

Uisce Éireann

Revenue Control 4 (2025-2029)

Operational Expenditure Look forward
2025-2029



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1. Executive Summary

Uisce Éireann (UÉ) is a National Water Services Authority delivering water and wastewater services for Ireland. Its 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 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 fourth Revenue Control period (RC4) covers the years 2025 to 2029.

UÉ manages and operates a very large, complex and dispersed asset base.

UÉ's portfolio of operational assets is extensive. It includes approximately:

- 64,000 kms of mapped water pipelines;
- 26,000 kms of wastewater pipelines;
- 1,700 water and wastewater treatment plants;
- 1,800 water pumping stations;
- 2,300 wastewater pumping stations.

UÉ is responsible for the provision of public drinking water supplies from source to consumption. This includes the operation and management of abstraction, treatment, storage and distribution of drinking water. UÉ is also responsible for the collection, treatment and safe disposal of wastewater.

The operational expenditure (Opex) as set out in this document is required in order to allow us to continue to deliver these critical water and wastewater services over the RC4 period.

Since establishment, UÉ has rigorously pursued the challenging Opex efficiency targets set by the CRU while addressing critical compliance needs and making real improvements in service provision.

Since its establishment as a national utility in 2014, the CRU has set highly stretching efficiency targets for UÉ in the management of its Opex. These ranged from 7% year-on-year reductions in the first interim revenue control (IRC1), 5% year-on-year in IRC2, and culminated in a 4% efficiency challenge for the final year of RC3 (2024). In response, UÉ has rigorously pursued every opportunity for cost reduction.

As time has progressed, the basis of the savings available has evolved. During IRC1 (2014-2016), savings in Opex were primarily delivered through procurement optimisation, spend rationalisation and process improvement. During that initial period post establishment, UÉ reaped the available benefits of national oversight and consolidation.

UÉ continued to drive efficiencies over IRC2 (2017-2019), with a focus on targeted standardisation initiatives and national strategies. Examples include the rationalisation of the Non-Domestic Billing process across the 31 Local Authorities ('LAs'); the roll out of a national fleet strategy that helped to reduce fuel costs, maintenance costs, and carbon emissions; and a strategic approach to competitive tendering that reduced the cost of goods and services needed to operate the system.

In RC3 (2020-2024), global events such as Covid-19 and the war in Ukraine resulted in significant disruption and an inflationary shock. This period also saw the separation of UÉ from the Ervia Group, and a shift in the original timelines envisaged for sectoral transformation. As a result, three reopeners were required to ensure UÉ had sufficient funding to continue safe operation of national water services. While the CRU's efficiency requirements were moderated, these still remained onerous, with a cumulative 12% challenge imposed over the course of the full period.

UÉ delivered the moderated RC3 efficiency challenge through a combination of operational saving initiatives and cost avoidance strategies, including a review of DBO contracts and a vital hedging approach to energy cost management over the period. These savings are fully detailed in the RC3 Look Back submission.

In parallel to pursuing the CRU efficiency challenge over the past 10 years, UÉ has delivered additional wastewater treatment and drinking water capacity, meaningful service improvements for customers, and clear progress in meeting environmental standards. We 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. In addition, we have rolled out critical initiatives to improve the safety of the working environment for water and wastewater services. Full details of UÉ's service and compliance improvements are detailed in annual reporting to the CRU and in the RC3 Look Back submissions.

Expert benchmarking analysis demonstrates that UÉ has achieved cost comparability with international peers.

In advance of this RC4 submission, UÉ engaged Frontier Economics to assess its relative efficiency versus appropriate international comparators. Full details of the assessment are provided in the separate, independent report from Frontier Economics that accompanies this submission.

As part of the assessment, Frontier Economics has examined benchmarking models for previous UÉ revenue controls and recent developments in other regulated jurisdictions. The analysis completed by Frontier Economics finds UÉ to be relatively efficient versus Ofwat regulated companies at the end of RC3. At a summary level, the improved efficiency position is driven by two core factors:

- a) UÉ's unit costs have reduced in real terms, while unit costs in England and Wales (E&W) have increased over the same period; and
- b) Improvements to the cost models provide evidence that previously assessed levels of inefficiency may have been over-stated.

