

# **Uisce Éireann**

## **Revenue Control 4**

### **(2025-2029)**

Operational Expenditure Lookback  
2020-2024



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# 1 Executive Summary

Uisce Éireann (UÉ) is a commercial semi-state company delivering water and wastewater services for Ireland. Our primary function is to provide clean drinking water to customers and to treat and return wastewater safely to the environment, thereby playing a central role in enabling social and economic growth, protecting the environment and the health and safety of our customers and the public.

The Commission for Regulation of Utilities (CRU) sets UÉ's operating and capital expenditure allowances through a 'Revenue Control' process. UÉ's third Revenue Control period (RC3) covers the years 2020 to 2024.

As part of its original RC3 decision, the CRU approved a total Opex allowance of €3.262bn. However, due to factors which were real, material and beyond UÉ management control, the CRU increased this Opex allowance amount to €3.642bn. The provision of this revised allowance recognised 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 to energy and raw material costs, materially impacting UÉ's energy and Design Build Operate (DBO) portfolio costs. The higher CRU approved opex allowance has been instrumental in enabling UÉ to maintain water services to a high standard while accommodating increased demands.

In relation to outturn Opex costs versus CRU's allowed costs, at an aggregate level, UÉ is projecting that its costs will be within that approved by the CRU.

## The Need for Additional Opex Allowances as Approved by the CRU During RC3

The impacts of unprecedented global events were prevalent in both operational and financial terms. Significant inflationary impacts beyond the Harmonised Index of Consumer Prices (HICP) adversely affected UÉ's cost base, despite intensive cost avoidance measures adopted by UÉ. Operating costs were also incurred by UÉ as a result of separation from the Ervia Group (as mandated by Government) and delays to water sector transformation and the associated establishment of a Single Public Utility model.

These factors were real, material and beyond UÉ management control **and three interim reviews were therefore required during the RC3 period.** The below table outlines the key drivers of each interim review and the

impact on the controllable operating cost allowance set by the CRU (all in 2017 monies):

RC3 Decision	2022 interim review	2023 interim review	2024 interim review
€3.262bn	€3.382bn	€3.519bn	€3.642bn
Key Driver:	Ervia Separation & UÉT Delay	Inflation impact on Energy & DBO costs	Inflation impact on Energy & DBO costs & UÉT delay

**Table 1.1 Summary of CRU RC3 Allowance Decisions and Key Drivers**

### UÉ is Projecting that it will Meet the CRU Opex Allowance

A high-level summary of UÉ's projected RC3 outturn cost versus CRU allowance is set out in the table below. Overall, UÉ expects to be 3% under allowance, with Controllable Opex being 1% (€26m) under allowance.

Opex Allowance Category (2017 Monies)	Allowed 2020-2024 (A) €'m	Outturn / Forecast 2020-2024 (B) €'m	Variance 5 years (A) - (B) €'m
Controllable Opex	3,642	3,616	26
Uncontrollable Opex	278	206	72
Innovation Funded Opex	4	3	1
<b>Opex Total</b>	<b>3,924</b>	<b>3,825</b>	<b>99</b>

**Table 1.2 Summary of Opex incurred relative to Allowed Opex 2020-2024**

As noted above, UÉ faced a material increase in its cost base in RC3 as a result of multiple external factors. Success in meeting the CRU allowance was therefore enabled through a strong efficiency and cost management performance which balances the essential additional costs that are being incurred over the period.

A summary of the key drivers of additional RC3 Opex costs are set out below, followed by a description of offsetting savings and efficiencies.

### **Compliance, growth and external cost pressures:**

Ireland's economic and population growth has continued during RC3, leading to increasing pressure on water production and wastewater treatment to keep pace with demand. Population growth has exceeded 8% since the RC3 decision and this has had a direct impact on our costs due to an increasing requirement for all treatment costs, in particular energy and chemicals. UÉ currently supplies 1.72bn litres of drinking water each day and treats 1.26bn litres of wastewater each day.

Over the course of RC3, UÉ has worked within available funding to deliver meaningful service improvements for customers and achieve progress in meeting environmental standards. We have continued to improve drinking water quality and wastewater quality through the removal of water supplies from the Environmental Protection Agency's (EPA) Remedial Action List (RAL) and the removal of agglomerations from the Priority Action Areas List (PAL). We have also improved environmental conservation and enhanced capacity and resilience through new and rehabilitated watermains and sewers.

However, UÉ's asset base suffers from a legacy of investment deficiencies and there is a continuing compliance deficit across water and wastewater. In addition to service consequences for customers, this has resulted in Environmental Protection Agency (EPA) sanction and European Court of Justice actions against Ireland.

UÉ has invested c.€4.6bn in network capital expenditure during RC3. This investment represents a significant step forward in delivering on regulatory requirements but will result in an increase in operating costs as new and upgraded assets come into operation. This investment has resulted in wastewater being treated in some agglomerations for the first time, with the highest level of drinking water compliance in the history of our country as well as Ireland meeting increasing regulatory requirements. While UÉ has ensured that this investment driven Opex is incurred on an efficient basis and mitigated wherever possible, the scale of investment delivered has resulted in unavoidable cost growth over RC3.

Ofwat data on the cost to operate and maintain network reinforcement capex ranges from 0.4% - 2.1% for the established UK water utilities. UÉ is in the middle of a phase of significant investment growth over and above this peer group but has been able to deliver within this range at circa 1.5% of applicable investment.

In addition, UÉ faces the unavoidable consequences of increasingly frequent severe weather events due to climate change. These have severely tested asset condition and service delivery and led to increased operational costs.

In 2016, UÉ published its first National Wastewater Sludge Management Plan (NWSMP) which set out a national standardised approach for ensuring wastewater sludge is effectively managed, stored, transported and disposed of in a sustainable manner. The upgrades and initiatives outlined in the NWSMP have led to an increase in sludge management and disposal costs.

From 2024, UÉ is directly responsible for additional statutory obligations including Road Opening Licences (ROs) and reinstatement (previously absorbed by the LAs in their role as water and road authorities).

In order to enable the Uisce Éireann Transformation (UÉT) and provide people with the necessary technology, several large IT capital projects have been undertaken during RC3, resulting in incremental recurring Opex.

The continued implementation of crucial Cybersecurity measures, increased IT requirements and National Wage Agreements have all imposed additional, and unavoidable, demands on UÉ in RC3.

### **Efficiencies and Cost Savings:**

Notwithstanding the significant disruption evidenced in three separate interim reviews, UÉ is on track to deliver c. €60m in operational savings and c. €94m in costs avoided over the course of RC3.

The €60m in operational savings are being delivered through initiatives such as:

- Targeted interventions across fleet & plant, chemical dosing, jetting and repair & maintenance activities; combined with investment in

Capex based solutions to improve asset efficiency and offset operational costs;

- Utilisation of LA Operational staff on capital water network activities, while maintaining operational activities within constrained headcount;
- Headcount reductions to occur as part of the Uisce Éireann Transformation process in 2024;
- Optimisation of ICT and facilities costs;
- National framework for provision of Non-Domestic Meter Reading activities;
- Investment in energy efficient machinery and equipment, and;
- Review of Design, Build Operate (DBO) contracts and elimination of scope where no longer deemed required, or where technology now enables more efficient operation.

While UÉ has maximised available opportunities, efficiency delivery was constrained due to the delay to UÉT beyond the timelines envisaged at RC3 Decision stage.

In addition to the operational efficiencies exemplified above, significant cost avoidance savings of c.€94m were delivered as part of extensive internal measures to mitigate the impacts of the unprecedented global energy market volatility. Successful electricity hedging allowed UÉ to avoid c.€71m in costs against a default hedging strategy. Contract renegotiations and employing Cap/Floor arrangements at our larger DBO plants (with big exposure to energy markets) resulted in further cost avoidance savings of c. €23m.

### **Looking Forward, RC4 Performance is Critically Dependent on the Successful Transformation to a Single Public Utility**

As work delivered through LA partnership accounts for most of UÉ's operational costs, deeper, sustainable efficiency levels can only be generated through successful implementation of industry transformation and a Single Public Utility model.

The *Framework for Future Delivery of Water Services in Ireland* ('the Framework') was published by Government in 2022 to enable the delivery of national policy on sectoral transformation. UÉ has established the 'UÉT Programme' to implement this Framework.

The UÉT Programme is one of the most complex transformational programmes ever undertaken in the Irish public sector. It will implement a new and transformed service delivery model for water and wastewater services in Ireland, with water services employees from UÉ and Local Authorities (LAs) working together in a single, publicly owned organisation. A key element of the programme will be the transformation of ways of working to enable both service improvements and the realisation of efficiencies.

The current timeline for sectoral transformation is later than originally envisaged and has fundamentally changed in scope and implementation from when the RC3 Decision was published. Specifically, at the time of the RC3 decision, the programme envisaged a shorter duration with accelerated transfers of staff coinciding with transformation required to deliver the target operating model within RC3. Due to circumstances outside of UÉ's control, the programme now will progress at a slower rate, transferring and stabilising teams before transformation begins. This will mean that related efficiencies arising out of the programme will occur much later than originally planned.

While important progress has been made in transferring responsibility for all water services directly to UÉ, the Framework has resulted in resourcing complexities which must continue to be managed until the end of 2026. In the longer term, the future operating model will deliver on the ambition of ensuring consistent standards of high-quality water services across all parts of Ireland while driving efficiencies in overall cost. Details of the progress that UÉ has made in the UÉT Programme to date are included in Appendix 1.

The remainder of this document is structured as follows:

**Section 2** sets out the Opex expenditure for the overall RC3 period in each individual cost category versus the CRU allowance;

**Section 3** sets out the year-by-year profile of Opex expenditure for RC3 and includes a detailed description of efficiency and growth drivers;

**Section 4** outlines the service improvements delivered; and

**Section 5** concludes and summarises the major points of our submission.

## 2 Operating Expenditure

UÉ's Opex is broken down into the following categories:

- Design, Build and Operation (DBO);
- Energy;
- Operations and Maintenance (excl. DBO & Energy);
- UÉ Target Operating Model (TOM);
- Non-Controllable Costs, and;
- Innovation Funded Projects.

Costs incurred within the previously analysed categories of Shared Services and Group Centre are now included within the UÉ TOM, this is due to these activities migrating to UÉ following the separation from Ervia during the revenue control period.

