

An Coimisiún um Rialáil Fóntais

Commission for Regulation of Utilities

# Executive Summary: Revenue Control 4

Uisce Éireann's Allowed Revenue 2025 – 2029

## Executive Summary

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## Context

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)<sup>1</sup> 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

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<sup>1</sup> €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.

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## 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).
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 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 Éireann 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 €3,943m<sup>2</sup>. 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.

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.

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<sup>2</sup> 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.

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 adjustment<sup>3</sup> 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 the proposed clawback, the CRU is proposing to allow Uisce Éireann to recoup €119.7m over the RC4 period.

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<sup>3</sup> 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.

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:

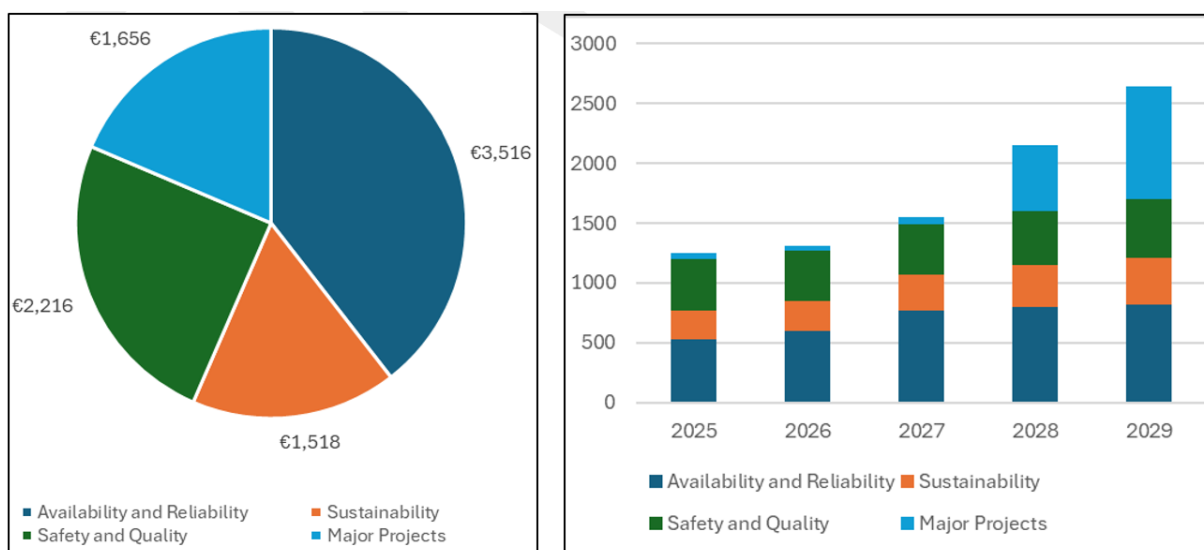
- **Opex:** Uisce Éireann proposes to spend on aggregate €5,242m over the five-year RC4 period, reflecting the increased compliance costs and the growth-related costs.
- **Capex:** Uisce Éireann proposes to invest €8,561m of total capex over the RC4 period to address the Government’s three WSPS themes,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

**Table 1: 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 1 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 1: 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)<sup>4</sup> 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)<sup>5</sup>. 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

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<sup>4</sup> [Irish Water Revenue Control 3 \(RC3\) Update – Implementation of Scottish Water International Recommendations Information Note](#)

<sup>5</sup> 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 2: Summary of the CRU’s Capex Proposal**

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

### 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 3 shows a sample of the 39 delivery obligations, focusing on the larger expenditure areas.

**Table 3: Selection of the 39 delivery obligations and associated targets Uisce Éireann over RC4**

<b>RC4 Delivery Obligations</b>	<b>RC4 Target</b>	<b>Unit</b>
<b>Water</b>		
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.
<b>Wastewater</b>		
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.
<b>Sustainability</b>		
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 4. 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 4: 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

