a rate of return that is too high, customers end up paying too

much. If the CRU sets it too low, utilities cannot raise the finance to deliver the necessary level of network investment, which can result in a reduced quality of service for customers. Setting a fair rate of return helps the utilities manage their challenges, such as financing their investment programme.

We will first discuss Uisce Éireann's funding model and how this is linked to setting the WACC for Uisce Éireann.

8.1.1 Context: Uisce Éireann's funding model

Under Uisce Éireann's funding model, established by the Water Services Act 2017, the domestic water sector is funded through Government subvention, albeit with small amounts of domestic revenue from charges for new connections, meter tests, meter reads. The costs of providing non-domestic services are recovered from non-domestic customers, and constitute theoretically around 24% of the total revenue⁵¹.

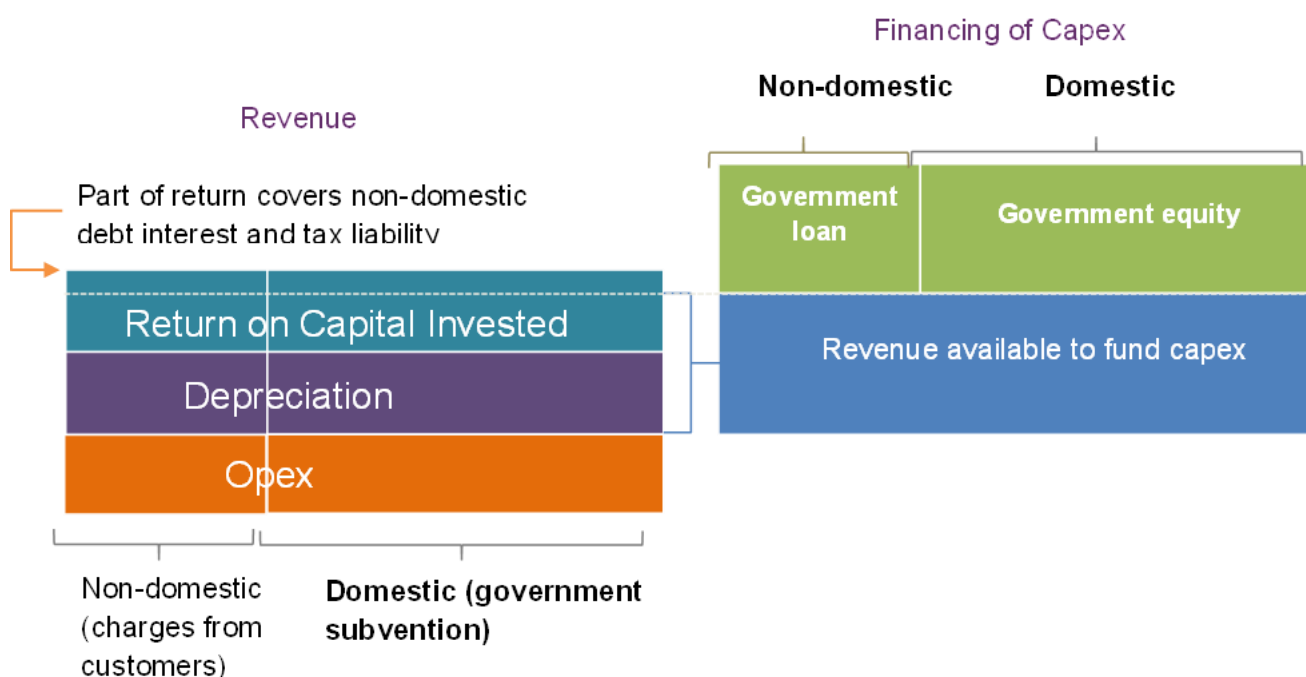
As set out in Figure 21 below, the depreciation and return element of domestic subvention and non-domestic charges are available to fund Uisce Éireann's capital programme. The shortfall in funding for the capital programme is then made-up through the provision of Government equity in the form of capital contributions on the domestic side and Government debt on the non-domestic side. Both the Government subvention and the capital contributions are provided through the budgetary process of the DHLGH on the domestic side.

To date, Uisce Éireann has only been allowed to raise debt via a debt facility provided by the Minister of Finance against its non-domestic revenue streams to fund capital expenditure attributed to non-domestic customers that was not covered by the allowed revenue.

The funding model means Uisce Éireann is dependent on Government sources of funding to finance its capital programme, except for an element of non-domestic charges that contributes to the capital costs associated with non-domestic customers. Notably, Uisce Éireann does not have access to private capital markets, such as debt markets, to fund its capital programme.

⁵¹ The share of the non-domestic revenue of the total allowed revenue under the existing Framework is 23.99% based on a systematic CRU's decision on Uisce Éireann's cost allocation exercise for tariff setting, as in the CRU 2024 Decision Paper ([CRU202460](#)). The non-domestic revenue share will be updated during RC4, based on the updated revenues, cost drivers, cost allocation rules, etc. The CRU notes that this non-domestic revenue will differ from the actual non-domestic revenue mainly due to timing differences between the tariff year and revenue year, and to a revenue shortfall resulting from the likely transition arrangement for trade effluent customers.

Figure 21 Illustration of UÉ’s Funding Model (sourced from CRU2025139f)



8.1.2 Key Implications of Uisce Éireann’s Funding Model to the Methodology

Reinvesting the Operating Surplus Does Not Justify Reducing the Allowed Cost of Equity: Uisce Éireann currently does not pay dividends to its shareholders (DHLGH with 1 share, and the Department of Public Expenditure, National Development Plan Delivery and Reform with 99 shares). Instead, operating surpluses are reinvested to address a historic infrastructure deficit. However, this does not imply a zero cost of equity.

The fact that Uisce Éireann does not have to pay dividends to the Government for the foreseeable future is to avoid the circular flow of funds. As if the Government required dividends from Uisce Éireann, this would simply increase the need for state capital contributions or loans to fund the firm’s investment programme.

Reducing the WACC Would Increase the Government’s Overall Funding Requirement: Currently, the revenue generated from the Government subvention and from non-domestic tariffs is insufficient to cover Uisce Éireann’s capex programme, resulting in a “funding gap”. Under its funding model, the Government provides additional funding to Uisce Éireann (in the form of Government equity contributions for domestic services and Government loans for non-domestic services) to cover its funding gap, as per Figure 21 above.

Any reduction to the WACC will reduce Uisce Éireann’s revenue and hence its operating surplus. Such reduction will have the effect of increasing its funding gap and thus its requirement for Government financing i.e. higher Government contributions and Government loans. More specifically, reduction to the WACC will impact Uisce Éireann’s business in the following ways:

- On the domestic side, any reduction in the WACC will reduce the total allowed revenue and thereby the amount of domestic subvention that Government must provide to Uisce Éireann. Reducing the amount of subvention means that additional Government capital contributions will be required to meet the total Capex for domestic customers. Hence, on the domestic side there is basically a choice between the Government providing funds in the form of a revenue subvention or in the form of additional financing.⁵²
- On the non-domestic side, any reduction in the WACC will reduce revenues from non-domestic customers (assuming that Uisce Éireann's non-domestic tariff takes into account the cost of financing), which will increase Uisce Éireann's funding gap and hence the additional financing that has to be provided by the Government. Due to this effect on non-domestic revenues, a WACC reduction will have the overall effect of increasing the amount of Government support (i.e., Government debt) that Uisce Éireann requires.

8.2 Approaches for Setting Allowed Return for RC4

8.2.1 Methodology for Setting the Cost of Capital

The cost of capital value set out in this paper has been derived using an established WACC methodology and approach, including using the CAPM for the cost of equity⁵³, and as such this paper is restating the CRU's intention to continue using these methodologies to calculate the appropriate costs of capital for Uisce Éireann at RC4.

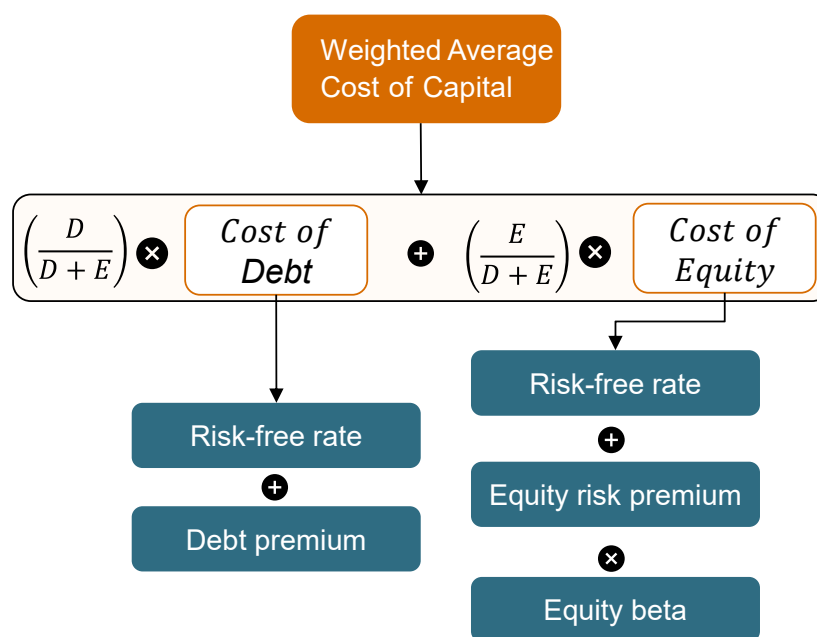
Building Blocks of WACC

The CRU sets the allowed rate of return as a WACC, weighting together debt and equity costs, using the following formula illustrated in Figure 22. Where 'E' and 'D' are the total values of equity and debt, respectively, and $D/(D+E)$ represents notional gearing, which is the proportion of debt that a regulated entity would hold.