- **DBO** costs are paid to external suppliers for the Design, Build and Operation of plants on behalf of UÉ. Only the operating costs of these contracts are included within Opex. Design and Build costs are captured under capital expenditure;
- **Energy** costs include energy purchased for the ongoing operation of the network. This excludes energy procured by DBO contractors;
- **Operations and Maintenance (O&M) and UÉ TOM costs** should be considered together. UÉ's RC3 submission anticipated transfers between these cost categories as the UÉT programme progressed but this has not materialised at the manner or rate originally envisaged.
  - **O&M** relates to drinking water and wastewater operations and maintenance activities delivered in partnership with the LAs through Service Level Agreements (SLAs) and Annual Service Plans (ASPs) and subsequent arrangements under the UÉT Programme;
  - **UÉ TOM** encompasses the organisational structure, processes and systems to operate UÉ. A new Directorate structure was set up post-Ervia separation in 2022;
- **Non-Controllable Costs** are pass-through cost items which are not under UÉ's direct control. These include items such as rates, regulatory levies and license fees, and;
- **Innovation Funded Costs** enable UÉ to invest in new approaches and technologies which in turn have substantial benefits to the water services customer and the environment.

Given the timing of this submission, outturn Opex expenditure is available up to 2023. 2024 is projected based on meeting the established budget for this year.

## 2.1 RC3 Opex Profile

The following table sets out the Opex allowed, in each of the cost categories, against actual and forecast costs to be incurred over the RC3 period. **All costs presented in this paper are in 2017 monies**, rounded. Variance over allowance is shown as a negative number while variance under allowance is shown as a positive number.

Opex Cost Category (2017 monies)	Allowed 2020-2024 (A) €'m	Outturn/Forecast 2020 – 2024 (B) €'m	Variance 5 years (A) – (B) €'m
DBO	707	736	(29)
Energy	373	358	15
Operations & Maintenance (excl. DBO & Energy)	937	1,604	(667)*
Targeting Operation Model	1,625	918	707*
<b>Controllable Opex Total</b>	<b>3,642</b>	<b>3,616</b>	<b>26</b>
Non-Controllable Opex	278	206	72
Innovation Funded Opex	4	3	1
<b>Opex Total</b>	<b>3,924</b>	<b>3,825</b>	<b>99</b>

**Table 2.1 Summary of Opex incurred relative to Allowed Opex 2020-2024**

*\* Operations and Maintenance costs and Target Operating Model costs should be considered together. UÉ's RC3 submission anticipated transfers between these cost categories as the UÉT programme progressed but this has not materialised at the rate originally envisaged.*

At an aggregate level, UÉ expects to be €26m below its CRU Controllable allowance over the RC3 2020-2024 period. This forecasted performance was delivered against the backdrop of a turbulent economic period, with COVID-19 pandemic and the Ukraine war severely affecting operational activities, supply chain and inflation.

Following unexpected electricity price rises, the energy component of UÉ's DBO contracts have materially risen beyond original RC3 expectations. High and volatile electricity price rises have also had an adverse impact on UÉ's Energy costs over the RC3 period. The full impact of market movements was mitigated by UÉ through the implementation of successful procurement strategies and the delivery of significant efficiencies and costs avoided.

UÉ was expected to have transitioned to a Single Public Utility (SPU) model in 2021, which formed the basis of the controllable Opex allowances and targeted efficiencies in the CRU's original RC3 decision. However, during 2021 it became clear that the timelines and manner of change for the transition would be fundamentally different to those assumed in the RC3 submission and decision.

In June 2022, the *'Framework for Future Delivery of Water Services'* set out the steps in the transformation of the water sector in Ireland. The commencement of the full integration of all public water services is the most critical step in enabling the water sector transformation to be achieved.

While the Framework represents significant progress, it sets very specific parameters and timelines that extend significantly beyond the original 2021 timeframe, and which directly impacted UÉ's Opex need across RC3. Importantly, the Framework provides that LA staff have until the end of 2026 to avail of the option of transferring to UÉ. The number of LA water services staff that will transfer over to UÉ, and the timing of same, can therefore only be estimated at this point. This represents a complex resourcing challenge which UÉ must continue to manage over the period.

As set out in Table 2.1, a summary overview of each Opex cost category is further provided below.

### **2.1.1 DBO**

The DBO portfolio was migrated to UÉ upon its establishment and includes most of the wastewater plants in operation by the utility. The DBO portfolio consists of over 250 operational plants under 110 contracts with third party contractors and approximately 52% of the total base cost of the DBO portfolio include contracts with a Wholesale Price Index (WPI) clause applicable to the variable element. The indexation clauses in these contracts use a basket of indices from the overall CSO WPI Index intended to reflect the inflation risk attributable to operating a wastewater plant, including Labour earnings, Auto-diesel, Electricity and Chemicals. The CSO Electricity index has the highest weighting in the WPI Index used (c. 40%) and therefore the WPI DBO portfolio is highly susceptible to changes in this index.

The movement in the WPI Index over RC3 therefore had a corresponding impact on those contracts with WPI indexation clauses. UÉ undertook several mitigation measures, including commercial negotiations with key suppliers. However, due to the contractual arrangements in place, there was an unavoidable cost impact in RC3. Full details of this impact are provided in Section 3 of this document.

### **2.1.2 Energy**

UÉ is one of the biggest energy consumers in the State with most of this energy used for pumping, water and wastewater processes, and aeration in wastewater treatment.

Water services are energy intensive and UÉ consumes c.400 GWh per annum in electricity. Reducing energy consumption is a key focus of UÉ through the upgrading, replacement and optimisation of inefficient plant and processes.

As a public body, UÉ is bound by specific climate action targets, targeting a 50% improvement in energy efficiency and a 51% reduction in Greenhouse Gas (GHG) emissions by 2030. UÉ is currently reviewing its Sustainable Energy Strategy with the expectation of finalising an updated strategy in Q2 2024. This sustainable energy strategy will take a proactive, business-wide approach to achieving our climate action targets including concept design, new projects, energy retrofit programme, renewables and upskilling our people.

During RC3, energy price rises had a material impact on UÉ's cost base. Full details of this impact, and the mitigation measures deployed by UÉ, are set out in Section 3 of this paper.

### 2.1.3 Operations and Maintenance (excl. DBO & Energy)

Operations and Maintenance is the largest category of UÉ's operating costs and is comprised of the following elements:

- **Payroll costs** are those associated with LA staff involved in the delivery of O&M activities;
- **Goods & Services** include materials and services - stores issues, chemicals, plant hire and contractor costs – used in operating and maintaining the water and wastewater systems, and procured mainly via UÉ processes;
- **Overhead costs** are those costs incurred in the operation of plants, but which are not attributed to an individual site. These include transport, training, and telecommunications costs;
- **Central Management Costs (CMC)** include costs incurred by the LAs in managing and supporting the SLAs. The costs incurred are allocated to UÉ based on a charge as prescribed by the Government. The charge includes LA administrative costs including pension costs, LA management costs, Finance, HR and IT. As the CMC allocation is heavily weighted by headcount numbers, changes in headcount under the SLA are proportionately reflected in CMC costs. In 2024, the Department assumed responsibility for payment of the CMC.

The breakdown of RC3 O&M costs into each of these sub-categories is set out in the table below.

O&M Cost Sub Category	Allowed 2020-2024 (a) €'m	Outturn/Forecast 2020 – 2024 (b) €'m	Variance 5 years (A) – (B) €'m
Payroll Costs	217	672	(455)
Goods & Services	576	582	(6)
CMC	72	256	(184)
Overheads	72	94	(22)

<b>O&amp;M Total</b>	<b>937</b>	<b>1,604</b>	<b>(667)</b>
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**Table 2.2 Total allowable and forecasted O&M expenditure over the 2020-2024 period**

Due to the delay in the transition to the SPU, the transfer of costs from O&M (under the Service Level Agreements) to the TOM have not materialised in line with expectations at the time of the RC3 decision. Therefore, costs incurred under O&M, with the exception of Goods & Services, should be analysed and considered in tandem with TOM costs.

Growth pressures have significantly impacted O&M costs during RC3. As noted in Section 3 the largest driver of base opex growth (Compliance growth and Investment Driven Opex) have impacted this cost category. This growth includes costs relating to environmental and regulatory compliance, growth in our asset base, externally driven costs growth in the economy and government policy requirements.

#### **2.1.4 Target Operating Model (TOM)**

TOM costs are comprised of labour costs and non-labour costs. Labour costs are the costs associated with staff resources for UÉ, both permanent and temporary. They include all payroll costs and labour related costs such as training, recruitment and travel/subsistence.

Non-Labour costs are the other costs incurred by each TOM function in delivering their activities.

At an aggregate level, when combining O&M and TOM costs together, UÉ has delivered within the CRU RC3 allowance. This was achieved through a combination of significant efficiency delivery and cost avoidance measures. These are outlined in detail in section 3 of this document.

#### **2.1.5 Non-Controllable Costs**

Non-controllable costs refer to those which are beyond management control. We have included the following costs in this category:

- Regulatory Levies; and
- Commercial Rates

Uncontrollable Opex Cost Category	Allowed 2020-2024 (A) €'m	Outturn/Forecast 2020 – 2024 (B) €'m	Variance 5 years (A) – (B) €'m
Regulatory Levies	29	25	4
Commercial Rates	249	181	68
<b>Uncontrollable Opex Total</b>	<b>278</b>	<b>206</b>	<b>72</b>

**Table 2.3 Total allowable and forecasted Uncontrollable Opex over 2020-2024**

**Regulatory Levies:** For RC3, UÉ submitted a best forecast of costs for both the CRU levy and the EPA licence fees. The actual outturn cost is expected to be €4m lower than allowance.

**Commercial Rates:** UÉ's projected outturn cost for commercial rates is lower than originally expected. The initial allowance was calculated prior to the completion of the global valuation process by Tailte Éireann. The process has commenced for the RC4 period and due to the significant capital investment plan undertaken by UÉ in the intervening years, a significant increase in the commercial rates liability is likely.

### 2.1.6 Innovation Funded Opex

Uncontrollable Opex Cost Category	Allowed 2020-2024 (a) €'m	Outturn/Forecast 2020 – 2024 (b) €'m	Variance 5 years (b) – (a) €'m
<b>Innovation Funded Opex Total</b>	<b>4</b>	<b>3</b>	<b>1</b>

**Table 2.4 Total allowable and forecasted Innovation Funded Opex over 2020-2024**

UÉ continues to pursue innovative approaches and technologies to enhance the way we treat water and wastewater. The use of Aerobic Granular Sludge (AGS) processes to aide wastewater treatment, investigating new sensing techniques for trade effluent, and developing the evidence base for Treatment Wetlands targeting phosphorus removal are just some of the

projects being advanced under this allowance. UÉ submits separate reports to the CRU on progress in relation to approved 'innovation' projects.

### 3 RC3 Opex Profile

UÉ's total Controllable Opex expenditure for 2020-2024 is c. €3.6bn, after taking account of compliance needs, growth pressures, external costs and the delivery of efficiency savings. This was within the CRU RC3 allowance, with a positive variance of 1%.