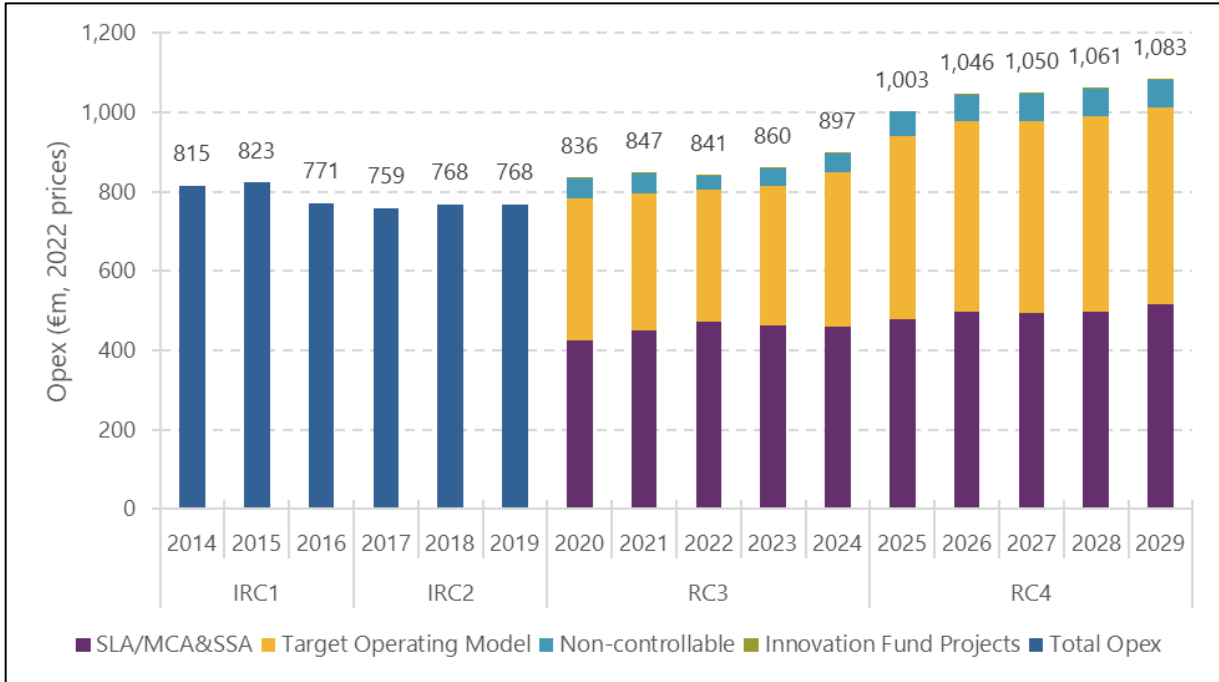
NDP Reopener

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).

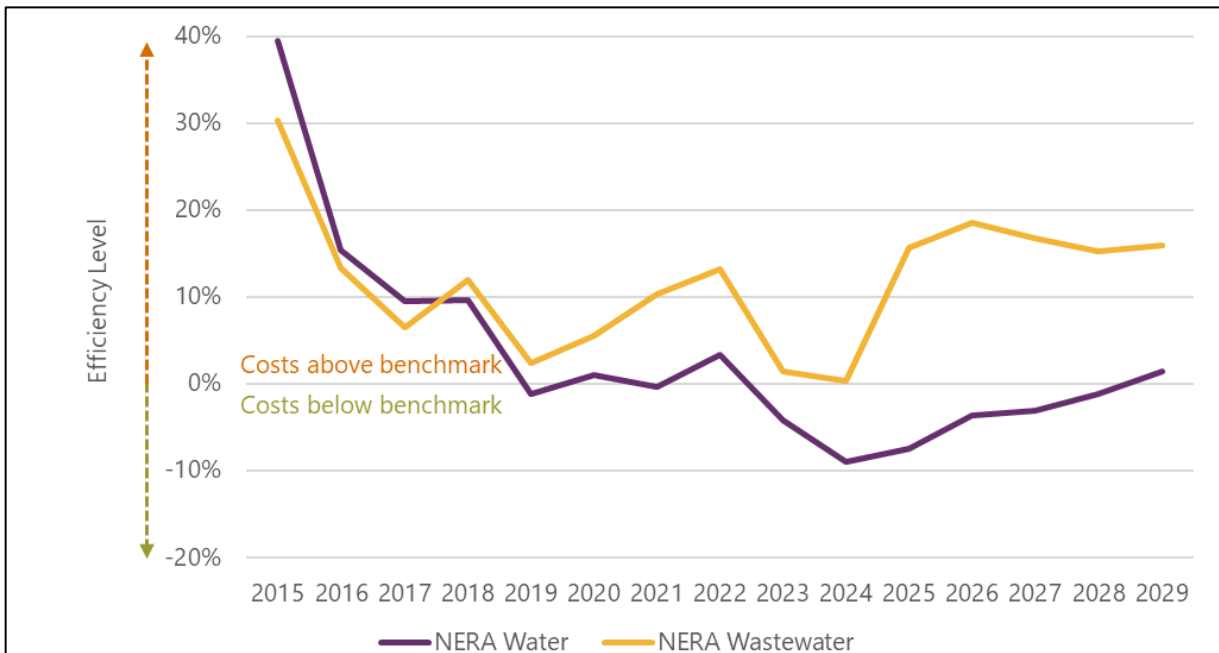
**Figure 2: Uisce Éireann’s Actual and Forecasted Operational Expenditure**



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 3 presents 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 3: 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 improvements<sup>6</sup> 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.

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<sup>6</sup> 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 5 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 51: 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 Determination<sup>7</sup>. This proposed approach minimises the regulatory burden of undertaking a detailed WACC estimate parameter-by-parameter while providing additional cash-flow to meet Uisce Éireann’s

<sup>7</sup> See CRU’s draft determination for ESNB Distribution System Operator and the Transmission Asset Owner at PR6 ([CRU202587](#)).

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 6: RC4 Proposed RC4 customer and operational performance with strengthened performance targets**

Service	Incentive	
<b>Customer Service</b>	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
<b>Security of supply</b>	Leakage	Security of water supply
<b>Water quality</b>	Interruptions to supply	Boil Water Notices and Drinking Water Restriction Notices
	Drinking water quality	
<b>Sewer Flooding</b>	Internal sewer incidents, sewer overload	External sewer incidents sewer overload
<b>Environmental Performance</b>	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	
<b>Energy and Emissions</b>	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 7:2 RC4 Enhanced Capital Investment Plan Monitoring Report**

<b>Enhanced Capital Investment Plan Monitoring Report</b>	
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 8: 12 new metrics proposed for Uisce Éireann’s Enhanced Performance Assessment Framework Monitoring Report**

<b>Enhanced Performance Assessment Framework Monitoring Report</b>			
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

<b>4</b>	Per Capita Consumption	<b>10</b>	Total sewer blockages per 1000km
<b>5</b>	Bursts Mains Per 1000km	<b>11</b>	Sewerage equipment failure repairs
<b>6</b>	Top metered consumers	<b>12</b>	Compliance with storm overflows

**Table 9: New RC4 Reporting**

<b>New RC4 Reports</b>	
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.