⁵² The situation may change in the very long run once UÉ has addressed its infrastructure deficit and its capital expenditure falls, as this might lead to the funding gap disappearing. However, for the foreseeable future, on the domestic side any change in the WACC simply alters the balance between revenue subvention and Government financing rather than changing the total funding provided by the Government.

⁵³ CAPM is used for estimating the cost of equity.

Figure 22 Building Blocks of Cost of Capital



The approach taken by the CRU, along with the estimated value for each component of the rate of return, is set out in the following sections.

Context – Any rationale to deviate from the existing WACC approach?

Considerations for RC4

To inform the approach to setting the allowed return for Uisce Éireann during RC4, the CRU commissioned NERA to provide independent expert analysis. NERA assessed a range of options for determining the allowed return in light of Uisce Éireann’s unique funding model. Their work involved:

- Reviewing Uisce Éireann’s financing model and the implications for regulatory cost of capital;
- Developing and evaluating different potential options for the allowed return, ranging from a full WACC to apply Uisce Éireann’s actual cost of debt to only part of its asset base;
- Modelling the financial impacts of each option on total allowed revenues, non-domestic tariffs, and the level of Exchequer funding required; and
- Considering regulatory precedent and compliance with relevant EU directives.

NERA’s report provides an evidence base to support CRU’s assessment and stakeholder consultation on the most appropriate approach to calculating the allowed return as part of the RC4 determination to achieve cost recovery and incentive design during RC4. Please see NERA’s Report on RC4 Allowed Return for Uisce Éireann (CRU2025139f) for the economic assessment of the options under consideration. Based on NERA’s assessment against five criteria (i.e., cost recovery and efficient price signalling, impact on non-domestic tariffs,

dependency on exchequer funding, financial resilience or impact on financial credit metrics, and regulatory burden), the CRU is proposing Option 1B: Benchmark WACC approach. The advantages and disadvantages of different options are discussed in detail below.

Option 1: Full WACC

NERA identified two options based on the WACC methodology:

8.2.3 Option 1A: Uisce Éireann Specific WACC (existing approach)

This option involves calculating a WACC specifically tailored to Uisce Éireann using a bottom-up analysis of financial and economic parameters (e.g., beta, equity risk premium). The CRU is of the view that the current approach of Uisce Éireann specific WACC requires extensive analysis of both Uisce Éireann-specific and macroeconomic parameters at each RC period. Given that allowed returns in Uisce Éireann's funding framework do not serve to remunerate shareholders, this level of regulatory effort may not be proportionate to its overall role in the funding structure. Therefore, an alternative approach may be worth considering.

Advantages of this approach include:

- **Economic cost alignment and efficient price signals:** Reflects the opportunity cost of capital being invested, thereby aligning with economic principles and providing correct price signals, particularly for non-domestic customers.
- **Futureproofing:** Retains a return on equity element, preserving flexibility in case Government dividend policy changes.
- **Maintains consistency:** Provides consistency with CRU's previous RCs' decisions and stability across sectors and facilitates easier benchmarking.

Disadvantages include:

- **High regulatory burden:** Given Uisce Éireann is funded by Exchequer and does not raise commercial financing, it reduces the importance of the WACC (since the WACC does not change the total public funding provided for the domestic side of the business, only its split between revenue subvention and capital contributions), it would therefore help to minimise unnecessary regulatory costs for the CRU, Uisce Éireann and other stakeholders. The CRU notes, however, that the WACC remains important for the non-domestic side of the business as it feeds into the calculation of non-domestic tariffs.

8.2.4 Option 1B Benchmark WACC (Full WACC with latest gas or electricity WACC, 3.69%)

This option would involve applying the most recent cost of equity determined for energy networks regulated by the CRU, without conducting a separate cost of equity estimation for Uisce Éireann. The approach would combine the cost of equity with Uisce Éireann's actual cost of debt to construct a benchmark WACC. This benchmark approach maintains consistency with the current WACC methodology but reduces regulatory costs.

It provides high economic efficiency and alignment with energy sector regulation.

Advantages of this approach include:

- As with Option 1A, this approach also benefits from 1) **economic cost alignment and efficient price signals**, 2) **futureproofing**, and 3) **maintaining consistency with the existing WACC approach** as discussed above.
- Relative to Option 1A, this option reduces the **regulatory burden**. It avoids full re-estimation, leveraging work already undertaken for energy networks. Given Uisce Éireann's current funding model reduces the importance of the WACC (since the WACC does not change the total public funding provided for the domestic side of the business, only its split between revenue subvention and capital contributions), it would therefore help to minimise unnecessary regulatory costs for the CRU, Uisce Éireann and other stakeholders. The CRU notes, however, that the WACC remain important for the non-domestic side of the business as it feeds into the calculation of non-domestic tariffs).

Disadvantages include:

- Unlike with Option 1A, this approach does not involve a detailed consideration of the CAPM based cost of equity for Uisce Éireann, and instead assumes this is similar to energy networks and is therefore approximate.

8.3 CRU View on Setting the Cost of Capital for RC4

The CRU carefully considered alternative approaches to setting a WACC for RC4 and engaged with key stakeholders to gain an understanding of the practical implications of adopting a different approach. The CRU's task is to set a WACC that:

- Supports Uisce Éireann's ability to finance its regulated investments;
- Provides incentives for efficient delivery;
- Reflects the opportunity cost of capital; and
- Aligns with regulatory practice across similar sectors.

At RC4, the CRU proposes continuing with a benchmark WACC approach as the most appropriate method to reflect Uisce Éireann's economic cost of capital, while acknowledging its distinctive funding model.

The CRU is of the view that it would not be prudent to depart significantly from the approach taken in previous revenue controls at this time. A decision must reflect a consistent and predictable approach. For RC4, the CRU is proposing to continue with the WACC-CAPM approach for the following key reasons:

- **Economic Cost Alignment and Efficient Price Signals:** Using benchmark WACC ensures that the cost of capital reflects the opportunity cost of public funds

invested in Uisce Éireann. This promotes economic efficiency and sends appropriate price signals, especially to non-domestic customers. It also helps avoid implicit subsidies that could distort consumption or investment decisions.

- Regulatory Stability and Policy Consistency:** Uisce Éireann has operated under a WACC–CAPM framework since becoming a regulated utility in October 2014, and its funding model has remained unchanged since 2017. During this time, the CRU has applied a consistent approach to setting the cost of capital, providing regulatory certainty to both Uisce Éireann and wider stakeholders. Continuing this approach for RC4 will allow methodological consistency over a 15-year period, supporting a stable and predictable investment environment, in line with the key principles of economic regulatory framework for the public water sector⁵⁴. This stable regulatory environment may be of benefit Uisce Éireann as a utility, particularly in the event of any future change in Government policy.
- Regulatory Practice and Precedent:** The CRU has applied the same WACC estimation principles across other sectors, including electricity and gas networks. This is set out in [Cost of Capital – CRU Approach \(CRU/20/029\)](#) and subsequent decisions under Electricity Price Review 5 and 6, and Gas Price Control 5.

8.4 Estimating the RC4 Cost of Capital

This section lists the cost of capital recommendations provided by NERA to the CRU for the RC4 period. NERA’s approach to estimating the full WACC components is set out in the subsections below and illustrated in Table 48. Full details of the methodology and estimates can be found in the accompanying NERA’s Report on RC4 Allowed Return for Uisce Éireann (CRU2025139f).

Table 48 Estimate of RC4 WACC under Option 1B

	Value	Approach
Cost of debt (real)	1.27%	1-month trailing average yield on 10-Year Ireland Government bond as at 28 Jan 2025, deflated using 2% inflation based on European Central Bank target plus 50 basis points credit spread
Cost of equity (real, pre-tax)	6.07%	Based on CRU PR6 draft determination ⁵⁵ , including CRU adjustment to “aim-up” to 67 th percentile of estimated range
Gearing	55%	Based on CRU PC5 decision
WACC (real, pre-tax) ⁵⁶	3.69%	Includes 27 basis points excess Ireland inflation premium as per PC5 decision

⁵⁴ Advice to the Minister on the Economic Regulatory Framework for the public water services sector in Ireland (CER/14/076) – 31 March 2014 - available at the following [link](#).

⁵⁵ The CRU notes that the COE will be updated in line with the final PR6 determination at its RC4 final determination.

⁵⁶ Consistent with the CRU’s previous WACC determinations and the Advice to the Minister on the Economic Regulatory Framework, a pre-tax WACC is determined using the Irish corporation tax rate of 12.5%.

8.4.1 Cost of Debt

The cost of debt of a regulated business can generally be considered to be the sum of the real pre-tax return required by investors in risk-free investments plus a premium over the risk-free rate, representing the rate at which debt can be obtained by the company in question.

Debt repayments made by a company to its investors are fixed and the risk faced by an investor is the non-payment of the debt at the agreed rates and intervals. A measure of this risk is the rating on the company's debt provided by credit rating agencies. Therefore, a company's debt premium can be determined by taking the market data on spreads on bonds with the same credit rating. Where a company is not rated and does not have listed bonds reasonable inferences can be made by looking at the data for a set of comparator utilities.