The table below sets out a year-by-year profile of our RC3 controllable Opex expenditure, split into Base, Growth and Efficiency components.

Opex Headline	2020 In Year €'m	2021 In Year €'m	2022 In Year €'m	2023 In Year €'m	2024 In Year €'m	RC3 Total €'m
Base Controllable Costs	691	699	711	719	729	3,548
Compliance, Growth & External Costs	45	4	15	55	56	174
Inflationary Growth DBO/Energy	(9)	44	43	21	48	148
Efficiencies	(25)	(17)	(6)	(3)	(8)	(60)
Cost Avoidance and Other	(3)	(17)	(44)	(62)	(66)	(193)
<b>Total Controllable</b>	<b>699</b>	<b>711</b>	<b>719</b>	<b>729</b>	<b>759</b>	<b>3,616</b>

Non-Controllable Opex	47	45	33	39	42	206
Innovation Opex	1	1	1	0	0	3
<b>Opex Total</b>	<b>747</b>	<b>756</b>	<b>752</b>	<b>768</b>	<b>801</b>	<b>3,825</b>

**Table 3.1 Controllable and Non-Controllable Opex Expenditure for the 2020-2024 RC3 period**

This table shows how UÉ’s base controllable opex costs have evolved over the RC3 period, and the key drivers of change:

- UÉ’s ‘Base Controllable Costs’ are the core expenditures needed to operate the business in a steady state on an annual basis, i.e. prior to any additional efficiency or cost drivers;
- ‘Compliance, Growth and External Costs’ combine all the annual cost pressures UÉ has faced over the RC3 period;
- Inflationary Growth DBO/Energy represents the significant inflationary environment beyond HICP during RC3, which had an impact on UÉ’s overall cost base, but materially so in DBO and Energy;
- ‘Efficiencies’ refers to the savings across all of UÉ’s efficiency initiatives over the RC3 period;
- ‘Cost Avoidance and Other’ movements refer to proactive cost mitigation measures employed by UÉ to avoid the effects of high energy prices on its cost base. It also includes other cost category movements such as LA CMC and capitalisation.

In the following sections, we provide further explanation of the impacts on base controllable costs and detail both the drivers of essential growth and efficiencies over RC3.

### **3.1 Compliance, Growth and External Cost increases in RC3**

The main areas where UÉ is experiencing additional compliance, growth and external costs in RC3 are set out in the table below and subsequently described in further detail.

<b>Growth Driver Cost</b> <b>€m</b>	<b>2020</b> <b>In</b> <b>Year</b>	<b>2021</b> <b>In Year</b>	<b>2022</b> <b>In</b> <b>Year</b>	<b>2023</b> <b>In</b> <b>Year</b>	<b>2024</b> <b>In Year</b>	<b>RC3</b>
Compliance Opex	11	6	6	24	34	81
Industry Transformation	10	(1)	12	21	17	59
Externally Driven Costs	23	(2)	(3)	10	5	33
<b>Total</b>	<b>45</b>	<b>4</b>	<b>15</b>	<b>55</b>	<b>56</b>	<b>174</b>

**Table 3.2 Summary table of Growth Opex incurred over 2020-2024 period**

### **3.1.1 Compliance Driven Opex Growth – €81m**

#### **Investment Driven Opex – €54m**

UÉ is responsible for the provision and development of water services, including the collection, treatment, and discharge of urban wastewater. We are obliged to comply with both European and national law and the requirements of all EPA wastewater discharge authorisations. UÉ is subject to more stringent licensing standards than UK utilities which results in comparably higher costs to reach compliance.

Achieving compliance with all European and national requirements remains a serious challenge that we are addressing through capital investment in our water and wastewater infrastructure. Our investment to date has delivered significant benefits to customers during the RC3 period. We are on track to achieve our RC3 targets in relation to the EPA's Priority Urban Action List (PAL) and Remedial Action List (RAL). In relation to drinking water quality, standards remained very high in RC3. UÉ also successfully achieved compliance with the 100% target for satisfactory disposal of water and wastewater sludge.

Investment driven Opex is driven by capital investment and reflects the cost of operating and maintaining upgraded or new assets. This has been a source of additional operating costs across all five years of the RC3 period.

#### **Sludge Management – €4m**

In 2016, UÉ published its first National Wastewater Sludge Management Plan (NWSMP) which set out a national standardised approach for ensuring wastewater sludge is effectively managed, stored, transported and disposed of in a sustainable manner. The upgrades and initiatives outlined in the NWSMP have led to an increase in sludge management costs.

In addition to treatment challenges, the quantity of sludge which must be managed by UÉ is increasing year-on-year. Approximately 60,000 tonnes of wastewater sludge are generated by UÉ assets every year and this continues to grow in line with new and upgraded plants and increased desludging activity. The volume of residual sludge from water treatment plants is also increasing. These factors have combined to increase Sludge Management expenditure in RC3.

### **Increased Inspection and Monitoring Requirements – €8m**

During RC3, the number of National Programmes increased resulting in additional site reviews and the certification of additional equipment to comply with H&S legislation for lifting equipment, pressure vessels and fire safety.

The National Operations Monitoring Centre (NOMC) provides oversight for the Water Treatment Production for c3.4m people. This is done to on a 24/7 monitoring basis for 98 sites on the existing Enterprise Telemetry System and on a periodical basis, i.e., once every 6 hours on historical proprietary systems for 127 sites. This periodical oversight is being extended to an additional 150 sites in 2024. The NOMC has also commenced central oversight of Wastewater Network Assets in 2024 with c. 50 CSOs now under central oversight.

The NTS Operationalisation Project will ensure that the new Enterprise Telemetry System is brought into service in an appropriate and effective manner to ensure continuity of service and provide a sustainable platform for the expansion of central oversight and management to drive efficiencies.

On completion of the water infrastructure asset transfers to UÉ, UÉ will become the largest single owner of impounding dam structures in the Irish state. Despite the lack of legislation on the safety of dams in Ireland, UÉ recognises the necessity to set up a strategy to assess and manage the safety and condition of all impounding structures. This is done via 'Uisce Éireann Asset Class Strategy on Dams and Impounding Reservoirs', which necessitates the increased surveillance and monitoring of these structures on a regular cycle basis.

Additionally, during RC3, UÉ commenced a Disused Assets programme to make safe and fully decommission Inactive Sites and Out of Service Assets. These sites were transferred to the utility as part of the initial take on of water services assets and are not in use. There were 871 sites originally considered as part of the review. In 2024, works commenced to secure and clear 321 sites and this is expected to continue into RC4. For the remaining sites, assessments are underway to validate the scope required to secure and clear these sites.

### **Road Opening Licences – €16m**

The transfer of water service responsibilities to UÉ has resulted in additional statutory obligations including Road Opening Licences (ROLs) and reinstatement (previously absorbed by the LAs in their role as water and road authorities).

UÉ is required to complete c.50,000 road openings per annum for both planned and emergency reasons. ROLs are required to open a section of the public road to carry out the necessary repair, upgrades and connections to the water network. ROLs place conditions on UÉ with respect to Health & Safety, traffic management and timing of works.

Reinstatement of the open road is an essential step following completion of the necessary works and is generally a two-stage process as per the Guidelines for Managing Openings in Public Roads (Purple Book) and Transport Infrastructure Ireland (TII) specifications. Temporary reinstatement is the first stage where a temporary surface is laid over a backfill layer to allow settlement and lower the chance of reinstatement sinking, with permanent reinstatement stage to follow as per the guidelines and specifications.

The cost incurred in RC3 is a portion of the full annual expected cost when the charging regime is fully functional and will materially increase in RC4. The utility has the highest level of openings in the country due to the location of its assets within the roadway versus others that are located on pedestrian footpaths and within street furniture. The level of road openings is driven by the age and condition of the network estate, which has been subject to generational under investment and will only ease once an adequate level of network maintenance and replacement is reached.

### **3.1.2 Industry Transformation Driven Opex Growth – €59m**

#### **IT Requirements - €25m**

IT requirements have increased over RC3 as a result of several factors. Separation from Ervia resulted in loss of economies of scale in shared IT contracts, all of which had to be renegotiated during a period of elevated global inflation.

Growth is also driven by the increase in the size of the organisation as UÉ expands to incorporate water services activities and staff from the LAs, driving increased licence and support costs based on the number of users.

To enable this transformation and equip UÉ people with the necessary technology, several large IT capital projects have been undertaken during RC3, which have required incremental recurring Opex when completed. These include the Mobile Improvement Project to provide updated handheld devices to field workers, the Tech-To-Thrive project to roll out Microsoft Teams and other collaborative tools across the organisation, and the Telemetry programme to link treatment plants to a central monitoring system.

In addition, there are one-off costs in 2024 relating to the transition of UÉ's application maintenance and development framework to a new supplier. When this transition is complete it will enable future efficiencies based on lower contract rates and consolidating a wider range of services under one provider.

### **UÉT Integration - €16m**

To enable the transition to a single public utility, UÉ has invested in the following areas:

- Temporary resourcing through contract staff for functions that are critical to the implementation of the transformation programme, including recruitment, onboarding, payroll and training;
- Additional mandatory training including health and safety;
- Permanent Health Insurance and Death In-Service benefits for the increasing number of direct employees; and
- Additional pension advice and administration costs for the larger organisation.

### **Target Operating Model capability growth - €17m**

UÉ has increased its target operating model capability which has been driven by changes to regulatory and governance requirements. New teams were required within the utility to efficiently meet newly identified needs in several areas. These are summarised as follows:

- Wastewater Source Control and licencing operations, including the delivery of new required tariff regimes, has required new capability within the utility. This will be important in reducing risk to UÉ assets arising from inappropriate discharges to the network;
- UÉ is a significant contributor to the Government strategy to provide new homes each year from 2021 to 2030 under 'Housing for All'. UÉ

established a dedicated team to ensure delivery of its responsibilities under the strategy;

- New capability was required in Connections and Developer Services in the areas of developer self-lay and first mover disadvantage administration;
- Organisational, Operational and Cyber resilience teams were established to meet best practice requirements and UÉ's responsibilities under relevant EU Directives;
- Expanded fleet and facilities management capability was required to handle increased migration of assets to UÉ control during the period;
- UÉ has requirements to meet sustainability targets in both delivery and reporting under the Corporate Sustainability Reporting Directive (CSRD). These targets are significant for both the utility and Ireland as a country and dedicated teams to address and manage this delivery have been implemented;
- Significant improvements were required in customer services capability, including in-sourcing of certain meter reading activity to improve control and accuracy of billing data;
- UÉ has implemented a self-insurance capability for its public and employee liability risk. This has ensured that claims made are within direct management control up to an insured risk amount;
- Additional costs were also driven by the taking in-house of national telemetry activity and the establishment of a National Operational Management Centre.