This assessment is consistent with UÉ's experience of rigorous cost management over the past ten years. All available opportunities for cost savings have been assessed and pursued. Cost increases that have arisen from growth pressures have also been contained to the greatest extent possible. It is clear that the scope for further efficiency has significantly

diminished in recent years, suggesting that UÉ has reached an efficient cost level.

Due to the absence of reliable data in early years, previous estimations of the gap to peers did not reflect the full extent of the underlying UÉ cost drivers. With greater availability of data, improved modelling indicates that UÉ has been operating at a cost level that is far closer to comparators than previously estimated.

The regulatory framework applied by the CRU has driven an unrelenting UÉ focus on careful cost management. This has been successful in delivering efficiency gains and cost avoidance, with peer cost efficiency levels now in evidence. Having reached cost comparability, UÉ recognises that its efficiency drive must now focus on improving service in areas where there remains a gap to the levels reached by comparator companies.

The wider UÉ funding model, including a heavy reliance on annual exchequer funding, means UÉ has no available reserves to accommodate unforeseen cost pressures. Recognising the cost efficiency level that has now been reached, it is essential that the Opex allowance for RC4 is sufficient to ensure UÉ viability, meet the demands of an increasing population, and enable UÉ to pursue service improvements for customers.

The demands on Ireland’s water services are rising. During RC4 UÉ must seek to accommodate cost pressures from economic and population growth, evolving compliance and sustainability requirements, and service improvements expected by customers and regulators.

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 for UÉ services. Population growth has exceeded 8% since the RC3 decision and this trend is expected to continue in RC4 with growth in the range of 6% - 9% cumulatively forecast out to 2030. This is having a direct impact on UÉ’s controllable cost base due to an increasing requirement for key variable inputs, such as energy and chemicals.

UÉ currently supplies 1.7bn litres of drinking water and treats 1.26bn litres of wastewater each day. Water demand is expected to increase over the 2025 to 2029 period, in line with population and economic growth. The projected increase in demand for UÉ services is further supported by an estimated 80%

increase in wastewater sludge production across Ireland between now and 2040. UÉ must act now to begin to accommodate this increase so that sludge can be treated and disposed of in a manner that does not pose a risk to public health or the environment. UÉ must therefore upscale our capacity to meet these water and wastewater service needs.

UÉ also faces the unavoidable consequences of increasingly frequent severe weather events due to climate change. These weather events seriously test asset condition and service delivery and lead to increasing operational costs. Changing weather patterns and the impacts of climate change require us to make provision for continued service impacts and increased operational costs into the RC4 period.

UÉ has invested c. €4.9bn¹ in capital expenditure to enhance water and waste water infrastructure during RC3 and capital expenditure will increase by a further c.€8.6bn during the RC4 period. Full details of UÉ's planned investments are set out in the separate Capital Investment Plan submission. This investment represents a significant step forward in improving the asset base and delivering on compliance needs and regulatory service requirements. However, the scale of RC4 investment will inevitably drive increases in ongoing expenditure on operation and maintenance. Incremental opex of c.1.5% of capital expenditure is projected, which is in line with selected available data from Ofwat² for established UK water utilities.

During RC4, UÉ will incur incremental compliance costs relating to critical Statutory, Licensing, Policy and Regulatory requirements such as Road Opening Licensing and reinstatement costs (previously absorbed by LAs), and additional sampling, asset inspections, health and safety, and resilience initiatives. In addition, UÉ may also incur further compliance costs associated with emerging legislation e.g. the Urban Waste Water Treatment and Drinking Water Directives. These legislative instruments have the capacity to materially increase the nature and scope of UÉ's costs. Given the uncertainty as to the extent of these obligations, there is currently insufficient

¹ RC4 Look Forward Submissions are in 2022 monies

² Analysis of data available from Ofwat datasets shows that the ratio of opex over capex for infrastructure network reinforcement for treated water distribution and sewage collection ranges from 0.4% - 5.5% with a median value of 1.8%. This is based on data reported by Anglian Water, Thames Water, Wessex Water, and Welsh Water over (UK) FY 2021-2023.

information available to allow UÉ include full cost estimates in this submission. UÉ would welcome further engagement with the CRU on how these and other uncertain future costs can be funded within RC4 should they materialise.