At RC4, NERA recommended setting the allowed cost of debt based on the debt interest rates set by the Government in lending to Uisce Éireann (i.e., the prevailing 10-year Irish Government bond yield plus 50 basis points) so that customers only pay for efficient debt costs.

NERA estimated a cost of debt of 1.27% (real) for Uisce Éireann, based on i) the 1-month trailing average nominal yield on the 10-year Ireland sovereign bond (2.79%), ii) deflated by a 2% long-run inflation assumption plus iii) a 50-basis point credit spread, in line with Uisce Éireann's current financing terms.

8.4.2 Gearing

The gearing of a company, g , is the ratio of debt, D , to equity, E , in the company and determines the weightings applied to the cost of debt and the cost of equity when calculating the WACC.

$$g = \frac{D}{D + E}$$

The CRU assumes a notional gearing level for the regulated companies, independent of their actual gearing. The CRU has consistently used a standard gearing level of 55%, in line with the levels assumed by other regulators in the UK and Europe.

For RC4, the CRU proposes retaining the 55% notional gearing level, in line with regulatory precedent.

8.4.3 Cost of Equity

The cost of equity is the rate of return that an investor expects to earn when investing in shares in a company. The CRU has historically used the CAPM in previous RCs to estimate the cost of equity, which is determined as follows:

$$CoE = RfR + \beta_e \times ERP$$

Where RfR is the risk-free rate, β_e is the equity beta, and ERP is the equity risk premium.

This approach is continued for RC4. NERA recommends using an estimates of 6.07% for the cost of equity based on the CRU's consultation for ESNB at RP6 draft determination ([CRU202587](#)). NERA is of the view that a benchmark CAPM cost of equity is deemed a reasonable and pragmatic alternative to Uisce Éireann-specific cost of equity given the relevant market data, specifically the risk-free rate (RFR) and total market return (TMR), is unlikely to change significantly due to the timing differences between RC4 and energy network decisions. Also the TMR tends to remain stable over time, given that regulators tend to draw on long-term time series. The CRU notes that market parameters may evolve between the draft and the final PR6 determination and will reassess at its RC4 Final Determination if warranted.

The CRU also notes that the use of ESNB's equity beta would not perfectly capture Uisce Éireann-specific risk factors.⁵⁷ However, there is a similarity between ESNB and Uisce Éireann in terms of risk profile, and Irish energy network beta decisions and energy network empirical betas are likely to provide a core part of the evidence base for Uisce Éireann's beta. The asset beta is then combined with the notional gearing (i.e., 55%, same as Uisce Éireann) to arrive at the equity beta.

The CRU is seeking stakeholder views on its proposal to apply a Benchmark WACC, 3.69% for estimating the cost of capital for Uisce Éireann at RC4.

8.5 Other Considerations by the CRU

The CRU is cognisant that economic regulators assess a range of approaches when setting the allowed return. Alternatively, NERA has also considered setting the allowed return equal to the cost of debt, on the basis that there is no equity return expectation (such as dividends) for Uisce Éireann, given Uisce Éireann's unique characteristics of its funding model. In cash terms, Uisce Éireann's financing costs consists of the interest cost on the Government debt for the non-domestic sector only.

However, NERA noted that using the notional cost of debt approach provides only partially correct price signals. The cost of debt approaches does not reflect any equity-related opportunity cost⁵⁸. As a result, this approach would lead to lower non-domestic charges but would also increase reliance on Government debt financing for the non-domestic sector. This could pose a risk to the capital programme in times of constrained Government funding.

The CRU also notes that the approaches described below are not currently deliverable, as they would require decisions beyond the CRU's remit, including continued certainty to Uisce Éireann's funding in Government support to address any resulting funding gap.

⁵⁷ Measures the sensitivity of the returns of a company to the market as a whole. The relationship between equity beta and asset beta can be captured as: $\beta_e \times (1 - g) + \beta_d \times g = \beta_a$. Debt beta (β_d) is assumed to be zero for ESNB at Price Review 6.

⁵⁸ The CRU notes that Option 2A does allow for an opportunity cost based on Government debt cost, please see details in NERA report on RC4 Allowed Return for Uisce Éireann (CRU2025139f).

8.5.1 Consideration 2A (Cost of Debt on full RAB, 1.27%)

This option applies the current interest rates faced by Uisce Éireann (i.e., the prevailing 10-year Irish Government bond yield plus 50 basis points) to the entire RAB, including both domestic and non-domestic components. It replaces the cost of equity with an estimated cost of debt for both the domestic and non-domestic elements.

Advantages:

- **Lower non-domestic tariff increase:** This option reduces non-domestic tariffs compared to full WACC. It ensures that customers are only charged the actual interest rate that the state charges to Uisce Éireann.
- **Simple methodology:** It is based on observable sovereign yields, reducing complexity relative to full WACC estimation. It would thus minimise regulatory efforts in carrying out detailed analyses to estimate the various parameters of the WACC.
- **Partially cost reflective:** The cost of debt is applied to the entire asset base, including the domestic portion, to reflect that even though there is no explicit financing cost associated with the domestic portion of the RAB, the Government funds used could have been used elsewhere (e.g., invest in other sectors, pay down Government debt). If the funds had been used that way, the Government would have avoided paying interest on its debt. So, the cost of debt is used as an estimate of the opportunity cost of using those public funds instead of reducing Government debt for the domestic side.

Disadvantages:

- **Undermines resilience:** There is limited financial headroom to absorb adverse events or shocks. Uisce Éireann might not be financeable if at some point in the future it wished to obtain commercial debt finance.
- **Weaker price signals:** This option fails to reflect the cost of equity or the full economic cost of capital employed in Uisce Éireann's activities, which by definition is captured by the full WACC. It would thus weaken cost recovery and efficiency signals.
- **Higher exchequer burden:** It requires increased Exchequer funding. NERA estimates an additional €1.1 billion over RC4 relative to the Benchmark WACC approach, see Table 4.3 in NERA's Report on RC4 Allowed Return for Uisce Éireann (CRU2025139f).

8.5.2 Consideration 2B (Actual Cost of Debt, €19m p.a.)

This option allows a pass-through of Uisce Éireann's actual interest payments on its Government debt related to non-domestic operations, estimated at appropriately €19m per annum (nominal) over RC4. This option allows for the actual financing cost associated with the non-domestic regulated asset base rather than allowing a cost of debt return based on the whole regulated asset base. This option may appropriately reflect conditions over RC3. It results in the lowest tariff increases for non-domestic customers (see Table 4.3 in NERA's

Report on RC4 Allowed Return for Uisce Éireann (CRU2025139f), only reflecting financing costs relative to the other options.

Advantages:

- **Simplicity and transparency:** The option is based directly on known interest costs accrued to fund Uisce Éireann's non-domestic capex. It would be simple to implement, and would thus minimise regulatory burden.
- **Lowest non-domestic tariff increase:** Results in the lowest non-domestic charges among the options evaluated. It would reflect the actual debt financing costs that Uisce Éireann is expected to face, thus providing neither too much nor too little funding in comparison with the firm's expected debt interest costs.
- **Alignment with funding model:** Reflects Uisce Éireann's real cost structure under Government borrowing.

Disadvantages include:

- **Undermines resilience:** There is no financial headroom to absorb adverse events or shocks; all returns are immediately committed. Uisce Éireann might not be financeable if at some point in the future it wished to obtain commercial debt finance.
- **Potential Financing problems:** Uisce Éireann would run into financing problems if its actual debt interest payments exceeded the ex-ante projection. In particular, given the rate for new debt is fixed for the duration of each loan on the day of disbursement, the CRU will not know for certain the interest rate that will apply to new loans disbursed during the RC period at the point in time when it finalises Uisce Éireann's revenue limits. If Irish Government bond yields increase during the period, Uisce Éireann would have insufficient revenue to fund its debt interest payments.
- **Very weak price signals:** This option ignores the true economic opportunity cost of capital employed in Uisce Éireann's activities, which by definition is captured by the full WACC. This option may deviate from Article 9 of the Water Framework Directive.
- **Highest exchequer funding requirement:** It is estimated that a total of €7.0 billion is required for capex (Table 4.3 in NERA's Report on RC4 Allowed Return for Uisce Éireann (CRU2025139f), €1.7 billion higher than the benchmark WACC approach.

8.6 Conclusions

The CRU proposes adopting a benchmark WACC of 3.69% for RC4, based on evidence for the cost equity for a regulated network from the most recent CRU energy network consultation combined with Uisce Éireann's debt financing costs. This approach enables regulatory

consistency, reflects the economic opportunity cost of capital, and provides a balanced means of supporting Uisce Éireann's long-term investment needs within its unique funding model.

The proposed benchmark WACC maintains appropriate price signals, especially for non-domestic customers, and avoids excessive reliance on Exchequer funding.

Alternative approaches based on the cost of debt were considered but found to weaken financial resilience, provide weaker efficient price signals, and increase the requirement of Exchequer funding. The CRU is of the view that the proposed benchmark WACC approach is the most appropriate for RC4, given Uisce Éireann's funding model and broader policy objectives (reflecting the economic opportunity cost of capital, supporting Uisce Éireann's financial sustainability and long-term investment capability, delivering efficient price signals, particularly for non-domestic customers, and maintaining regulatory consistency, predictability, and credibility, etc).