### **3.1.3 Externally Driven Opex Growth - €33m**

#### **Economic and demand growth - €20m**

Ireland's economic and population growth continued during RC3, leading to increasing pressure on water production and wastewater treatment to keep pace with demand.

This has been reflected in water production requirements around the country but most significantly in the Greater Dublin Area (GDA) which has seen average daily demand increase by 8% from 571MLD in 2020 to 616 MLD in 2024.

Since the CRU made its decision on RC3 in 2019, Ireland's population has grown by 8.1% from 4.9m to 5.3m in 2023. In UÉ's RC3 submission, the population growth anticipated from 2018 to 2040 was 1 million based on

publicly available data. Experience has now shown that we have reached 40% of that growth over just 23% of the time horizon.

This has had a direct impact on UÉ's operating costs due to the need to serve a growing population that was not anticipated in the original RC3 decision, with an increasing requirement for key variable inputs such as energy and chemicals. Demand across the country, and especially in the Greater Dublin Area, has led to the requirement for record production levels in recent years.

### **COVID-19 Response and weather-related events - €12m**

Additional costs were incurred in managing the UÉ response to COVID-19 and ensuring the safety of all employees. These costs arose in the areas of increased Personal Protective Equipment, cleaning and additional vehicle hire to ensure field worker safety. Furthermore, certain planned capital interventions were delayed which had a knock-on consequence for the delivery of efficiencies at treatment plants.

The impact of climate change has led to UÉ experiencing more extreme weather events in RC3. A combination of storms and prolonged dryer periods have caused increased operational costs in maintaining water services during these times.

### **Outlook**

Even with significant capital investment to date, UÉ remains behind our European peers on compliance standards and meeting the requirements of the Water Framework Directive (WFD) and the Urban Wastewater Treatment Directive (UWWTD).

UÉ incurred essential additional expenditure over the RC3 period to make progress in addressing compliance issues, to meet national policy requirements, and to deal with the impact of key external factors. Many of these cost drivers will continue into RC4 and will therefore be addressed again in UÉ's Look Forward submission.

## 3.2 Inflationary Growth DBO & Energy - €148m

Significant global inflationary impacts beyond the Harmonised Index of Consumer Prices (HICP) adversely affected UÉ's DBO and Energy costs, despite intensive cost avoidance measures being adopted.

### 3.2.1 DBO Inflation - €29m

In setting allowances for the RC3 period 2020-2024, the CRU decided on a 2017 price base. The impact of inflation was accounted for via a Harmonised Index of Consumer Prices (HICP) projection.

As noted earlier, approximately 52% of the total base cost of the DBO portfolio include contracts with a Wholesale Price Index (WPI) clause applicable to the variable element. The indexation clauses in these contracts use a basket of indices from the overall CSO WPI Index intended to reflect the inflation risk attributable to operating a wastewater plant, including Labour earnings, Auto-diesel, Electricity and Chemicals. The CSO Electricity index has the highest weighting in the WPI Index used (c. 40%) and therefore the WPI DBO portfolio is highly susceptible to changes in this index.

The graph below illustrates the in-year divergence between the WPI index and HICP.

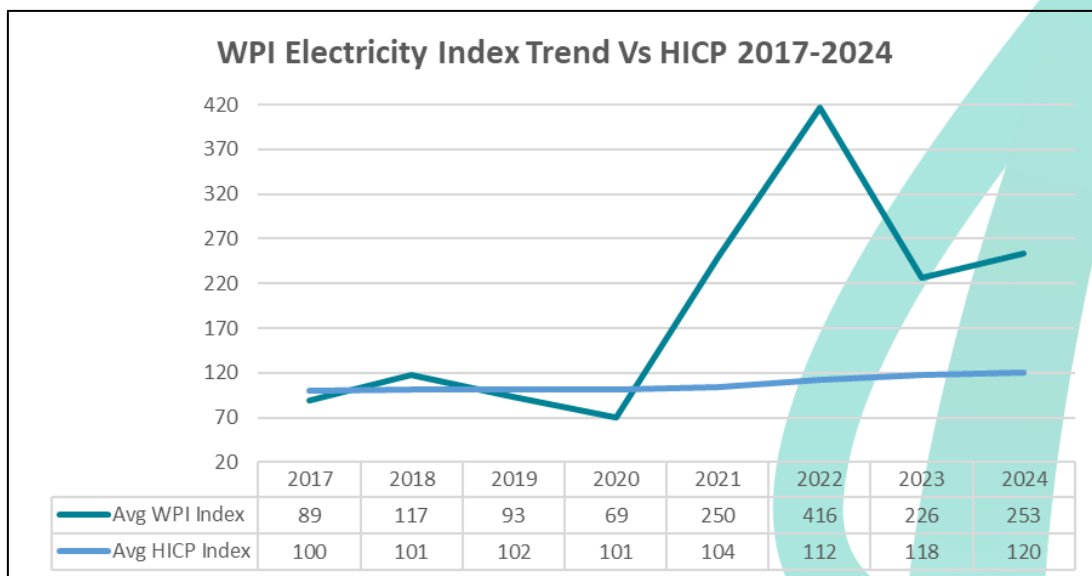


Figure 3.1: In-year divergence between the WPI index and HICP

This illustrates that up until 2020, the fluctuations in the CSO Electricity Index did not materially exceed the projected HICP rate included in the RC3

decision. As a result of the Covid-19 Pandemic and the Russian Ukraine war, energy price volatility increased resulting in an exponential rise in the WPI Electricity Index.

All contracts that include the WPI indexation clause were migrated to UÉ as part of the legacy DBO contracts on establishment. UÉ's ability to change or influence the indexation clauses is restricted given they represent a contractual entitlement for the supplier under these legacy contracts. Successful contract renegotiations and employing Cap/Floor arrangements at our larger DBO plants with big exposure to energy markets, resulted in cost avoidance savings of c.€23m of this inflationary impact. However, while UÉ has managed to negotiate some commercially beneficial outcomes in respect of certain suppliers, legacy contract entitlements mean that this inflationary impact is generally beyond management control.

### 3.2.2 Energy Inflation – €118m

Natural gas is the marginal fuel used to generate electricity in the Integrated Single Electricity Market (iSEM). Hence the price of electricity is highly correlated to the price of natural gas. Ultimately this means that the price and cost of electricity has risen over the period, consistently greater than many of the products included in the HICP index. The graph below illustrates this divergence between Gas Prices and HICP that has occurred since the beginning of RC3 in 2020.

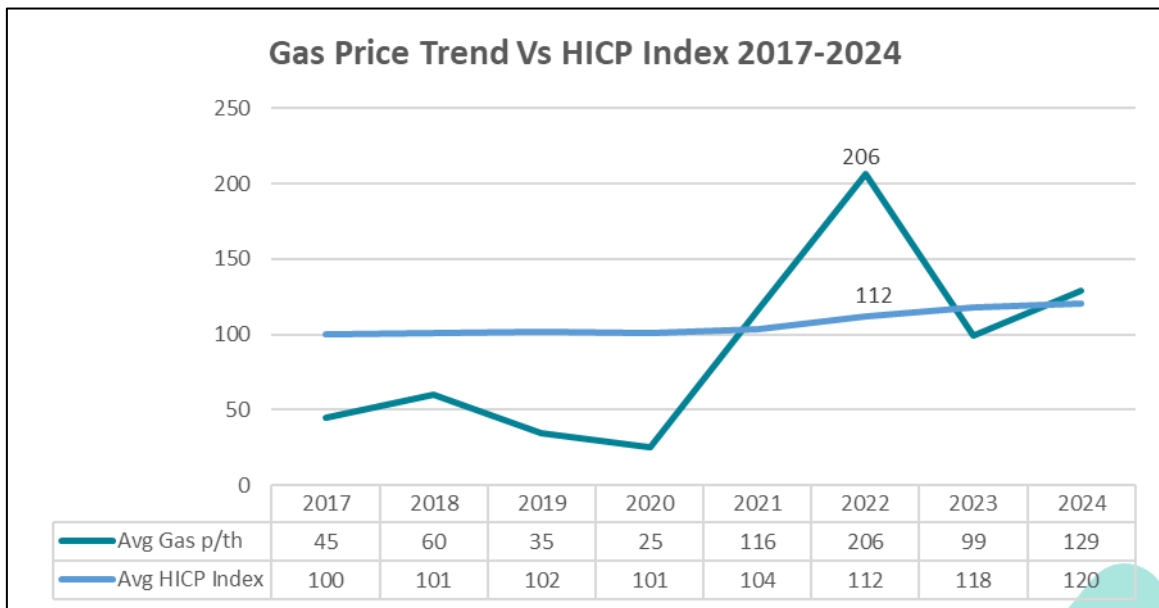


Figure 3.2 Gas Price Trend vs HICP Index 2017-2024

UÉ has engaged in several procurement strategies to minimise the price impact of rising energy costs:

- UÉ completed a successful procurement process that ensured its electricity pricing was below market rates during 2019-2020.
- In 2021, UÉ introduced its electricity risk management policy and hedged electricity costs for 2021, 2022 and 2023 thus protecting from peak spot electricity costs. Applying the risk management policy astutely has avoided €67m in costs during this time.
- In 2023, UÉ finalised a tender competition and entered a 3-year energy contract which ends in December 2026. This allows UÉ to continue its hedging strategy with 100% of 2024 usage now hedged. A further €4m in cost avoidance is expected as a result.

Despite these mitigation strategies, and energy efficiency measures, significant additional energy costs were incurred over the course of RC3 as a result of the change in market conditions.

### 3.3 Efficiencies delivered in RC3

Between 2020 and 2024 UÉ is projecting to achieve **€60m** of in-year Opex savings through efficiencies in contractor management, payroll, overheads, goods and services, and energy efficiencies.

A detailed breakdown is provided in the table below.

Efficiency Area	2020 in year €'m	2021 in year €'m	2022 in year €'m	2023 in year €'m	2024 in year €'m	RC3 in year €'m
Payroll Cost Reduction	-	0.4	0.4	-	2.5	3.3
Optimisation of Goods and Services	7.8	6.3	2.7	1.0	1.9	19.7
Energy Cost Saving	0.6	4.6	0.2	0.3	0.9	6.6
CMC & Overhead Reductions	0.1	0.7	0.4	-	0.2	1.4
DBO Contract Management	1.0	0.4	-	-	0.7	2.1
TOM savings	15.5	4.8	2.9	1.6	1.8	26.6
<b>Total Efficiencies</b>	<b>25.0</b>	<b>17.2</b>	<b>6.5</b>	<b>2.9</b>	<b>8.1</b>	<b>59.7</b>

Table 3.3 Summary table of efficiencies achieved in 2020-2024 period

Below, we provide a summary of each of these key sources of savings.