Beyond meeting compliance requirements which are mandated in law, UÉ is committed to improving how water services are delivered to customers across the country. This effort will be focused on areas where there remains a gap to the service levels reached by comparator companies.

The UÉ Transformation (UET) programme will be a critical enabler of this ambition.

UÉ has completed the transfer of water services activities from the LAs in RC3. In RC4, the focus will move to transformation and the delivery of the UÉ enduring operating 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 is delivering the new and transformed service delivery model for water and wastewater services in Ireland, with water services employees from UÉ and Local Authorities working together in a single, publicly owned national authority.

By the end of RC3, UÉ will have successfully completed all transition activities associated with taking full control and responsibility for national water services, and will have established the new operating model for water services in Ireland which will become operational from 2025.

The focus of the UÉT programme in RC4 will be on completing the streaming of operational activity and in pursuing the benefits of standardisation of systems, processes and roles. A new streamed structure, supported by specialist teams, will reduce the pressure on Regional Operations Staff, allowing them to focus on core maintenance and repair activities.

Transformation will build the capability for real improvements in water services to customers across the country. In addition to enabling significant cost avoidance, it will also deliver cost savings that will be used to meet critical needs.

When transformation is complete, there will be one national, standardised way of working, driving optimisation, and a consistent approach to Operations and Maintenance, driving performance. Inventory management will be radically different, moving from independent and disjointed storage locations with no shared visibility, to an integrated network with a shared platform. At a field level, new digitalised ways of working will be established, driving efficiency and asset intelligence. Operatives will receive and complete work using hand-held units, and asset information for all sites will be captured in UÉ systems.

A national approach to Out-of-Hours work will be introduced. Operational performance measurement and tracking will drive continuous improvement both regionally and nationally. Field force roles will be clearly defined, with new specialisms in place. Job times will be standardised, improving productivity and schedule optimisation, and fully stocked fleet availability will enable first time fixes.

Responding to national socio-economic growth requirements, the organisation will be appropriately scaled and structured to meet the demands of customer service, new connections, and the planning and support needs associated with increasing consumption.

For customers, these changes will mean that interactions are fully managed end-to-end, improving the service provided and the experience received. A consistent and integrated approach to asset intervention prioritisation and service delivery will lead to the capture of better data. This will improve UÉ's ability to monitor and manage key metrics such as interruptions to supply, water quality complaints, and low pressure.

An additional benefit of the transformation will be the opportunity to drive further cost efficiencies. A graphical overview of the key enablers of efficiency that the UÉT programme will deliver is provided in the Appendix.

The transformation of water services is a long-term change programme. UÉ will pursue benefits at pace but inevitably some will not be realised until

beyond the end of RC4. Within RC4, efficiencies will be realised across IT and DBO costs and the cost savings released will be used to offset the cost growth pressures which UÉ will experience over the period due to economic and population growth, compliance and sustainability needs, and investment in the necessary capability to drive improved service performance for customers.

Given the various options open to water services staff under the Framework, projections in relation to FTEs are based on resource profiling assumptions over the period. However, within RC4, UÉ anticipates that the UÉ transformation programme will deliver significant savings through costs avoided. In particular, UÉ has suppressed FTE vacancies in the LA / asset operations function in anticipation of future changes to the operating model. In the absence of UÉ transformation, these suppressed vacancies would need to be filled and the associated costs would be incurred.

The agreed Framework underpinning UET presents uncertainties which must be managed throughout the RC4 period. This will pose considerable operational challenges for UÉ. Safety, service continuity, and operational stability will be prioritised during this period of complex change.

Under the Framework issued by Government for sectoral transformation, LA Water Services Staff can avail of multiple options until the end of 2026. They can transfer to UÉ as permanent employees (with a further choice of either their LA pay model or the UÉ pay model); seek redeployment within their Local Authority; or avail of Voluntary Severance.

By the start of RC4, UÉ will have implemented a new organisation structure for the Asset Operations function which will bring all water services operational teams together in a national utility. This new structure aims to deliver a local service with regional teams and specialised support from Centres of Excellence. Over the course of 2025, work will be completed to stream frontline operators between water or wastewater and where practical, between plants or networks and operations or maintenance.