CRU Consultation Question(s):

Q19. Do you have views on the CRU minded-to proposal to apply a Benchmark WACC (3.69%) for estimating the RC4 cost of capital for Uisce Éireann?

9. Adjustments related to RC3

K-factor is a correction factor applied to over- or under-recoveries of revenues and permissible variations in costs from the pre-determined level of allowed expenditure/revenues in previous RC period. The adjustment essentially corrects for the differences by applying a correction to the revenue to be collected in subsequent period(s).

This section outlines the CRU's proposed approach to assessing Uisce Éireann's k-factor submission for RC3, drawing on established regulatory principles, prior decisions, and applicable uncertainty mechanisms. The k-factor mechanism plays a critical role in ensuring that revenue adjustments are made transparently and in a manner that protects customers, encourages prudent risk management, and supports cost reflectivity.

9.1 Principles Governing k-factor Adjustments

The CRU has historically applied a consistent set of principles to determine whether variations from allowed revenue should be reflected through k-factor adjustments. These principles guide the treatment of cost deviations and seek to distinguish between costs that are appropriately borne by Uisce Éireann versus those that warrant regulatory intervention.

The key principles applied by the CRU are detailed in Section 2.1 in NERA's RC3 Opex Look Back and k-factor Adjustments Report (CRU2015139e), which also summarised as follows:

- **Pass-through cost items:** Costs that were explicitly designated as pass-through at the time of the review (e.g., local authority rates, licence fees, levies) are eligible for full reconciliation.
- **Externally driven variations:** Adjustments may be considered for costs arising from new or amended legal obligations or changes in Government policy, such as Legislative changes applying to Uisce Éireann, Alterations in discharge consents or abstraction licensing, Policy decisions affecting service delivery (e.g. the cessation of domestic billing).
- **Items excluded or partially disallowed at review:** Where a cost category was not allowed for (or only partially allowed for) during the review, actual costs may be reconsidered based on clear evidence of efficiency and output delivery.
- **Recognition of additional outputs:** Where Uisce Éireann delivers outputs not explicitly funded at review, but which are demonstrably in the customer interest, the CRU may consider "logging-up" adjustments, following precedent from UK regulation.
- **Adjustments for non-delivery:** Conversely, where funding was granted for outputs that were not delivered, a downward adjustment ("logging-down" or "shortfalling") will apply.
- **RPE and Expenditure Uncertainty Mechanism updates:** Where additional funding is allocated to Uisce Éireann during RC4, through either the Real Price Effect (RPE) or

Expenditure Uncertainty Mechanism, these will be assessed in out-turn and trued up by the k-factor calculation, at the end of RC4.

The CRU continues to apply its longstanding principle that it does not adjust for general business risk, consistent with the revenue cap framework. This approach is intended to create strong incentives for Uisce Éireann to manage risks and operate efficiently, thereby protecting customers.

9.2 Application of Variations at RC3

In applying these principles at RC3, the CRU reiterates its intention to adjust revenues only for costs identified as uncertain at review or subject to specific reopener clauses. Specifically, the CRU confirms the following RC3 decisions regarding cost variation:

- Pass-through costs, like licences and levies and commercial rates.
- Provision for a reopener linked to delays in the implementation of the Single Public Utility (SPU) transition, recognising the materiality of these costs and their one-off nature.
- Outturn inflation adjustment, to account for deviations from assumed inflation in setting RC3 allowances, consistent with the CRU's indexing approach.

In 2024, the CRU provided additional allowances for energy costs and UÉT transition-related staffing. The CRU requested status reports from Uisce Éireann outlining:

- The hedging position on energy procurement relative to the allowed energy budget.
- Temporary labour costs incurred as part of the UÉT transition to SPU.

The CRU will assess these items in the context of the k-factor process and determine the extent to which outturn costs align with the intended use of the additional funding.

Although the CRU has multiple engagements with Uisce Éireann regarding the submission of the requested information, the CRU notes that Uisce Éireann has only submitted the “Status Reports” required under the 2023 re-determination ([CRU/2023117](#)) in August 2025. These reports are due on 30 April 2024 and 30 September 2024. Given the significant delay in Uisce Éireann's submission and the time required for the CRU to conduct a thorough assessment, the CRU has not included the €12m funding for additional headcount associated with Uisce Éireann's transformation to an SPU. The CRU will re-evaluate this assessment based on Uisce Éireann's “Status Reports”, along with Uisce Éireann's actual cost and revenue for 2024⁵⁹, submitted to the CRU for the final determination.

⁵⁹ The CRU notes that the RC3 k-factor adjustment is based on outturn data from 2020–2023 and forecast data for 2024. Uisce Éireann did not include forecast incentive data for 2024 in its submission but will provide it for the final k-factor determination. The CRU will assess this for the final determination.

9.3 RC3 k-factor Cost Adjustment

Uisce Éireann's proposal on Capex adjustment: Uisce Éireann reported a €545m⁶⁰ underspend against CRU's RC3 capex allowance, largely attributed to slower progress on major projects such as the Waste Supply Project and Greater Dublin Drainage. As a result, there is a €454m lower change in the RAB calculated using the opening RAB minus the closing RAB (Table 49). The RAB adjustment naturally flows from the reduced capex and does not require separate assessment beyond computational checks.

CRU's view

Arcadis reviewed Uisce Éireann's delivery and found it is broadly consistent with expected outputs and outcomes. The CRU agrees with Uisce Éireann's proposed reduction to the RAB to reflect the underspend.

Adjustment to Inflation Assumption: CRU updated the 2024 HICP inflation assumption to 1.7% (from Uisce Éireann's 3.2%), resulting in a net favourable impact to customers (higher real terms expenditure offset by higher real revenues). Overall, adjusted for capital input price inflation, Uisce Éireann's spending over RC3 was deemed appropriate.

Uisce Éireann's proposal on Opex adjustment: Uisce Éireann proposed an uncontrollable opex adjustment of €65m (pass-through costs like levies and commercial rates), which CRU is of the view that is appropriate. Uisce Éireann proposed to make a minor adjustment of €0.5m (returned to the customer), reflecting over-provision for inflationary impacts on energy/DBO costs. Uisce Éireann didn't propose any adjustment for controllable opex underspend (i.e., this implicitly implies using the monies that were not required as part of the 2023 re-opener to fund higher DBO costs in 2021 and 2022).

Adjustment to Uisce Éireann's proposal

After NERA's adjustment by updating the inflation forecast for 2024 to align with latest central bank estimates, this option is essentially NERA's Option 1 acknowledging exceptional events (e.g., sector reform delay, energy inflation) over RC3. Under this option, fund Uisce Éireann's higher DBO costs for 2021–2022 using the unspent 2023 reopener funds. Simultaneously, claw back controllable opex underspend (estimated as €6m or €31m depending on inflation assumption).

As a result, the cost k-factor adjustment is -€290m (greater return to customers compared to Uisce Éireann's submitted -€186m).

CRU's view:

As a principle, the CRU is of the view that controllable opex should not be subject to reopener adjustments to preserve efficiency incentives. The CRU is of the view that the reopener mechanisms have been asymmetric and disproportionately favourable to Uisce Éireann. To

⁶⁰ For the purposes of determining the k-factor, UÉ notes that CRU allowed €4,482million (2017 monies) for network and non-network for RC3 against an outturn of €3,937million, which results in monies owed to the customers. Please see details in Uisce Éireann's RC4 K-Factor Submission (CRU2025139q).

be specific, the reopener mechanism allowed Uisce Éireann to seek additional funding in response to rising input costs, particularly in relation to DBO contracts and energy inflation. Uisce Éireann did not identify or propose any material offsetting reductions in controllable costs during the same period.

As a result, Uisce Éireann did not bear risk on opex to the extent intended under the RC3 efficiency-based regime. This undermines the incentive-based nature of the RC framework, as it reduces the pressure on the utility to manage and mitigate cost pressures through internal efficiencies.

CRU proposal

Therefore, the CRU has proposed the following **alternative approach**:

- **Do not allow the use of 2023 reopener funds for earlier DBO/energy costs and request Uisce Éireann to return all unspent 2023 funds to customers.**

Under CRU's proposal, the adjustment would be -€290m (i.e., Uisce Éireann needs to return €290m to customers). This option supports the overarching regulatory objectives of fairness while ensuring that Uisce Éireann remain incentivised to manage its operational efficiency and retain the risk. Uisce Éireann is required to return the unutilised funds granted in 2023 reopener for 2023 and the forecasted increases that did not materialise due to the decrease in the Wholesale Price Index (WPI) in 2024, to the customers. The additional higher energy/DBO costs incurred in 2021 and 2022 were treated as unrecoverable and borne by Uisce Éireann, consistent with the intended operation of an ex-ante incentive regime. This reinforces the principle that controllable opex should be managed within the allowed envelope, with Uisce Éireann bearing the downside risk as well as benefiting from any efficiencies gained.