### **3.3.1 Payroll Cost Reduction – €3m**

Payroll efficiencies of c.€3m are being delivered through several key initiatives, including:

- Utilisation of LA Operational staff on capital water network activities, while maintaining operational activities within constrained headcount; and
- Headcount rationalisation as part of the Uisce Éireann Transformation process in 2024.

### **3.3.2 Optimisation of Goods & Services – €20m**

C.€20m in-year financial efficiencies are being delivered across the Goods & Services category. Efficiency initiatives are listed by cost sub-category below.

#### 1. Fleet & Plant Hire:

- Roll out of an efficient UÉ owned fleet with short payback periods for investment;
- Optimised utilisation of existing fleet and plant;
- Migration and reduction of LA leases for fleet;
- Use of procurement strategies and frameworks to minimise fleet maintenance costs; and
- Negotiated reduction of the hire rates charged by LA machinery yards.

#### 2. Chemicals & Other Materials:

- Optimisation of dosing and delivery methods for chemicals;
- Reduction in chemicals usage following bespoke capital investment in water and wastewater treatment plants;
- Optimisation of laboratory costs and process; and
- Reduction in unit costs through National Multi-Supplier frameworks and mini tendering competitions.

#### 3. Mechanical and Electrical, Repairs and Maintenance, Civils Contractor & Maintenance Costs:

- Investment in efficient Plant and Equipment;
- Use of Planned Capital Maintenance and rationalisation of Maintenance Programmes where feasible;
- Displacement of third-party contractor costs with existing LA labour capacity;

- Rationalisation of Water and Wastewater Treatment plants; and
- Contract review and optimisation.

#### 4. Sludge and Jetting:

- Optimised sludge collection and disposal;
- Investment in efficient sludge equipment such as centrifuges and dryers;
- National Multi-Supplier frameworks and mini tendering competitions; and
- Changed jetting work practices and investment in efficient jetting equipment.

The scope for efficiencies has been diminishing over the RC3 period as economies of scale are being exhausted. The focus on targeting efficiencies in the broad area of Goods and Services expenditure in 2024 reflects the deeper level of cost management required to harvest any further savings.

### **3.3.3 Energy Cost Savings – €7m**

Energy efficiency initiatives over the RC3 period are delivering in-year cost savings of c.€7m. These initiatives include:

- Optimisation of tariffs in UÉ plants such as MIC, day/night rates;
- Investment in energy efficient machinery and equipment, such as High lifting pumps, light and heat sources;
- Continuous process improvements and implementation of energy efficiency programmes; and
- Improved meter reading management.

### **3.3.4 CMC & Overheads Reductions – €1m**

C.€1m of cost reductions are being delivered in Central Management Charge (CMC) and Overheads costs during the RC3 period. CMC costs reflect the apportionment of the LA central costs to UÉ for the delivery of Operation and Maintenance activities. Reductions in cost drivers used to apportion LA overhead costs, such as FTEs and LA systems, have been key to reducing the CMC cost base. UÉ has undertaken rigorous challenge of LA submissions through benchmarking and targeted reviews. These initiatives have all helped to drive efficiencies in the period.

In addition, Overheads efficiencies are being delivered through focused reductions in multiple areas, including travel costs, communications costs, insurance, professional fees and fuel. Some costs have also been reduced through the transfer of activity to UÉ e.g. non-domestic billing and insurance.

### **3.3.5 Design Build Operate (DBO) Contract Management - €2m**

C.€2m of DBO efficiencies are being achieved from the following sources:

- Review of contracts and elimination of scope where no longer deemed required, or where technology now enables more efficient operation;
- Contractor engagement and negotiation, leveraging a national view of each contractor's UÉ portfolio;
- Reduction in Fixed Costs through application of policies in relation to insurances and performance security and leveraging risk mitigation approaches;
- Application of contract price adjustments where contractors fail to achieve stipulated performance targets;
- Integration of the Employer's Representative role into existing UÉ headcount and removal of external and LA engineers from the role;
- Claims Mitigation - mitigation and defence of contractor claims, leveraging UÉ internal commercial and legal support.

UÉ has sought to contribute to the overall efficiency challenge through engaging with our supply chain where possible. Efficiencies achieved to date have been secured in the context of strict contract conditions which provide limited scope for negotiation and price reduction. This scope has now been exhausted for the current portfolio of contracts.

### **3.3.6 TOM savings - €27m**

C.€27m of savings are forecast across various areas of the business during RC3, including:

- Reduction in allocation of overheads costs following separation from Ervia and setting up of stand-alone functions;
- National framework for provision of Non-Domestic Metering Reading activities;
- Optimisation of telecoms costs and contracts;
- Reduction in contractor costs by replacing contractors with in-house expertise where possible;

- Management of the volume of insurance claims through targeted measures such as replacement of meter lids and faulty manhole covers, and fixing trip hazards;
- Specific efficiencies across professional services, facilities and IT; and
- Travel & Subsistence efficiencies through facilitating greater adoption of video conferencing.

### 3.3.7 Efficiencies Outlook

All available savings are being harvested by UÉ during RC3. As work delivered through LA partnership accounts for the large majority of UÉ's operational costs, deeper, sustainable efficiency levels can only be generated through the successful adoption and implementation of the single public utility model. This transformation is critical to UÉ's future performance targets.

## 3.4 Cost Avoided & Other Movements - €193m

In addition to operational efficiencies, significant cost avoidance savings of c. **€94m** were delivered as part of extensive internal measures to mitigate the impacts of the unprecedented global energy market volatility. These are further set out in the table below.

Category	2020 in year €'m	2021 in year €'m	2022 in year €'m	2023 in year €'m	2024 in year €'m	RC3 in year €'m
Electricity Hedging	-	2	12	52	4	71
Cap/Floor Agreements	-	4	15	3	1	23
<b>Total Cost Avoidance</b>	<b>-</b>	<b>7</b>	<b>27</b>	<b>55</b>	<b>5</b>	<b>94</b>

**Table 3.4 Summary table of cost avoidance achieved in 2020-2024 period**

Astutely applying UÉ's electricity risk management policy has avoided c. €71m in costs in comparison to the default hedging strategy.

Contract renegotiations and employing Cap/Floor arrangements at our larger DBO plants with big exposure to energy markets resulted in further cost avoidance savings of c.€23m.

The table below sets out a breakout of 'Other Movements' on a year-by-year basis.

Category	2020 in year €m	2021 in year €m	2022 in year €m	2023 in year €m	2024 in year €m	RC3 in year €m
CMC	2	(2)	(1)	(2)	(63)	(65)
Miscellaneous	(6)	(9)	(16)	(6)	2	(34)
<b>Other Movements</b>	<b>(3)</b>	<b>(11)</b>	<b>(17)</b>	<b>(7)</b>	<b>(61)</b>	<b>(99)</b>

**Table 3.5 Summary table of other cost movements in 2020-2024 period**

From 2020 to 2023, Central Management Charge (CMC) movement occurred as overall Local Authority CMC grew or reduced and UÉ was charged the applicable water services element of this cost. As part of the signing of the Master Cooperation Agreements between UÉ and LAs, Government is now funding CMC directly with LAs from 2024. This is resulting in a €nil charge to UÉ. As can be seen in the growth section above, from 2024 UÉ is building its own support service capabilities including Finance, HR and IT, and these costs are included in various growth categories.

'Miscellaneous' refers to other one-off in-year movements not represented in any other category. These include plants moving from DBO Opex to capital upgrades and plants exiting capital upgrades back into DBO Opex. It also includes some other one-off cost movements as UÉ stood up as a standalone utility following separation from Ervia. Furthermore, improved data gathering has allowed UÉ to determine where capitalisation criteria were met with Operational crews enhancing asset health and performance resulting in increased capitalisation over the RC3 period.

## **4 RC3 Service Improvements**

RC3 is the first five-year revenue control within which UÉ continued to improve the delivery of secure, safe, and sustainable water services for the people of Ireland. In 2023, UÉ assumed full responsibility for public water services across all local authorities, covering approximately 80% of Ireland's population.

Below we set out in more detail some of the key initiatives undertaken in the period to improve performance and deliver benefits to households and businesses across Ireland.

These initiatives were enabled by the opex allowances provided by the CRU combined with the capital investment delivered over the period (as detailed in a separate submission). Investment in capital expenditure is critical to delivering on regulatory requirements and service improvements but also drives increases in operating costs as new and upgraded assets are commissioned.

### **4.1 Health and Safety Management**

UÉ is focused on ensuring that we protect the safety, health and well-being of our staff, customers, business partners and the wider public, and we hold ourselves accountable to the highest possible safety standards. We recognise the inherent risks in the construction, operation and maintenance of our assets, particularly taking account of variability in age and condition, and the isolated nature of many of the assets.

We continue to invest heavily in both operational safety and in our assets to bring them to the required minimum standards of compliance. Since 2014 we have closed out over 30,000 safety items that were identified from over 11,000 inspections. These items had the potential to cause serious harm to those working in the industry.

We have implemented, promoted and maintained certification of the Safety Management System (ISO 45001) which provides strong governance, health & safety performance monitoring and promotes a safety culture. In 2022, UÉ

was recognised as an industry leader and winner of the Utilities category at the Health & Safety Excellence Awards. As UÉ assumes full responsibility for public water services across all local authorities we are incorporating and transforming the 31 Local Authority Water Services Area's Safety Management Systems into a single Uisce Éireann Safety Management System.

The health and wellbeing of our people is a priority. UÉ aims to build a positive work environment and to help to break the stigma associated with mental health in the workplace. We continue to roll-out the mental health strategy 'Time to Talk', which aims to provide a structured approach to mental health initiatives.

## 4.2 Improvements in Water Services

During RC3, UÉ has continued to take significant steps to improve drinking water quality and reduce the risk of events occurring. The EPA's RAL is a register of public water supplies that are in need of corrective action. It requires UÉ to complete an action programme for each supply on the list. By the end of RC3, UÉ projects that it will have removed 57 supplies from the RAL.

UÉ continues to roll out key national work programmes to improve drinking water quality including:

**National Leakage Reduction Programme:** UÉ manages approximately 64,000km (58,000km distribution; 6,000km service pipes) of water networks nationally. Many of these pipes are now old and damaged and need to be repaired or replaced to improve our water quality and supply. The network performance is measured using a Leakage Management System and utilises the water balance approach to measure each component of water use and loss. Leaks can be difficult to find because they happen in the vast and complex network of pipes below ground. During RC3, UÉ is investing in water network programmes to drive down network losses, improve pressure, maintain headroom and future proof network management capability.

The RC3 leakage activities that impact operational costs are:

- Pressure Management – measuring and managing water pressure on the public network; and
- District Meter Area (DMA) works – measuring water flow on the network to identify the levels of leakage.
- Continued implementation of the First Fix Free scheme to reduce leakage on customer properties.
- Increased frequency of meter reading to identify and address leaks as soon as they occur.