Leveraging best practice in utility organisation design, reporting structures will be significantly streamlined, moving from over 15 layers to just 7. This move to a new structure represents a very significant change to how water services currently operate in Ireland. It will involve a complex reorganisation

of operational resourcing which must be managed in parallel to maintaining day-to-day water services.

The options provided by the Framework for LA water services staff endure until the end of 2026. As a result, UÉ will face significant challenges in managing ongoing resourcing complexities over this period. UÉ's priority during this time will be on maintaining the health and safety of all resources while ensuring the ongoing stability of operations and service continuity.

UÉ faces multiple emerging needs and risks which may impact the opex requirement in RC4.

As set out above, UÉ's FTE profile in RC4 is based on assumptions in relation to the options available to Water Services staff under the Government Framework for sectoral transformation. Given the inherent uncertainty in relation to such assumptions, there is a clear risk that additional resource needs may materialise within the period.

It must also be recognised that UÉ operates within a complex regulatory and legislative environment, which is constantly evolving. Since the submission of the SFP, increased legislative requirements have emerged in several areas. These legislative instruments have the capacity to materially increase the nature and scope of UÉ's costs. Given the uncertainty as to the extent of these obligations (e.g. laboratory testing / sampling requirements of the Drinking Water Directive or the implications of the recast Urban Waste Water Directive) there is insufficient information available to allow UÉ include full cost estimates in this submission.

Further details on these emerging requirements are set out in section 4. UÉ would welcome further engagement with the CRU on how these and other uncertain future costs can be funded within RC4 should they materialise.

RC4 is a crucial period for UÉ as it seeks to deliver a new national operating model for water services while meeting critical growth, compliance and service needs. It is essential that sufficient operating allowances are provided to maintain operations and enable the transformational change effort required.

Opex requirement for the RC4 period

After taking account of known compliance needs, estimated growth pressures, external costs (to the extent these are visible), real price effects and the delivery of efficiency savings, UÉ's total Opex requirement for 2025-

2029 is projected at c. €5.2bn. Full details of the cost categories and annual cost profile are included in the following sections of this submission.

The remainder of this document is structured as follows:

Section 2 sets out the Opex expenditure for the overall RC4 period in each individual cost category;

Section 3 sets out further information on the components of Opex including detailed descriptions of growth drivers;

Section 4 sets out details of emerging cost requirements, the quantum of which is uncertain at this time and therefore has not been fully included within this submission. As outlined above, UÉ welcomes further discussion with the CRU on appropriate mechanisms to accommodate future costs which may materialise over the period, given the annual nature of UÉ's current funding model.

2. Operating Expenditure 2025-2029

For purposes of this document, UÉ's Opex has been analysed into the following categories:

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

Costs that were previously analysed under the categories of "Shared Services" and "Group Centre" are now included within the "UÉ Target Operating Model" category as these activities migrated directly to UÉ following its separation from Ervia during the RC3 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 (which is included within DBO costs);
- **Operations and Maintenance (O&M)** and **UÉ TOM costs** should be considered together given the interaction between the two categories during the current phase of UÉ's operations.
 - **O&M** relates to drinking water and wastewater operations and maintenance activities currently delivered in partnership with the LAs through Master Cooperation Agreements (MCA) and individual Support Service Agreements (SSA) as agreed during the UÉT Programme;
 - **UÉ TOM** encompasses the organisational structure, processes and systems to operate UÉ in line with the UÉT Business Case and UÉ Strategic Funding Plan (SFP).
- **Uncontrollable Costs** are pass-through cost items which are not under UÉ's direct control. These include items such as Local Authority rates, regulatory levies and license fees, and;
- **Innovation Funded Costs** refers to costs which historically have been separately funded by the CRU. These enable UÉ to invest in new

approaches and technologies which provide customer and environmental benefits.

The following table sets out a breakdown of RC4 Opex costs at category level. **All costs presented in this paper are in 2022 monies**, rounded.