Table 49 Comparison of Uisce Éireann and CRU Proposed Estimate of the RC3 Cost k-factor (million, 2017 prices)

Cost Component (€m, 2017 Monies)	RC3 Cost K-Factor – UÉ Proposal			RC3 Cost K-Factor – Adjusted UÉ Proposal			RC3 Cost K-Factor – CRU Proposal		
	Allowanc e	UÉ Forecast	Delta	Allowance	UÉ Forecast	Delta	Allowance	UÉ Forecas t	Delta
Change in RAB	-2,957	-2,503	-454	-2,957	-2,515	-442	-2,957	-2,515	-442
Capex	4,482	3,937	545	4,482	3,949	533	4,482	3,949	533
Uncontrollable Opex	254	189	65	254	189	65	254	189	65
Controllable Opex			0	3,318	3,316	1			
Inflationary impact - DBO & Energy Costs			0.5					-87	87
Total adjustment in 2017 monies			156			157			243
Total Cost Adjustment (Indexed to start 2025)⁶¹			-186			-187			-290

⁶¹ Positive delta values in Grey rows indicate Uisce Éireann spent less than the allowed costs. However, when these values are converted to cost k-factor adjustment and indexed to the start of 2025 (Blue row), please

Note: For both the cost and the revenue k-factor adjustments, positive numbers represent revenue for Uisce Éireann (i.e. money owed to Uisce Éireann) while negative numbers represent a 'clawback' for the customer (i.e. money owed by Uisce Éireann back to the customer).

CRU Consultation Question(s):

Q20. Do you agree with the CRU minded-to approach on the RC3 k-factor cost adjustment (i.e., exclusion of additional funding requested by Uisce Éireann for 2021–2022 DBO costs), resulting in a RC3 cost k-factor of -€290m that Uisce Éireann needs to return to customers?

9.4 RC3 k-factor Revenue Adjustment

Uisce Éireann's submission claimed a €399m revenue k-factor includes €161m shortfall in Government subvention, €159m under-recovery in non-domestic revenue, €9m shortfall in domestic revenue, and payments owned under the RC3 financial incentives. The CRU agrees with Uisce Éireann's proposed adjustments for revenue under-recovery as these are mechanistic adjustments due to an updated 2024 inflation forecasts.

The CRU specifically reviewed the following financial incentive mechanisms proposed by Uisce Éireann.

9.4.1 Non-Domestic Bad Debt Incentive

Under the current incentive mechanism, Uisce Éireann is incentivised to actively manage non-domestic bad debt. Uisce Éireann is rewarded when bad debt levels fall below an assumed efficient threshold of 5% of revenue, and penalised when levels rise above that threshold. The annual reward or penalty is subject to a cap of €4m.

Uisce Éireann has proposed two modifications to the existing mechanism as implemented during IRC2 and carried through into RC3:

- To calculate the penalty based on the difference between billed revenue and cash received, while still claiming the bad debt charge as reported in its Profit & Loss (P&L) account;

note the direction of values reverses. For example, a positive allowance of €157m in Grey becomes a negative adjustment of -€186m in Blue. This reversal reflects how the k-factor mechanism translates the differences in cost expenditure to the revenue to be collected in RC4.

- To exclude mixed-use customers from the non-domestic bad debt incentive mechanism, on the basis that Uisce Éireann cannot disconnect these customers and thus has limited control over bad debt recovery.

Please see Section 4.3.1 in NERA's RC3 Opex Look Back and k-factor Adjustments Report (CRU2015139e) for details.

CRU Proposals:

First change: Use of P&L for reward, but cash-based calculation for penalty

Uisce Éireann has not provided a clear rationale for this proposal, and it is not evident that this change would improve the incentive properties of the mechanism. The proposed approach introduces a disconnect between the basis for reward (P&L) and penalty (cash received), which complicates the incentive structure. The CRU is concerned that this dual basis may weaken transparency and distort the intended performance incentives.

On balance, our proposal is to retain the mechanism as originally intended at IRC2, using a consistent basis for both rewards and penalties. This would result in:

- An annual penalty of up to €4m where bad debt exceeds 5% for most years of RC3;
- A positive adjustment of €0.8m in 2021 (due to better-than-expected performance);
- A penalty of €3.8m in 2023 (where performance remained close to the cap).

Second change: Exclusion of mixed-use customers

Uisce Éireann argues that it should be permitted to exclude mixed-use customers from the incentive mechanism because it lacks full disconnection powers for such customers, thereby reducing its control over debt recovery. While we acknowledge the practical challenges in recovering arrears from mixed-use customers, the CRU continues to expect Uisce Éireann to take all reasonable steps to reduce overall bad debt levels across its non-domestic customer base and all customer types. Excluding mixed-use customer groups from the incentive mechanism risks weakening the overall effectiveness of the regime and may reduce the incentive for Uisce Éireann to pursue debt collection activities in those areas.

Additionally, as NERA set out in its RC3 Opex Look Back and k-factor Adjustments Report (CRU2015139e), if the first proposed change (P&L-based rewards and cash-based penalties) is not accepted, then the exclusion of mixed-use customers has limited material impact. This is because, under the retained IRC2 approach, Uisce Éireann would still be subject to the capped penalty in most years, except in 2021 and 2023.

In summary, the CRU is of the view that this is not appropriate and therefore rejected Uisce Éireann proposed changes to maintain consistency with the IRC2 framework.

9.4.2 Billing Correction and Efficient Billing Incentives

CRU is of the view that it is appropriate to accept the incentive structure and payment proposed by Uisce Éireann, supported by the details for the additional customers who have

received corrected bills. The CRU notes a combined billing incentives of appropriately €0.9m with €0.42m under billing correction and €0.45m under efficient billing.

9.4.3 Leakage Reduction Incentives

The CRU notes that Uisce Éireann has not achieved the leakage reduction targets for RC3 set out under the Leakage Incentive Mechanism. In line with the mechanism's provisions, the applicable penalty is the maximum of €20m in nominal terms (i.e., €4m per annum over five years). The CRU also notes that Uisce Éireann's k-factor submission does not incorporate its performance under this incentive, as the relevant leakage data had not been made available at the time of submission.

In summary, the CRU proposes a reduced revenue k-factor of **€393m** compared to Uisce Éireann's €444m submission (Table 50), resulting in less owed to Uisce Éireann by customers. This reduction is mainly due to the following:

- Using the updated inflation assumptions;
- Applying higher penalties for non-domestic bad debt performance using the existing mechanism as implemented in previous RCs;
- Including a €18m penalty (2017 terms) from the leakage incentive scheme, which Uisce Éireann had not yet factored into its submission; and
- Reflecting a €12m reduction (2017 terms) in 2024 allowed revenue, associated with temporary staffing costs to enable the transition to SPU.

9.5 CRU Proposals on Overall Adjustment

Total k-factor adjustment (including RC3, the 2019 roll-over year, and IRC2⁶²) was calculated in Table 50 as:

Table 51 Comparison of Uisce Éireann and CRU proposed estimate of the total k-factor (€m, 2017 prices, PV 2025 terms)

	UÉ Proposal	Adjusted UÉ Proposal	CRU Option
RC3 - Cost	-186.3	-187.2	-289.8
RC3 - Revenue	444	393	393
Rollover year (2019)	17.2	12.5	12.5
Other (IRC2 cost, IRC2 revenue)	3.9	3.9	3.9
Total	278.8	222.3	119.7

Note: For both the cost and the revenue k-factor adjustments, positive numbers represent revenue for Uisce Éireann (i.e. money owed to Uisce Éireann) while negative numbers

⁶² The 2019 roll-over year and IRC2 k-factor adjustments are considered here to finalise the cost and revenue reconciliation for the 2017–2019 period using actual outturns, and to include previously omitted cost items like non-domestic bad debt claim and billing incentives for non-domestic customers.

represent a 'clawback' for the customer (i.e. money owed by Uisce Éireann back to the customer).

As discussed above, the key differences from Uisce Éireann's proposals are:

- Return of controllable opex underspend (under Adjusted Uisce Éireann Proposal) or exclusion of additional funding for 2021–2022 DBO costs (under CRU Proposal),
- Retention of IRC2 approach for non-domestic bad debt penalties (leading to higher penalties for Uisce Éireann), updated inflation forecasts,
- Reflecting the €20m penalty under the leakage incentive mechanism in the revenue k-factor, and
- Reflecting CRU's decision to disallow €12m of funding for additional staff from the opex re-opener for 2024.

Under the CRU proposed option, it would result in a total k-factor of €119.7m (monies owed to Uisce Éireann by customers) relative to the original Uisce Éireann's proposal of €279m and the updated Uisce Éireann's proposal of €222.3m. Uisce Éireann would receive less than originally claimed. The reduction reflects the adjustments, including the tighter treatment of controllable opex, the revised inflation assumptions, and the retention of established methods for bad debt incentives. Consequently, more is returned to customers under the CRU proposed option compared to Uisce Éireann's proposal.

9.6 Conclusions

Uisce Éireann has proposed a k-factor adjustment of €278.8 million. Following its review of RC3 opex and capex, the CRU proposes a total k-factor of €119.7m (monies owed to Uisce Éireann by customers). The key difference is the treatment of RC3 opex: whether to use the unspent 2023 reopener funds to cover Uisce Éireann for the additional higher energy/DBO costs in 2021 and 2022.