**Lead Mitigation Plan:** UÉ is working hard to tackle national issues like the impact of lead pipes on drinking water. When water leaves our treatment plants it is lead free and our records show that there are no lead public water mains in Ireland. However, lead plumbing was widely used in houses built before the 1980s. It is estimated that 180,000 homes in Ireland together with public buildings, schools, medical centres and other buildings over 40 years old, may have lead plumbing. The Government has a National Strategy to Reduce Exposure to Lead in Drinking Water and UÉ has developed a Lead Mitigation Plan to address the drinking water quality standard. We check for lead in drinking water at the tap as part of Ireland's first nationwide monitoring programme and check for lead services as part of our metering programme. As of the end of 2023, UÉ has replaced 28,556 lead services and is projecting to remove over 36,000 lead services by the end of RC3.

**Drinking Water Quality Programmes:** During RC3, UÉ has continued to deliver a number of programmes to deliver clean and safe drinking water including the National Disinfection Programme – a national programme of works to upgrade and standardise disinfection systems. The programme involves over 864 water treatment plants, pumping stations and reservoirs. The Coagulation, Flocculation and Clarification (CFC) Programme and Disinfection Programmes have further improved water quality across the UÉ network.

The condition of the existing asset base has resulted in some emerging needs during the investment plan period due to plant failures which have required urgent interventions.

The Recast Drinking Water Directive entered into force in 2021 within the EU and has been transposed into Irish Law. Its provisions significantly increase

the water quality standards, tackling pollutants of concern to further protect human health. This increase in compliance requirements will further drive operating and capital costs within RC3 and into the future in excess of levels originally envisaged by any regulatory decision.

### 4.3 Improvements in Wastewater Services

UÉ is responsible for the provision and development of public wastewater services which includes the collection, treatment and discharge of wastewater. We operate 1,057 wastewater treatment plants, 2,250 wastewater pumping stations and over 26,000km of foul/combined sewer network. The Environmental Protection Agency's (EPA) Priority Urban Action List (PAL) identifies the priority urban areas where treatment must improve in order to resolve national environmental priorities. There are deficiencies in many public sewers and wastewater treatment plants, due to a legacy of under-investment. UÉ had a target to remove 75 agglomerations from the Environmental Protection Agency's (EPA) Priority Urban Area Action List (PAL) in RC3 and is on track to achieve this target.

UÉ continues to roll out key national work programmes to improve wastewater services including:

**WW Small Towns and Villages Programme:** The Small Towns and Villages Growth Programme (STVGP) has been established to address capacity and compliance deficits at small wastewater treatment plants across the country to cater for growth in rural settlements while ensuring compliance with wastewater discharge standards. The STVGP is a multi-year, multi-investment plan programme, extending from early-stage appraisal and development through to capital works delivery at sites across the country.

**Phosphorus Removal Programme:** The objective of the national WW Phosphorous Removal Programme is to provide new chemical dosing assets to reduce phosphorous levels in the effluent being discharged to receiving water to ensure compliance with wastewater discharge licences. During RC3 to date, ten sites have been delivered through this programme, with another ten underway.

**Inlet Works, Storm and Sludge (IWSS) Programme:** This programme delivers upgrade to existing inlet works and sludge facilities as well as

providing storm tank infrastructure to increase the resilience of small and medium size treatment plants and reduce the risk of non-compliance.

**Drainage Area Plan (DAP) Programme:** The objective of this programme is to develop strategic drainage plans for agglomerations around the country. These plans consider strategic drivers such as environmental compliance, managing flood risk and facilitating for future growth and help identify and prioritise the capital investment requirements for our wastewater network. To date during RC3, 29 DAPs have been completed, with another 2 due for completion in 2024.

**National Programme for INTERREG Projects:** The Shared Waters Enhancement & Loughs Legacy (SWELL) project, which is funded under the EU's INTERREG VA Programme, managed by the Special EU Programmes Body (SEUPB), involves the construction of new wastewater treatment works as well as upgrades to sewerage networks on both sides of the border to address wastewater pollution in Carlingford Lough and Lough Foyle. During RC3 to date, three WWTPs were upgraded under this programme.

#### **4.4 Connections and Developer Services**

In 2019, the UÉ Connection Charging Policy (CCP) was implemented following CRU approval. This enabled UÉ to provide standard connection charges that apply to the majority of connection categories, and quotable charges for any requirements outside the standard parameters. In September 2023, a new framework for the delivery of connections went live. In place of the eight Regional Contractors who delivered connections on behalf of UÉ from 2017-2023, UÉ now has four Regional Contractors. The new framework and associated ways of working will drive consistency nationally and improve UÉ's ability to deliver timely connections for customers.

Throughout the RC3 period, UÉ continued to develop the quality assurance programme for all new housing developments. This involved working with construction industry partners to ensure all water/wastewater assets constructed within housing developments are fit for purpose for UÉ to operate as a utility and reduce potential leakage.

In 2019, UÉ established a pilot for self-lay in the public road, allowing developers who meet certain criteria to self-lay water services infrastructure

in public roads on behalf of UÉ. In tandem, UÉ developed an experienced based accreditation scheme for contractors who have demonstrated the required level of experience to carry out self-lay works in the public road. Following the successful pilot, the Self Lay in Public Road Programme has been in place since 1 July 2022.

First Mover Disadvantage (FMD) occurs where a developer pays UÉ for a connection extension and, subsequently, other developers make use of this connection extension without contributing to the cost that the original developer incurred. Following extensive engagement, the CRU published its decision on the implementation of a Shared Quotable Rebate (SQR) scheme to address FMD. UÉ is implementing a new process to facilitate the SQR scheme which went live in November 2023 for eligible network extensions.

## 4.5 Incident Management

During RC3, UÉ managed unplanned events and incidents in collaboration with our LA delivery partners and contractors. Through a well-established Incident and Crisis management framework, UÉ ensured customer service continuity and minimised impacts. Importantly, public health and the environment were protected, and customers and stakeholders were kept informed.

Incidents of particular significance during RC3 include:

- **2020-2022 COVID-19 Response** - UÉ's incident, crisis and business continuity processes were stood up from February 2020 to May 2022 in line with Government and Public Health advice to ensure critical processes and services were maintained to acceptable levels throughout the period;
- **2021 Gorey/BME Water Contamination Incidents** - two significant operational incidents resulted in an increase of illness notification cases. On both occasions Incident Management Teams were established and several improvement initiatives were rolled out following review;
- **2023 Industrial Action** - Three events impacted water services in Summer 2023. Extensive preparatory works and continuity plans were put in place resulting in localised short duration impacts across the

country. Precautionary Boil Water Notices (BWNs) were imposed to protect public health and minimise the impact.

UÉ's incident management capability continues to be enhanced by the learnings from each major event and by undertaking scenario planning and exercises. Initiatives include:

- **Project Connect** – following the Gorey/BME incidents, our 24/7 National Operations Management Centre (NOMC) was established with oversight of key sites and critical alarms. Drinking water incident response training was rolled out across all LA Water services, improving the competency on the notification and escalation of incidents with potential for public health impact;
- **Regular Operational Exercises** – internally led to test preparedness and response across the organisation, with scenarios covering a variety of potential operational risks;
- **Cyber Resilience** – Programmes have been put in place to enhance our ability to maintain critical services in the event of a cyber-attack, and to ensure security of supply and continuity of service to our customers.

UÉ is an active member of the Government Task Force on Emergency Planning, supporting the Office of Emergency and Planning in the management and oversight of emergency planning and response activities. During RC3, UÉ has taken part in several national level exercises and outputs continue to be assessed against UÉ preparedness and resilience capabilities.

The frequency and extent of these incidents are reflective of an antiquated asset base that was subject to generational under investment. The impact of this under investment is resulting in increased risk, cost and incident rates across the country which are being managed within the structure of UÉ's control environment. The resolution of this issue will take a number of capital investment cycles to remediate during which the associated risks and costs will continue and increase.

## 4.6 Customer Service

During RC3, UÉ continued to provide quality services for our customers. We listened to their needs and strove to improve customer operations and engagement. In 2021, UÉ transitioned to a new Contact Centre provider

which was a major project for UÉ. This required the transfer of employees, systems, processes and assets (where required) from the previous Customer Contact Centre to the new provider. The transition required substantial amounts of time, resources, and internal capability from across UÉ. This was completed during COVID-19 level 5 Government restrictions, with minimal disruption to UÉ's customers.

For RC3, the CRU set challenging Customer Service metrics and overall UÉ has performed strongly these against these, matching or outperforming national and international comparators in several areas, despite COVID-19 and the new Contact Centre. Key highlights include:

- Customer Satisfaction Survey;
- Ease of Telephone Contact;
- Conversational Chatbot launched on the Website;
- Non-Domestic Business text alerts for outages;
- Leak allowance webform and landing page to assist customers; and
- Upgrades to IVR relating to Irish language services.

## **4.7 Risk Management**

The global risk landscape is becoming more complex and interconnected and, as a result, the risk management environment for UÉ is also ever evolving. Embedding effective risk management practices across all our activities ensures awareness and understanding of the environment we operate in. It assists in achieving our short and long-term strategic objectives while protecting the interests of our shareholders, customers, and the wider community. We work to the principles of risk management as set out in UÉ's Risk Management Policy.

During RC3, UÉ has continued to mature and develop the Enterprise Risk Management Framework. A UÉ specific framework (separate from Ervia) was adopted and embedded across the organisation. This ensures that an appropriate governance structure, responsibilities, and risk management processes are in place.

The Board has overall responsibility for risk management and periodically reviews and challenges management's assessment of risk, together with the mitigation measures in place to manage principal risks. The organisation's risk appetite is also set annually by the Board by determining the nature and

extent of the risks we are willing to accept in pursuit of UÉ's strategic objectives.

Supporting legal separation from Ervia, during the RC3 period, a UÉ specific Audit and Risk Committee was formed with delegated authority to support the Board in delivering these objectives. Additionally, reflecting the changing organisation, a revised UÉ Risk Governance Committee Model was developed and implemented (from functional to Board level), ensuring effective risk identification, management, reporting and review.

During the period, given the complexity and scale of the organisation, additional dedicated resources have joined the Enterprise Risk Team and they continue to work closely with other assurance functions (e.g. Integrated Assurance and Internal Audit), supporting best practice governance across all functions.

## **5 Conclusion**

The challenges which emerged during RC3 were both unanticipated and unavoidable. COVID-19 and war in Ukraine were key drivers of extraordinary inflationary impacts which had a pronounced effect on energy markets in particular. During this period of volatility, UÉ was faced with additional complexities in relation to both separation from the Ervia Group and delayed progression of water sector transformation.