Opex Cost Category (2022 monies)	2025 €'m	2026 €'m	2027 €'m	2028 €'m	2029 €'m	Total €'m
DBO	185	175	158	143	138	800
Energy	110	122	120	122	127	601
Operations & Maintenance (excl DBO & Energy)	183	201	215	233	251	1,083
Target Operating Model	463	479	486	491	496	2,416
Controllable Opex Total	941	977	979	990	1,013	4,900
Uncontrollable Opex	62	67	68	69	70	337
Innovation Funded Opex	0	1	2	2	1	5
Opex Total	1,003	1,046	1,050	1,061	1,083	5,242

Table 2.1 Operational Expenditure requirement for the 2025-2029 period

The rest of this section describes each cost category in more detail. The factors driving growth and efficiency in UÉ's Controllable Opex are set out later in Section 3 of this submission.

2.1 DBO

The DBO portfolio was migrated from the LAs 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 that were primarily negotiated by the LAs.

Approximately 52% of the total base cost of the DBO portfolio is based on plants where the operating contracts include a Wholesale Price Index (WPI) indexation clause applicable to the variable element of the plant's costs. The indexation clauses in these contracts use a basket of indices from the Wholesale Price Index (WPI) prepared by the Central Statistics Office (CSO). The use of the WPI Index in the contract is intended to independently reflect the inflation risk attributable to operating a water or wastewater plant. The

measures captured include Labour earnings, Auto-diesel, Electricity and Chemicals. The CSO Electricity index has the highest weighting in the WPI Index used (c. 40%) and therefore DBO portfolio costs are highly susceptible to changes in this index.

2.2 Energy

The production of drinking water and treatment of wastewater are energy intensive processes. UÉ is therefore 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.

In total UÉ consumes c.400 GWh in electricity per annum. 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, aiming for a 50% improvement in energy efficiency and a 51% reduction in Greenhouse Gas (GHG) emissions by 2030. UÉ's Sustainable Energy Strategy will take a proactive, business-wide approach to achieving climate action targets including concept design, new projects, energy retrofit programme, renewables and upskilling.

2.3 Operations and Maintenance (excl. DBO & Energy)

UÉ's Operations and Maintenance ('O&M') costs comprise the following key elements:

- **Goods & Services.** This category includes materials and services – consumable items issued from stores, chemicals, plant hire and contractor costs which are used in operating and maintaining the water and wastewater systems. These are currently procured mainly via UÉ procurement systems;
- **Overhead costs** are those costs incurred in the operation of water and wastewater plants, but which are not attributed to an individual site. These include transport, training, and telecommunications costs.

The breakdown of RC4 O&M costs into each of these sub-categories is set out in the table below.

O&M Cost Sub Category (2022 monies)	2025 €'m	2026 €'m	2027 €'m	2028 €'m	2029 €'m	Total €'m
Goods & Services	164	183	198	215	234	993
Overheads	19	18	18	18	18	90
O&M Total	183	201	215	233	251	1,083

Table 2.2 Total forecasted O&M expenditure over the 2025-2029 period

2.4 Target Operating Model (TOM)

TOM costs are comprised of Payroll costs and Non-Payroll costs. Payroll costs are the costs associated with staff resources for UÉ, both permanent and temporary. This includes all payroll / labour related costs such as training, recruitment and travel/subsistence. Non-Payroll costs are the other costs incurred by each TOM function in delivering their activities.

TOM Cost Category (2022 monies)	2025 €'m	2026 €'m	2027 €'m	2028 €'m	2029 €'m	Total €'m
TOM Payroll Costs	257	260	266	268	270	1,322
TOM Non-Payroll costs	206	219	220	223	226	1,094
TOM Total	463	479	486	491	496	2,416

Table 2.3 Total forecasted Overall TOM expenditure over the 2025-2029 period

TOM Non-Payroll costs (2022 monies)	2025 €'m	2026 €'m	2027 €'m	2028 €'m	2029 €'m	Total €'m
Labour related costs (incl. Travel & Subsistence)	46	43	43	43	43	218
Insurance & Third Party claims	19	24	21	22	23	108
Network Maintenance	18	16	16	16	16	83
Operations	8	12	15	15	15	66
Professional Services	16	16	17	18	19	86
Establishment and Rent	19	26	26	27	27	126
Customer Service Costs	21	22	23	23	23	112
I.T. & Telecom costs	52	52	51	53	52	260
Communications and other costs	7	7	7	7	7	35
TOM Non Payroll Total	206	219	220	223	226	1,094