The CRU welcomes stakeholder views on this and other proposals set out in this section (e.g., clawback money related to temporary additional staff cost, applying a leakage penalty, retaining the existing mechanism related to determining non-domestic bad debt incentives):

CRU Consultation Question(s):

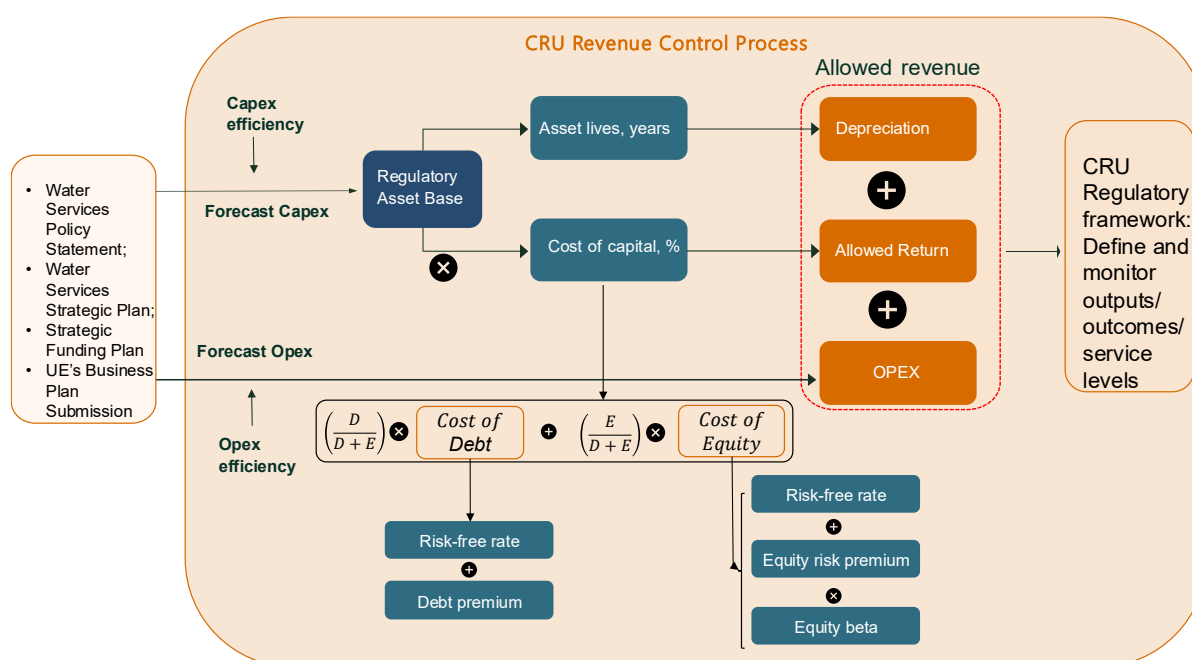
Q21. Do you have comments on any other proposals set out in this Section: Adjustments related to RC3?

10. Allowed Revenues

This section sets out the allowed revenues for Uisce Éireann, as determined within the CRU's revenue model. This section also provides the assessment of the impact of the RC4 Draft Determination Proposals on customers.

Visually, this section considers the following design features in respect of the cost of capital as highlighted in red in Figure 23:

Figure 23 Illustration of the Allowed Revenue Role Within the Revenue Control Process



10.1 Setting Allowed Revenue

The CRU's approach involves building efficiencies into the opex and capex allowances, calculating the allowed revenue and profiling the resulting figure over the revenue control period. The CRU has used a cash-flow approach to calculate Uisce Éireann's total cash requirement in net present value (NPV) terms since CRU's first RC of Uisce Éireann to date. This approach is employed by the CRU in the energy sector and is commonly used by regulators in the UK and Ireland to determine allowed revenues, providing the most accurate measure of the amount of cash required to enable the utility to finance its activities over the course of an RC. It is recognised that that the Non-Domestic Tariff setting year and the annual calendar revenues under the Revenue Control Model differ.

This results in annual allowed revenue figures (in real prices) that the utility can collect, mainly through Government subvention, to cover domestic customer charges and charges to non-domestic customers (including trade effluent).

10.1.1 Calculation of RC4 Revenue

The CRU RC4 decision will not be concluded until Q2 2026. The calculation of the 2025 cost basis is therefore completed on a ‘standalone’ basis⁶³ (i.e., 2025 allowed revenue is based on the Minister-approved SFP and is not included in RC4 revenue profiling). Furthermore, the RC3 k-factor adjustment does not form part of the 2025 allowed revenue calculation, and it is profiled across the remaining RC4 period, from 2026 to 2029.

Table 51 and Table 52 present the total allowed expenditure and the corresponding revenues for RC4 under the CRU-minded-to scenario, considering Uisce Éireann’s opex and capex efficiency proposals, which have been discussed in this Paper⁶⁴. See NERA’s RC4 Look Forward Submission Assessment: Revenue and Opex Report (CRU2025139b) which outlines the two largest cost reduction approaches and the two lowest cost reduction approaches for opex and capex, along with their impact on customers.

The CRU-minded-to scenario is based on:

- Opex based on Scenario 2 “UÉT-based Stretch Scenario”, a total of 4.27% reduction to Uisce Éireann’s total opex request (Section 6.4);
- Capex based on Scenario 2, providing Uisce Éireann’s capex request and requesting Uisce Éireann to do more (Section 5.6);
- CRU proposed k-factor adjustment, as detailed in Section 9; and
- Benchmark WACC of 3.69% (Section 8).

Under this scenario, the total allowed expenditure is €13.6 bn for the five-year period from 2025 to 2029 (Table 51). This represents a reduction of €224m (or c. 2%) relative to Uisce Éireann’s request, and an approximately 50% increase on current outturn expenditure in RC3.

Uisce Éireann’s revenue allowance is calculated as:

Operating Costs	+	Depreciation on Assets	+	Return on Capital Investment	+	k-factor	=	Revenue Allowance
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The corresponding total allowed revenues over RC4 amount to €7,700.5m (in 2022 prices, PV at the start of RC4, i.e. 01 January 2025). This equals a total of €8,447m (2022 prices in real terms), representing a €349m (c. 4%) reduction compared to Uisce Éireann’s original submission of €8,796m.

⁶³ In previous RCs, total allowed revenue was evenly allocated across the five-year RC period, with 20% of total revenue assigned to each year. However, for RC4, 2025 is being treated as a stand-alone year rather than the first year of the five-year cycle. This approach reflects the fact that the CRU’s final decision on RC4 will not be concluded until Q2 2026. As a result, revenue allocation will follow a revised structure: a separate allocation for 2025, followed by an even distribution of the remaining RC4 revenue requirement, 25% per year across the four years from 2026 to 2029.

⁶⁴ The revenue calculation itself is carried out within the Excel model, which will be published at the RC4 final decision.

Table 51 Expenditure Allowance, Uisce Éireann's Request vs. CRU Proposal (2022 prices)

UÉ's Request	CRU Proposal	Delta	
€m	€m	€m	(%)
13,803	13,579	-224	-2

Table 52 CRU Proposed Revenue vs Uisce Éireann's Total Requested Revenue for RC4 (million, 2022 prices)

	2025	2026	2027	2028	2029	Total	Reduction vs. UÉ Submission	
							€m	(%)
UÉ Submission	1,512	1,724	1,787	1,852	1,920	8,796⁶⁵		
CRU Proposal	1,516	1,640	1,700	1,763	1,828	8,447	-349	4%

10.2 Reprofitting of Allowed Revenue over RC4

By default, allowed revenues are profiled evenly across each year of the five-year control period (i.e., 20% per year at RC3). Given the RC4 decision is expected in Q2 2026, one year later than the RC4 starts, Uisce Éireann's 2025 revenue has been funded as per the ministerial-approved SFP. Uisce Éireann proposed treating 2025 as a stand-alone year. The remaining RC4 revenues are then allocated evenly across the remaining four years of the five-year control (i.e., 2026–2029) at 25% per year.

10.2.1 Purpose of Revenue Reprofitting

Given the CRU decision ([CRU2025103](#)) to apply a 9.8% increase to the 2024 tariff rates from 01 October 2025 to 30 September 2026, this results in a ca. 9.80% increase in 2025 relative to the 2024 allowed revenue in nominal terms. As a result, the 2025 revenue did not increase to the expected level of 14% as shown in Table 53. If Uisce Éireann's revenue is to align with the CRU proposed revenue allowance from 2026 onwards, revenue will increase by approximately 14% in 2026, and 6% each year from 2027 to 2029 over the RC4 period under the existing profiling (Table 53). This existing approach results in a significant revenue step-up in 2026, with consequential tariff impacts⁶⁶ for non-domestic customers (domestic customers are funded by Government subvention).

Table 53 Proposed Allowed Revenues for Uisce Éireann under existing Profiling

	2024	2025	2026	2027	2028	2029
Total Revenue (million, 2022 prices)		€1,516	€1,640	€1,700	€1,763	€1,828
Total Revenue (million, nominal terms ⁶⁷)	€1,456	€1,654	€1,825	€1,931	€2,042	€2,160
YoY increase (% , nominal terms)		14%	10%	6%	6%	6%
CRU 2025 Tariff Decision +YoY (% , nominal terms)		10%	14%	6%	6%	6%

⁶⁵ This revenue is calculated based on Uisce Éireann's proposed expenditure, the WACC under the SFP provision, and its proposed k-factor adjustment.

⁶⁶ Revenue is a key input when updating the Non-Domestic Tariff Framework. This may represent the most significant change to tariff rates. It is noted that tariffs are sensitive to all inputs, in particular, changes in cost drivers (e.g., the volume of water delivered, the number of connections) and changes to the components of the cost base (e.g., the shares of opex and capex in the total revenue). The expected tariff increases here do not include these and other factors that could impact tariff rates.

⁶⁷ Tariffs are set based on the allowed revenues in nominal terms.

To mitigate these impacts, the CRU has considered the options of reprofiling the allowed revenues across the RC4 period.