The additional allowances provided by the CRU through the RC3 interim decisions have therefore been instrumental in enabling UÉ to maintain water services to a high standard while accommodating increased demands.

At an aggregate level, UÉ is projecting that it will meet the CRU Opex allowance through strong efficiency and cost management performance which balances essential additional costs that are being incurred over the period.

UÉ has used Opex allowances to deliver the day-to-day water and wastewater service across the country; to manage the impacts of multiple unforeseen unprecedented global events, and to continue improving both compliance

and service levels for all customers during a period of population and economic growth. This work will continue into RC4 and beyond in pursuit of the Government's WSPS objectives and UÉ's long-term strategic plans.

UÉ has worked diligently over RC3 to deliver in-year Opex savings and cost avoidance measures across contractor management, payroll, overheads, goods and services and energy. The declining trend in efficiencies over the course of RC3 is explained by the reducing scope for further savings in core operations once economies of scale are realised.

During RC3, UÉ has completed the transfer of all water services from LAs. In the next revenue control of RC4, implementation of the UÉ transformation programme will be critical to the achievement of further efficiencies. Our Opex Look Forward submission will set out full details of the projected costs and associated benefits over the period.

## Appendix 1 Glossary

Term	Description
AGS	Aerobic Granular Sludge
ASPs	Annual Service Plans
BWN	Boil Water Notices
Capex	Capital Expenditure
CCP	Connection Charing Policy
CFC	Coagulation, Flocculation and Clarification
CMC	Central Management Costs
CRU	Commission for Regulation of Utilities
CSO	Central Statistics Office
DAP	Drainage Area Plan
DBO	Design Build Operate
DHLGH	Department of Housing, Local Government and Heritage
DMA	District Metering Area
EPA	Environment Protection Agency
FMD	First Mover Disadvantage
GHG	Greenhouse Gas
GWS	Group Water Schemes
HICP	Harmonised Index of Consumer Prices
ICT	Information and Communication Technology
IRC1	Interim Revenue Control 1

IRC2	Interim Revenue Control 2
iSEM	Integrated Single Electricity Market
IWSS	Inlet Works Storm and Sludge Programme
LA	Local Authority
MLD	Mega Litres per day
NOMC	National Operations Management Centre
NWSMP	National Wastewater Sludge Management Plan
O&M	Operations & Maintenance
Opex	Operational Expenditure
PAL	Priority Action Area List
RAL	Remedial Action List
RC3	Revenue Control 3
RC4	Revenue Control 4
ROs	Road Opening Licenses
SaaS	Software as a Service
SEUPB	Special EU Programme Body
SLA	Service Level Agreements
SPU	Single Public Utility
STVGP	Small Towns and Villages Growth Programme
SQR	Shared Quotable Rebate
SWELL	Shared Water Enhancement & Loughs Legacy Project
TIC	Taking in Charge Programmes

THM	Trihalomethanes
TOM	Target Operating Model
UÉT	UÉ Transformation Programme
UWWTD	Urban Wastewater Treatment Directive
WFD	Water Framework Directive
WPI	Wholesale Price Index
WSPS	Water Services Policy Statement
WWTP	Wastewater Treatment Plant

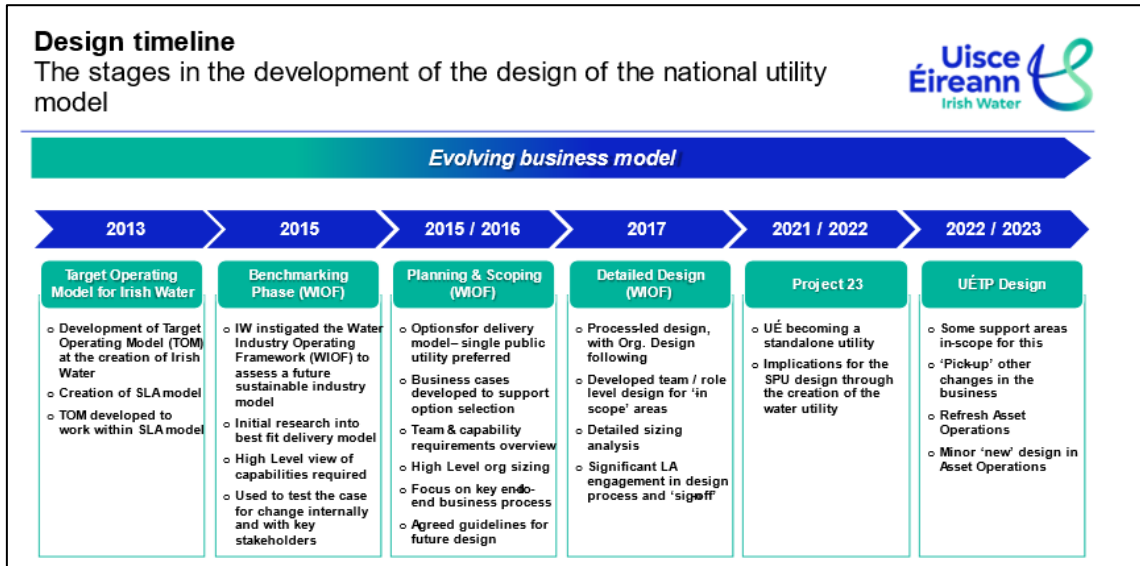
## **Appendix 2 The Uisce Éireann Transformation (UÉT) Programme**

The water sector is central to Ireland's social and economic well-being, through delivering safe water services, protecting the environment, and providing for future growth. Since its establishment, UÉ has delivered water and wastewater services through a Service Level Agreement (SLA) model with Local Authorities (LAs). While this model ensured continued access to the valuable skills and local knowledge of water services staff across the country, it suffered from clear limitations, including:

- multiple and varied ways of working;
- inability to deliver the capability levels required in process optimisation, specialised maintenance, leakage control and incident response;
- inconsistent customer service outcomes due to different work and reporting practices;
- fragmented management and workforce structures across 32 organisations (31 LAs and UÉ) which hindered the path to efficiency; and
- A lack of centralised, direct control for the strategic management and delivery of water and wastewater services.

The SLAs were always intended as a transitional mechanism and, in line with Government policy, a water sector transformation programme was put in place in 2012 to plan for the eventual integration of all water and wastewater services under the direct control of UÉ. Within UÉ, the WIOF (Water Industry Operating Framework) Programme was established to plan and drive progress and to facilitate highly complex stakeholder engagement and industrial relations negotiations.

The path that UÉ has taken to get to its current position is summarised in the chart overleaf, followed by a description of each key stage.



**2013: UÉ established** - An SLA model was created and a Target Operating Model (TOM) for UÉ was developed in tandem.

**2014 / 2015: Benchmarking Phase (WIOF)** - In 2014, UÉ established a transformation plan for the amalgamation of water services previously provided by 34 (soon to be 31) LAs into a single national provider, in order to deliver economies of scale and ensure the consistent and strategic management and delivery of water and wastewater resources. In 2015, UÉ instigated the *Water Industry Operating Framework (WIOF)* to assess a future sustainable industry model. Initial research into a best fit delivery model began.

**2015 / 2016: Planning & Scoping (WIOF)** - UÉ developed options for its delivery model, with a *Single Public Utility* being the preferred option. Business cases were developed to support this option, including a high-level organisation design, and key principles were agreed, with guidelines for future development put in place.

**2017: Detailed Design (WIOF)** - Detailed sizing analysis was undertaken, with significant LA engagement in process design and sign-off.

**2022 / 2023: UÉT Programme:**

### The Framework for the Future Delivery of Water Services

A major step forward was achieved with the publication of a Government Policy paper in February 2021 which established clear timelines and a

pathway towards full integration. This was followed in June 2022 by *'The Framework for the Future Delivery of Water Services'* ('the Framework') which was developed through an engagement process facilitated by the Workplace Relations Commission, UÉ, the Department of Housing, Local Government & Heritage, the County and City Management Association, Local Government Management Agency, and union representatives.

This Framework set out the next steps in the transformation of the water sector in Ireland and mandated that:

“in line with Government policy, Irish Water will become a fully integrated, direct-labour, national utility in public ownership within which water services staff will work together within a single organisation as a unified team. Irish Water is committed to an insourced direct labour operating model for day-to-day activity, with its core services continuing to be delivered by its own workforce. This will be supported by supply chain expertise predominantly delivering specialised services and capital programmes.”

The Framework represents a significant shift for the overall water sector in Ireland. In this context, it is important to recognise that the UÉ organisation has already experienced multiple cycles of change since its establishment in 2013. Following a highly challenging 'start-up' phase which required the building of an organisational model, systems and processes from inception, UÉ became a fully functioning utility within a few short years and began operating as a standalone utility on 1 January 2022. The separation from the Ervia Group (Project 23), as mandated by Government, presented a new requirement for a review of the operating structures and the implementation of standalone systems and processes. This review was cognisant of the ongoing water sector transformation programme and opportunities for futureproofing were taken where possible.

In response to the Framework, UÉ established the Uisce Eireann Transformation (UÉT) Programme. The UÉT Programme is responsible for the delivery of the full integration of water services into UÉ and the implementation of the policies set out in the Framework, including (but not limited to):

- The voluntary transfer of existing Local Authority water services staff to UÉ as permanent employees,
- The commencement of water services staff recruitment directly by UÉ to fill vacancies arising in water services,

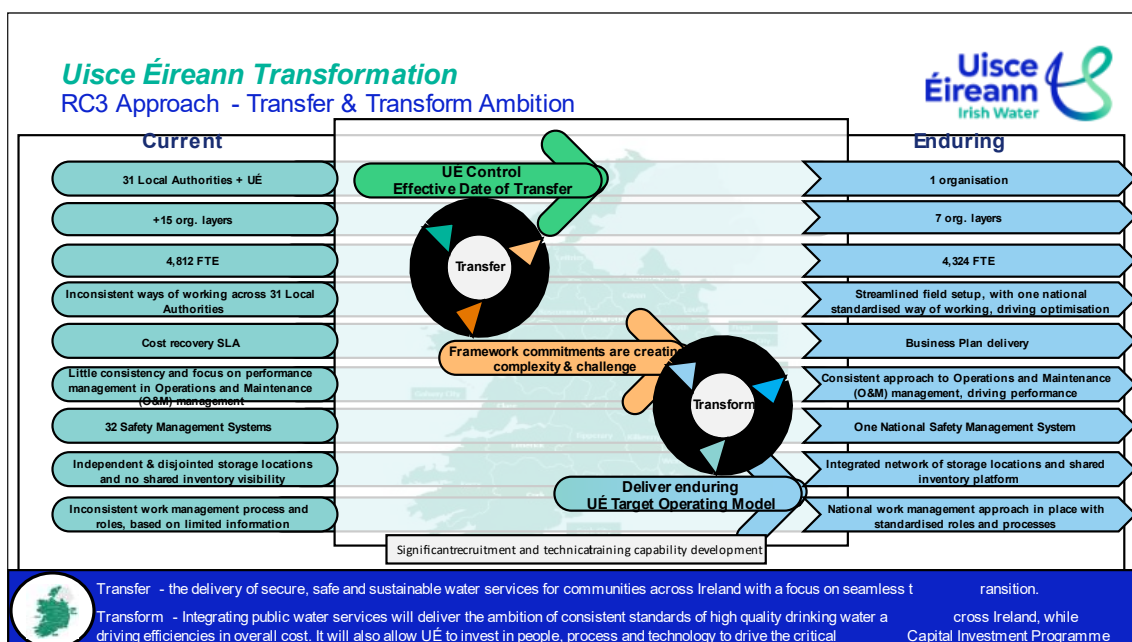
- A new UÉ - Local Authority agreement, replacing the existing SLA arrangements, to ensure that UÉ has full accountability for the delivery of water services and direct management of the water services staff who choose to remain employed by their Local Authority under contract to UÉ for the transitional period to the end of 2026, and
- A new and transformed service delivery model.