Table 2.4 Total Non-Payroll TOM expenditure over the 2025-2029 period

2.5 Uncontrollable Costs

Uncontrollable costs refer to those binding costs which are independently set by entities external to UÉ and are therefore beyond management control. The following costs are included in this category:

- Regulatory Levies, and;
- Commercial Rates

Uncontrollable Category	Cost	2025 €'m	2026 €'m	2027 €'m	2028 €'m	2029 €'m	Total
Regulatory Levies		7	8	8	9	10	41
Commercial rates		55	60	60	60	60	296
Total Uncontrollable Costs		62	67	68	69	70	337

Table 2.5 Total forecasted Uncontrollable Opex over 2025-2029

2.6 Innovation Funded Opex

Innovation funded opex (2022 monies)	2025 €'m	2026 €'m	2027 €'m	2028 €'m	2029 €'m	Total €'m
Innovation funded opex	0	1	2	2	1	5

Table 2.6 Total allowable and forecasted Innovation Funded Opex over 2025-2029

UÉ continues to pursue innovative approaches and technologies in water services. Examples to date include the use of Aerobic Granular Sludge processes to aid wastewater treatment; investigating new sensing techniques for trade effluent; and developing the evidence base for the treatment of Wetlands targeting phosphorus removal. UÉ submits separate reports to the CRU on progress in relation to approved 'innovation' projects.

3 Components of RC4 Controllable Opex

The table below sets out UÉ's RC4 Controllable Opex requirement into different components. These show how UÉ's controllable opex costs are projected to evolve over the RC4 period, and align to the key drivers of change.

Opex Headline (2022 monies)	2025 €'m	2026 €'m	2027 €'m	2028 €'m	2029 €'m	Total €'m
Base controllable costs	859	941	977	979	990	4,746
Real Price Effect	(27)	1	(18)	(10)	2	(52)
Compliance, Growth & External Costs	113	37	20	22	22	214
Efficiencies	(4)	(1)	(1)	(1)	(0)	(7)
Costs Avoided³	(10)	(13)	0	0	0	(23)
Controllable Opex Total	941	977	979	990	1,013	4,900
Uncontrollable Opex	62	67	68	69	70	337
Innovation Funded Opex	0	1	2	2	1	5
Opex Total	1,003	1,046	1,050	1,061	1,083	5,242

Table 3.1 Controllable and Uncontrollable Opex requirement for the 2025-2029 period (2022 monies rounded)

- 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 gains or additional cost drivers. The closing controllable opex figure for each year (post growth and efficiency impacts) becomes the opening base controllable cost for the following year.
- '**Real Price Effect**' represents the cost inflation of certain cost categories which differ to HICP. Over the 2025-2029 period, this represents the difference between assumed growth in Energy, DBO costs and payroll costs relative to HICP.
- '**Compliance, Growth and External Costs**' combine all the other cost pressures UÉ is forecast to face over the RC4 period.

³ Costs Avoided are not included in opening Base Controllable Costs and are therefore not included in the calculation of RC4 Controllable Opex needs. Refer to section 3 for further details.

- **'Efficiencies'** are the savings that are projected to be made across the RC4 period across different source categories.
- **'Costs Avoided'** are the suppressed costs of LA vacancies which have been managed to date by UÉ in anticipation of future changes to the operating model. In the absence of UÉ transformation, these suppressed vacancy costs would be incurred.
- **Uncontrollable Opex and Innovation Funded Opex** are as described in Section 2 and are included in the table for completeness.

In the following sections, we explain each component of Controllable Opex movement over the RC4 period and how they impact on UÉ base costs.

3.1 Real Price Effects

Real Price Effects (RPEs) reflect the difference between the projected inflation rate of a particular cost category assumed in UÉ's models and HICP.

RPEs have been assumed for three cost categories within the RC4 Opex submission:

- **Energy Costs** – Cost inflation based on energy market forward pricing as at Q2 2024.
- **DBO Costs** – These high value contracts are linked to the WPI Index and the RPE reflects a forecast of the impact above HICP.
- **Payroll Costs** – A premium to HICP of 1.7% in 2025 and 1% in 2026 has been assumed based on a tight employment market. This has been based on an UÉ assessment of affordability and is below the pay RPEs estimated by the Central Bank of Ireland (2.5% in 2025 and 2.6% in 2026)⁴.