Reprofiling means adjusting the annual percentage allocation of the total RC4 revenue requirement across 2026–2029, while maintaining the overall 100% recovery. The objective is not to change the total level of RC4 allowed revenues in Present Value terms, but rather to smooth the trajectory of revenue recovery from customers. The CRU aims to smooth the year-on-year profile of revenue increases, thereby reducing volatility and providing stability, particularly for non-domestic customers.

10.2.2 Scenarios Considered

The CRU has illustrated the following two scenarios for **illustrative purposes** against Uisce Éireann’s business plan submissions. The CRU notes that the figures in the following two scenarios are subject to change following its review of Uisce Éireann’s updated operating and capital expenditure requests, as outlined in Section 1.3.2. The CRU notes that Uisce Éireann’s upcoming formal submission on the Supplementary RC4 Opex Submission and a Growth-Related Capital Investment will result in further revenue increases, with consequential impacts on Government subvention (covering domestic customers) and non-domestic revenue. However, the objective of reprofiling allowed revenue over RC4 remains unchanged (to achieve either an even rate of increase under Scenario 1 or a front-loaded increase under Scenario 2).

Scenario 1: Even Rate of Increase Across the Remaining Four Years

Table 54 sets out the proposed allowed revenues for Uisce Éireann under this scenario. The total RC4 allowed revenue under the CRU proposal is €8,457m (in real 2022 prices). The annual revenues are spread more evenly across 2026–2029, with a consistent average increase of around 9% per year. Consequently, the CRU expects that the tariff increases for non-domestic customers will be smoothed over this period, offering greater stability of increase compared to other profiling scenarios.

Table 54 RC4 Allowed Revenues for Uisce Éireann under CRU Proposed Decision (Scenario 1)

	2024	2025	2026	2027	2028	2029
Total Revenue (million, 2022 prices)		€1,516	€1,568	€1,673	€1,791	€1,909
Total Revenue (million, nominal terms)	€1,456	€1,654	€1,745	€1,900	€2,075	€2,255
YoY increase (% , nominal terms)		14%	5%	9%	9%	9%
CRU 2025 Tariff Decision +YoY (% , nominal terms)		10%	9%	9%	9%	9%

Scenario 2: Front-Loaded Increase (Reopener consideration)

Table 55 sets out the proposed allowed revenues for Uisce Éireann under Scenario 2. This scenario provides higher revenue recovery early in the RC4 period. Therefore, customers would experience higher bill percentage increases early in the RC4 period and lower ones later. The revenues increase more in 2026 and 2027 (around 11% per annum), followed by a more modest increase in 2028 and 2029.

Table 55 Proposed Allowed Revenues for Uisce Éireann under Scenario 2

	2024	2025	2026	2027	2028	2029
Total Revenue (million, 2022 prices)		€1,516	€1,587	€1,721	€1,770	€1,858
Total Revenue (million, nominal terms)	€1,456	€1,654	€1,767	€1,954	€2,050	€2,194
YoY increase (% , nominal terms)		14%	7%	11%	5%	7%
CRU 2025 Tariff Decision +YoY (% , nominal terms)		10%	11%	11%	5%	7%

CRU Proposal

Each revenue profiling scenario maintains the same total RC4 revenue requirement in present value terms, but differs in the annual trajectory of revenue recovery.

Our initial engagement with Uisce Éireann highlights the reprofiling of RC4 allowed revenue to support customer bill stability, particularly by mitigating a potential steep non-domestic bill increase in 2026/2027. In principle, Uisce Éireann does not have an objection to smoothing of allowed revenues over the RC4 period.

Given the total amount of revenue recovered over RC4 is the same (in PV terms) when adjusted for the time value of money, regardless of how that revenue is distributed across the years, the CRU is of the view that reprofiling of allowed revenues is a reasonable approach, to reduce volatility and improve customer bill stability, particularly given the substantial revenue increase expected in 2026, as the 2025 non-domestic tariffs did not increase at the expected level of 14%. The CRU expects Uisce Éireann to be financially indifferent to the timing of revenue recovery and manage the annual revenue difference effectively over the RC4 period.

The CRU is proposing an even rate of increase for RC4 (i.e., Scenario 1) as this would support a predictable and stable customer impact. The CRU welcomes stakeholder views on the following question related to the reprofiling:

CRU Consultation Question(s):

Q22. Do you have any views on which objective of the revenue profiling scenarios is most appropriate (retaining the existing profiling, Scenario 1: An Even Rate of Increase, or Scenario 2: Front-Loaded) to balance customer bill stability?

10.3 High-level Outline of Revenue Update Mechanism

The CRU has proposed and is consulting on a framework of Uncertainty Mechanisms for RC4, which would enable Uisce Éireann to seek additional funding for several cost categories (namely, Energy, DBO contracts and Capital costs) whose costs, based on RC3 experience, are rising faster than general inflation, as measured by HICP. The difference between HICP and the actual price of these cost categories is referred to as RPEs. In the accompanying RC4 Regulatory Framework Draft Determination Paper (CRU2025135), the CRU propose that, on an annual basis, the RPE's will be recalculated to better reflect the costs that Uisce Éireann are facing in these areas. These RPE's were selected on the basis of available data and prior experience with reopeners during RC3.

Inflation

The CRU has decided to continue using an approach whereby the utility's allowed revenue is initially set in real prices and then converted to nominal prices using an inflation index. Additionally, the CRU has decided to continue to use the Irish Harmonised Index of Consumer Prices (Irish HICP) as the inflation index. This is consistent with the inflation index used in recent CRU decisions for network utilities (both water and energy).

However, for RC4 the CRU are proposing that the forecast Irish HICP will be updated annually in the RC4 Revenue Model to enable that the following years inflation is as accurate as possible. The Irish HICP forecast will be sourced from the latest available Irish Central Bank Quarterly Bulletin. The CRU RC4 Regulatory Framework Draft Determination Paper (CRU2025135) sets out the details of how and when the update will take place. This amendment is necessitated as during RC3 it was found that the forecast HICP and actual HICP deviated considerably which had a material impact on the calculation of nominal revenues.

Real Price Effects

RPE's are a separate measure of inflation to HICP and relate to input prices that increase or decrease in real terms relative to general consumer price inflation, such as that measured by HICP. RPE's are industry specific and in the case of a water utility will include components such as energy or materials, whose costs can rise faster than the rate of inflation as measured by the more consumer focused HICP. During RC3, the requests for reopeners by Uisce Éireann were largely driven by price inflation (particularly for energy and DBO costs) above the forecast RC3 HICP of 2%. In response to this and cognisant of the various reopeners that occurred during RC3, the CRU is proposing a series of RPE adjustments that will offset the need for frequent reopeners during RC3 (see CRU2025135 for additional details). The three RPE's that have been proposed are as follows:

- **Capital Real Price Effects:** it is proposed to allow Uisce Éireann to recover, ex-post, the cost of Capital RPE's as proposed by Uisce Éireann in a hybrid index comprising six separate sub-indices. Note that the CRU are not proposing that this RPE be up-dated within-period, but only as part of the RC4 lookback when more data is available.

- **Energy Real Price Effects:** Under CRU's RPE proposals, the Energy RPE would be updated annually using Uisce Éireann's own realised energy costs (i.e., €/MWh), noting that this calculation can move either up or down. Uisce Éireann is best positioned to understand its forecast of the following year's energy costs, and so the CRU will review Uisce Éireann's energy forecast for the RPE recalculation. The CRU will sense-check the energy trend using its own independent energy forecasts. Note that the actual outturn energy costs will be trued-up as part of the RC4 lookback.
- **DBO Indexation Real Price Effects:** When Uisce Éireann was established it inherited legacy third-party contracts known as DBO contracts. These contracts were designed by incorporating a basket of indices linked to the Central Statistics Office (CSO) Wholesale Price index (WPI). These indices include: (i) electricity, (ii) labour earnings, (iii) auto-diesel and (iv) chemicals. The CRU proposes that the DBO costs would be updated annually. The CRU's supporting consultants NERA have developed a tab within the RC4 Revenue Model to enable this recalculation. As with all mechanism presented above, the Revenue Model will be updated with actual outturn DBO costs during the RC4 lookback.

Change Control:

For costs that fall outside the above mechanisms, the CRU has developed for consultation an Expenditure Uncertainty mechanism. This would enable an assessment of a Uisce Éireann request for material changes in opex and/or capex due to factors outside of its control. The CRU is proposing a threshold standard, including a materiality test that Uisce Éireann must meet before any submission is accepted.

11. Conclusion & Next Steps

This paper, together with the supporting documents published alongside, outlines the CRU's proposal for the expenditure allowance (and related revenue allowance that Uisce Éireann can recover) over the RC4 2025-2029 period. Our assessment is based on Uisce Éireann's Business Plan submitted in December 2024 which is aligned with the Ministerial-approved SFP 2025-2029.

As a result of this review, the CRU currently proposes to allow a total expenditure of €13.6bn for the five-year period from 2025 to 2029, representing a reduction of €224m (or c.2%) relative to Uisce Éireann's request. The corresponding total revenue is €8,457m (in real 2022 prices) under the CRU proposal, after smoothing Uisce Éireann's revenue recovery over the remaining RC4 period, which would lead to an average annual increase of 9%.