## The UÉT Programme

The UÉT Programme is one of the most complex transformational programmes ever undertaken in the Irish public sector. It will implement the new and transformed service delivery model for water and wastewater services in Ireland, with all water services employees from UÉ and the LAs working together in a single, public owned organisation.

It will bring together staff from 32 different organisations into a single organisation, to deliver clean safe drinking water to a consistently high standard, and to take wastewater away and return it to the environment safely. Leveraging best practice in utility organisation design, reporting structures will be significantly streamlined. There will be a national work management approach in place, with standardised roles and processes.

It will see not just a change to the way the industry is organised, but also to the way that people within water services will work in the future. There will be one national, standardised way of working, driving optimisation, with a consistent approach to Operations and Maintenance, driving performance.



### The Transfer and Transform ambition

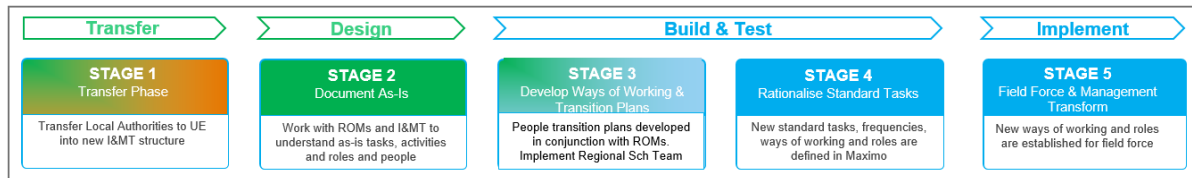
The future operating model will deliver on the ambition of ensuring consistent standards of high-quality drinking water across all parts of Ireland, while driving efficiencies in overall cost.

The UÉT Programme has worked with the LAs and other stakeholders to replace the legacy SLA arrangements with a new legal structure. Since May 2023, a Master Cooperation Agreement (MCA) has been in place between UÉ and each LA which operationalises the Framework and sets out how UÉ assumes management and direction of water services. It provides for UÉ to have full accountability for the delivery of water services, and the necessary management and direction of all water services staff, including those who choose to remain employed by their LA for the transitional period to the end of 2026. UÉ and each LA are currently progressing Support Services Agreements (SSAs), which set out the services each LA will provide to UÉ in support of its delivery of water services until the end of 2026. This continuing evolution since its establishment has provided UÉ with detailed insights on best-in-class organisational structures and ways of working which are now being leveraged within the UÉT Programme in order to plan for the end-state model.

UÉ and individual LA management teams have made significant progress in their engagement. All water services staff were invited to attend a series of UÉ organised local information briefings from November 2022 to October 2023. UÉ is actively encouraging as many water services staff as possible to join UÉ, that there is a role for everyone, and their terms and conditions are guaranteed under the Framework.

UÉ will continue to engage with all water services staff, who may make a decision to join any time up to the end of 2026, at which point all water services staff will work directly for UÉ.

The UÉT programme will transform public water services in Ireland through the delivery of national support structures, regional centres of excellence, and standardised service. At its highest level, the UÉ approach to transformation can be summarised as '*Transfer and Transform*' but is more precisely comprised of five distinct stages, as set out in the figure below.



*Five stage approach to UÉ transformation*

*Stage 1: Transfer Phase*

Under the Framework, water services staff can now be recruited directly by UÉ to fill vacancies arising in water services. Existing LA water services staff can voluntarily transfer to UÉ as permanent employees at any point up to the end of 2026. UÉ is rolling out an extensive communication and engagement programme to maximise the LA staff transfer rate. Those staff who do not wish to transfer to UÉ can be reassigned to other LA service areas or can avail of a voluntary redundancy scheme in 2024. All roles involved in the delivery of public water services will therefore be carried out by UÉ employees only by the start of 2027.

The transfer of water service responsibilities is separate to the transfer of staff. In accordance with the Framework and the MCA, service responsibility for the direct management of public water services transferred from each individual LA to UÉ on a phased basis during 2023 and early 2024. An Integration and Management Team (I&MT) was established and reports directly to UÉ and is responsible for the management of continued operational delivery of water services and water services staff.

*Stage 2: Document As-Is*

This is the Design phase, during which work is undertaken with the LA management, Regional Operations Managers (ROM), and the I&MT to understand as-is tasks, activities, roles and people. For example, frequency and duration of all operations and maintenance work will be documented at site level and gap analysis will be undertaken on Health & Safety management in each of the LAs.

*Stage 3: Develop Ways of Working and Transition Plans*

During this Build & Test step, people transition plans will be developed in conjunction with the Regional Operations Managers and the Regional Scheduling Team will be implemented. Workforce planning will be an important feature, looking at the optimum resource mix to meet the identified needs.

#### *Stage 4: Rationalise standard tasks*

This is the second Build & Test step, whereby new standard tasks, frequencies, ways of working, and roles are built and defined in the asset management system 'Maximo'.

#### *Stage 5: Field force and management transform*

In this final 'implementation' step, new roles and ways of working are established for the field force and Operations & Maintenance management. Activities include populating the end state structures, providing additional interim capacity where required, and rolling out the new ways of working. End state stores, logistics and depots will also be put in place, together with the Health & Safety management system.

### **Programme deliverables to date**

To date, the UÉT Programme has achieved the following milestones and achievements:

- **Master Co-operation Agreement** - Signed by all 31 Local Authorities, terminating the SLA.
- **Transfer of Responsibility** - 31 LAs transferred across with no incidents reported related to transfer.
- **Procurement:** LA suppliers identified and set-up on UÉ systems to ensure supply continuity.
- **Business Readiness** - Stood up key business readiness processes to ensure a safe transfer of responsibility (Health & Safety, I&MT, Critical Processes, IT and Non-Water Services).
- **Integration & Management Team (I&MT)** - Stood up the I&MT and Integration teams; ensured they were fully trained and enabled prior to transfer.
- **Support Services Agreement** - SSA and cost approach nationally agreed: 6 finalised, 2 signed and 23 others targeted to be done by end April 2024
- **Operational Data** - 12 Local Authorities are currently operational on the Uisce Eireann network, with a further two mid-transfer.
- **Low Value Purchase Cards** - Tendered a contract for delivery of a LVPC solution, ~530 LVPCs to be deployed across 26 LAs by end of Q2 2024.
- **HR 1-2-1s** - 1,215 meetings completed across all LAs with 412 (34%) indicating 'Yes' to Transfer

- **Recruitment** - 10,149 applications processed, 602 offers accepted, 2,774 interviews completed to date, and 580 candidates available on ten national panels.
- **Training** - 3,500 hours of training delivered, enabling a safe transfer of responsibility.
- **Roadshows** – over 100 information roadshows carried out across all 31 LAs, along with Meet & Greets in UÉ offices and roundtables to target staff who are not engaging via other forums.
- **Data** - 116 data asks identified to enable LA Transfer.
- **Point of Contacts / Advocates** – over 100 UÉ employees trained to engage with water services staff to support positive decision in joining UÉ (currently contacted over 500 LA staff).
- **Property** - Location Strategy approved by Board; Two Op Centres (Depots) in design stage and two UÉ owned sites under survey. Three offices in selection process.
- **Fleet** - Fleet strategy approved by the Executive and the team are now commencing the transfer of the LA hired vehicles across to UÉ.
- **Critical Redeployees** - stood up an initiative focussed on water services staff retention.
- **Target Operating Model (TOM)** - Completed As-Is Assessment and indicative mapping of staff from 30 LAs into future TOM Roles. Currently validating with I&MT and Business.
- **MyWork** – the HRIS/Payroll system was successfully enhanced and deployed to facilitate incoming LA staff transfer with go-lives in July 2023 and January 2024.
- **Technology Enablement** - Device deployment across 15 LAs with 212 laptops and 406 phones deployed and 81% (avg.) of devices in use by LA staff.
- **UÉ Mapping** - TOM Mapping completed for all in-scope directorates. Manager briefing sessions conducted, and mapping outcome packs provided to all mapping managers prior to 1-2-1 conversations taking place.
- **LA Stability Assessment** - Two phases of independent interviews with Regional Operating Managers and I&MT to find ‘Stability Assessment’ for each LA.
- **Support Services Agreement Exit** – scope agreed for 11 business processes to exit the SSA.

## Looking Forward

Activities planned to end of Programme are detailed below:

LA Migration and TOM Fulfilment	Org Standup & Transform	Capability Transformation
<p>Resolve open mapping questions, in collaboration with the organisation standup teams.</p> <p>Communications and engagement with LA staff to encourage and drive transfer to UÉ.</p> <p>Managing people transfer and onboarding into UÉ roles.</p>	<p>Deliver end-state and any required interim organisation states.</p> <p>Drive approach and glidepath to move between organisation states.</p> <p>Support function leadership in standing up their teams and receiving people transitioned from LA roles.</p>	<p>Develop new business capabilities and ways of working that enable the future TOM.</p> <p>Deploy capabilities across regions in line with regional priorities and operational factors.</p>

While considerable progress has been made to date, it must be recognised that the agreed framework includes constraints which continue to inhibit UÉ’s abilities to drive efficiencies in the shorter term, namely:

- A Voluntary redundancy programme for LA staff to be commenced in 2024, with departure dates by end September 2024; and
- A transition period up until the end of 2026 where LA staff can voluntarily transfer to UÉ.

The transformation programme, when fully delivered, will enable future savings. However, the delay to the agreement of the Framework and the above constraints directly impact UÉ’s ability to deliver efficiencies within the RC3 period and into RC4.