The monetary impact of these three items within each year of RC4 is outlined in the table below:

⁴ [Quarterly Bulletin Q3 2024 | Central Bank of Ireland](#)

RPE €'m	2025 In Year	2026 In Year	2027 In Year	2028 In Year	2029 In Year	Total
DBO	(5)	(6)	(10)	(6)	2	(25)
Energy	(26)	5	(7)	(4)	(0)	(31)
Payroll	2	1	0	0	0	4
Other	1	(0)	(0)	(0)	(0)	(0)
Total	(27)	1	(18)	(10)	2	(52)

Table 3.2 RPEs over the period 2025-2029 (2022 monies rounded)

Other than the costs outlined, it is assumed that other costs will inflate in line with HICP.

During RC3, energy and general inflation spiked significantly following the onset of the Covid-19 pandemic and the Russia/Ukraine conflict. This led to multiple Opex reopener submissions related to energy and DBO pricing. UÉ is eager to avoid a repeat of such a scenario and would like to discuss mechanistic approaches, on both an ex-ante and ex-post approach, which may negate the need for repeated reopener submissions. This could include an option for UÉ to trigger a resetting of Energy and DBO allowances ahead of the year in question based on latest forecasts. Adjustments on an ex-post basis using actual outturn energy costs and the actual WPI index levels could be later reconciled through the k-factor process.

Separately, a significant increase in electricity network charges was announced by the CRU in August 2024 which has increased UÉ's annual energy costs by c.€11m. It is UÉ's view that this element of energy costs could reasonably be treated as uncontrollable costs (pass through). UÉ would welcome further discussion on this matter during RC4 engagement with the CRU.

3.1.1 Opex Growth 2025-2029

UÉ's projected in-year Opex growth over the RC4 period is outlined in the table below. It includes costs relating to environmental and regulatory compliance (estimates of known obligations), costs relating to industry transformation, and externally driven costs.

Growth Cost Driver €'m	2025 In Year	2026 In Year	2027 In Year	2028 In Year	2029 In Year	Total
Compliance Opex	34	3	3	(1)	0	40
Industry Transformation	27	(0)	5	2	1	35
Externally Driven Costs	52	34	12	20	22	139
Total	113	37	20	22	22	214

Table 3.3 Growth Opex over the period 2025-2029 (2022 monies rounded)

A summary description of each of the categories is set out below, followed by further detail on each of the primary drivers in turn:

- **Compliance:** This category relates to opex growth to meet compliance with statutory, licensing, policy or regulatory requirements.
- **Industry Transformation:** These costs relate to additional needs arising from the critical transformational change being managed under the UÉT Programme, including the operation of depots, stores and offices which will become the responsibility of UÉ as the national water services authority.
- **Externally Driven Costs:** This category relates to additional investment driven Opex required to operate and maintain new assets. It also includes costs arising from economic and population growth which drives increased domestic and non-domestic service demand.

3.1.2 Compliance Driven Opex Growth - €40m

This category of growth is relatively broad given it covers the expanse of statutory, licensing, policy and regulatory cost impacts. Further details on specific drivers are set out below.

Road Opening Licenses - €9m

The transfer of water service responsibilities to UÉ has resulted in additional statutory obligations including Road Opening Licences (ROLs) and road reinstatement requirements. The costs associated with these works were

previously absorbed by the LAs as they overlapped their role as both 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 (temporary and permanent) of the open road is an essential step following completion of the necessary works. Procedures relevant to road openings are set out in national guidelines.

The Local Government sector and UÉ are in discussions with relevant Government Departments on this matter and new statutory regulations are being considered. In the meantime, related costs became due from 1 July 2024.

National scientific and technical services - €15m

As a national water authority, Scientific and Technical Services (STS) are a crucial requirement for UÉ. The overall strategy for provision of scientific services for UÉ and its customers and communities is to develop two laboratories, with a national sampling service supplemented by commercial laboratory services where required.

The scale of this growth area is significant, with an intention to take over a quarter of a million samples annually from UÉ assets and customers' homes. This will result in 1.8 million test results issuing to designers, operators, health agencies, regulators and risk managers every year. These tests are used to conduct assessments on quality, compliance, risk and public health impact, operations, and to develop accurate designs for new treatment plants and for enhancements of existing assets. This data will underpin strategy development across UÉ through the provision of evidence-based decision-making capability.