The proposed regulatory framework for RC4 is discussed in the Regulatory Framework paper, which is published alongside this paper. The paper sets out the CRU requirement for Uisce Éireann to report against a wide range of customer and operational performance measures, provides the proposals in relation to the monitoring of Uisce Éireann's performance during the 2025-2029 period, as well as an Expenditure Uncertainty mechanism and enhanced Investment Plan monitoring arrangements to transparently enable Uisce Éireann can respond to a changing policy environment and general price inflation.

We are seeking comments from members of the public, the industry, customers and all interested parties on proposals put forward in this paper. These include the proposed operational expenditure allowance, and capital expenditure allowance over the RC4 period. The CRU is also seeking stakeholders' views where additional information is required of the Uisce Éireann's revenues request and the proposed regulatory framework (CRU2025135).

Interested parties are requested to provide comments on the above proposals as detailed in this paper by 17:00 on 27 January 2026.

Responses will assist and inform the CRU in reaching its final decision on Uisce Éireann's revenue allowance for the RC4 period in Q2 2026. Consultation questions are listed in Appendix 1 below.

Appendix 1 - Summary List of Draft Determination Consultation Questions

This Appendix provides a summary of the consultation questions set out in this paper and corresponding section reference (Table 56). Stakeholders are invited to respond to the following consultation questions. Each question refers to the relevant section of the draft determination. Full context and analysis are available in the associated sections.

Table 56: Summary of CRU's Consultation Questions

Question No.	Section Number and Title	Consultation Question	Page
1	3. Review of Historical Capital Expenditure	Do you have any comments on Uisce Éireann's RC3 outturn capex and the CRU's proposals relating to the ex post RC3 capex allowance and improvements?	35
2		Do you have any comments on the proposals set out in this Section: Review of Historical Capital Expenditure in relation to the above findings and proposals?	35
3		Do you have any comments in relation to measures that can be introduced for the benefit of customers and/or the receiving environment?	35
4		Do you have any comments in relation to the above proposals and the pace of information developed and published by Uisce Éireann in relation to National and Regional Wastewater drainage services and the associated plans?	35
5	4. Review of Historical Operational Expenditure	Do you have any comments on Uisce Éireann's RC3 outturn opex and the CRU's proposals relating to the above findings from the CRU's review of Uisce Éireann's RC3 Opex?	43
6		Do you have any comments on the proposals set out in this section: Review of Historical Operational Expenditure?	43
7	5. Review of Forecast Capital Expenditure	What are your views on Uisce Éireann's proposed RC4 delivery obligations (presented in Table 12)?	58
8		Do you have comments on Uisce Éireann's capital expenditure request?	102
9		What are your views on the efficiency scenarios identified by Arcadis (i.e., a 6% or 8% efficiency challenge on Uisce Éireann's proposed capital expenditure)? Please provide reasons for your view.	102
10		What are your views on the CRU's proposal to apply a regulatory challenge by requiring Uisce Éireann to deliver 8% more outputs, in place of reducing the allowed level of expenditure?	102
11		Do you have any comments on the CRU's proposal for Uisce Éireann to implement and report on Arcadis' 32 recommendations identified for RC4, and the additional five recommendations from the RC3 lookback review? Please indicate, with reasoning, if you believe any should be prioritised or modified.	109
12		Do you have additional comments or views on any other proposals relating to this section on Capital Expenditure for RC4? Please reference the exact section number and provide your feedback with the rationale to assist the CRU's final decision.	113
13		Do you have any comments on the proposed changes to the existing governance process of the Innovation Fund?	118
14	Do you have comments on Uisce Éireann's RC4 operational expenditure request?	136	
15	6. Review of Forecast Operational Expenditure	Given the breadth of econometric modelling conducted by the CRU's consultants, NERA, what are your views on the proposals relating to Scenario 1 (16%) or Scenario 2 (10%, CRU minded-to proposal) by 2029 to Uisce Éireann's RC4 controllable operational costs?	136
16		If you do not agree with the CRU's proposed efficiency challenge of 10%, please provide your rationale and the alternative (%) proposal for the duration of RC4.	136
17		Do you have any views on any of the proposals set out in Section 6: Review of Forecast Operational Expenditure?	136

18	7. The Regulatory Asset Base	Do you have any comments on the proposals to retain the existing asset categorisation, asset lives, and depreciation method for RC4?	142
19	8. The cost of capital	Do you have views on the CRU minded-to proposal to apply a Benchmark WACC (3.69%) for estimating the RC4 cost of capital for Uisce Éireann?	155
20	9. Adjustments related to RC3	Do you agree with the CRU minded-to approach on the RC3 k-factor cost adjustment (i.e., exclusion of additional funding requested by Uisce Éireann for 2021–2022 DBO costs), resulting in a RC3 cost k-factor of - €290m that Uisce Éireann needs to return to customers?	160
21		Do you have comments on any other proposals set out in this Section: Adjustments related to RC3?	163
22	10. Allowed Revenues	Do you have any views on which objective of the revenue profiling scenarios is most appropriate (retaining the existing profiling, Scenario 1: An Even Rate of Increase, or Scenario 2: Front-Loaded) to balance customer bill stability?	168

Appendix 2 – Water Services Innovation Fund Summary and Comparison

Table 57 Summary of governance arrangements for the Innovation Funds across the Water, Electricity, and Gas sectors.

Governance Element	Current Water Services Innovation Fund (RC3)	Uisce Éireann Proposed Water Services Innovation Fund (RC4)	CRU Proposed Water Services Innovation Fund (RC4)	Electricity Innovation Fund (PR5)	Gas Innovation Fund (PC5)
Uisce Éireann Application Process	All projects require CRU review and approval	Two-tier: Tier 1 (>€1m) CRU-approved; Tier 2 (≤€1m) Uisce Éireann internally approved by the Steering Group (SG) members.	Same as UÉ but proposes: CRU to approve independent SG members; SG given veto rights on Tier 2	Business case submitted annually; CRU makes consolidated decisions	Independent Steering Group approves projects; CRU approves SG members
Steering Group (SG)	No SG	SG to review Tier 2 projects; includes external experts	SG also has the final veto; CRU approves external members in SG.	Not applicable	SG has full authority over fund allocation
CRU Oversight Role	Full approval and oversight	Tier 1 approvals only	Proposes to add: SG member approval, engagement via annual presentations, Lookback review	Annual review	Approves SG members only
Time to Approval	Multi-month process for all applications	Tier 2: Internal approval streamlines decisions	Same as Uisce Éireann's proposal	Decisions made annually	Approvals on a rolling basis via SG

Reporting Frequency & Contents	Quarterly progress reports + project close-out reports on projects and expenditure for the interim revenue review period.	Annual summary report + project close-out reports (no change)	Proposes to add in the Annual summary report: 1) RC Lookback Summary preceding a new RC period; 2) list of rejected projects (with reasons) 3) implementation outcomes, and quantified benefits	Annual report - Project pipeline summary	Annual standardised reports, published with CRU comments.
Risk Appetite and Scope	Focus on tangible benefits and value for money	Increase risk appetite; align with strategic goals and partnerships	Agrees in principle; sees as reflection of fund maturity	Focus on solving a specific problem; Strategic innovation emphasis	Focus on solving a specific problem; Fund split into strategic/network innovation; external collaboration encouraged
Treatment of Benefits	Royalties/monies to customers	Align with UÉ innovation strategy; support the overall value for customers	Agrees, notes public ownership caps windfall risk; benefits reported as efficiency gains	Improve efficiency/effectiveness of system operation and development	Same as electricity

Appendix 3 – Monitoring Major Projects

1) UÉ RC4 Submission Monitoring

a. Spend

Stage / O&O /Project	Work Scope Descriptions	RC4 Target Delivery Cost (€2022, €m)	2025 Projected (€m)	2025 Actual (€m)	2025 Variance (€m)	2025 Variance Explanation
WSP		€1,504	€44.9	-	-	
GDD		€151.4	€2.3	-	-	

b. Progress

Below is what was submitted. CRU would like UÉ to provide more detailed milestones, in line with their I2O plan.

Milestone (WSP)	Milestone Date	Actual Date	High level progress	Challenges/Risks/ Bottlenecks	Mitigation
SID Submitted	Q4 2025				
Abstraction licence	2027				
Works Contracts signed / Start on site	2028				
Water into Supply	2032				

Milestone (GDD)	Milestone Date	Actual Date	High level progress	Challenges/ Risks / Bottlenecks	Mitigation
AG2 Submitted	Q4 2025				

Preliminary Construction Works signed / Start onsite	Q3 2026
Main Works Tender	Q4 2027
Complete Preliminary Construction Works	2028
Main Contracts start on site	2029
Complete Construction	2032

2) Infrastructure Guidelines Monitoring (MPAG, Project Tracking Group)

a. Spend

Stage	Work Scope Descriptions	RC4 Target Delivery Cost (€2022, €m)	2026 Projected Cost (€m)	2026 Actual Cost (€m)	2026 Variance (€m)	2026 Variance Explanation
1. Strategic Assessment & Preliminary Business Case						
2. Pre-Tender – Project Design, Planning and Procurement Strategy						
3. Post-Tender – Final Business Case						
4. Implementation						
5. Post Completion Review & Benefits Realisation						
Total						

b. Progress

Stage	Milestone Date	Actual Date	High level progress	Challenges/Risks/Bottlenecks	Mitigation
1. Strategic Assessment & Preliminary Business Case					
2. Pre-Tender – Project Design, Planning and Procurement Strategy					
3. Post-Tender – Final Business Case					
4. Implementation					
5. Post Completion Review & Benefits Realisation					