Over RC4, UÉ will seek to maintain the continuity of existing service, begin on the pathway to compliance with new drinking water regulations, and also commence the sampling service across Ireland. Maintaining service stability and public health protection will be a key focus throughout the UÉ transformation process.

While systems and processes have not yet been established, UÉ has currently estimated the annual Opex impact of compliance with the sampling and testing components of the new Drinking Water Directive as €45m. Importantly, only c.€8m of this cost impact is included within the SFP and this submission, representing a glidepath to c. 20% compliance over RC4. As previously noted, UÉ will engage with the CRU on how to accommodate additional costs once there is greater certainty on the full parameters of the need.

Disused Assets - €3m

Following an incident in 2023 which occurred on a disused site which had previously been held by a LA, a review was carried out of all known disused UÉ related assets. The purpose of this review was to assess the assets condition with particular reference to Health and Safety requirements and to consider if they should be included in the 'Disused Assets' Programme of Works'. The criteria that must be met in order for a site to be considered within the programme's scope of works are:

- A site must have been in use by UÉ/IW after 1st January 2014; and
- A site must be on UÉ owned lands.

321 sites have so far met the criteria and are considered in scope for this programme of works. The programme is set up to undertake a wide variety of works to address issues such as fencing/access, presence of a live electrical supply, presence of chemicals, falls from heights into tanks and chambers, and the clearance of scrub.

A long term plan will also be developed for each site to look at options for re-use, re-purposing, environmental initiatives, or possibly disposal of the site in instances where UÉ cannot identify a future need/benefit.

Statutory and Dam Inspections - €6m

Statutory Inspections: Growth in Opex needs arising from statutory inspections is being driven by an increase in the number of assets being maintained, together with the transfer of responsibility from LAs to UÉ under the UET programme. Over the past four years, additional sites and equipment were identified as being within scope for compliance inspections relating to Health and Safety legislation for lifting equipment, pressure vessels and fire safety. A national programme approach is being adopted.

Dam Inspections: UÉ applies a Dam inspection regime in accordance with the Dam Safety and Monitoring Strategy adopted in 2017. A key element of this strategy is ensuring that appropriate and frequent reservoir monitoring takes place, thereby ensuring that UÉ's reservoir portfolio is appropriately managed. The approach adopted was influenced by external expert advice relating to identified gaps in crucial surveillance and monitoring activity, and appropriate risk management. The application of UÉ's inspection regime has addressed this requirement.

Delivery and Communication of UÉ's Strategy - €4m

The role of the Corporate Affairs team is to help build customer trust and confidence in UÉ through effective communications strategies. RC4 will see an additional need to engage with customers on key policy, regulatory and business requirements including water conservation, public health, infrastructure delivery progress, and wastewater behavioural change. Activities will be required in the following areas:

Conservation (Behavioural change campaign) - A behavioural change campaign requires significant long-term investment in communications activity, stakeholder engagement and media outreach. A campaign to improve water conservation is expected to require a sustained multi-year presence on mass reach channels including TV, Radio, Digital and Outdoor advertising.

Broadcast campaign support – additional public information campaigns will be required to encourage the use of tap water for human consumption and highlight the availability of useful resources on water.ie. (e.g. water services and water quality information).

Website and Social Media – new website content and additional pages and sections will need to be built and populated with the required information to raise awareness about the quality of drinking water, including indicator parameters.

Wastewater – Inappropriate items entering UÉ's wastewater network can cause blockages which drive service and cost impacts. A sustained behavioural change campaign is required to address this issue. An integrated, multi-channel approach including TV, radio, digital and outdoor is required in relation to initiatives such as (a) Think before you Flush (focus on wipes) and (b) Think before you pour (focus on oils and fats). Supporting stakeholder engagement and media outreach activity will also be required.

Other - €3m

This category includes other cost items such as HSQE compliance in relation to occupational health and safety programmes, operational inspections, initial assessments of the emerging costs associated with sustainability reporting⁵ and Cyber Resilience initiatives.

3.1.3 Industry Transformation - €35m

Within RC4, UÉ will need to establish support services across IT, Facilities and HR, previously provided by the Local Authorities. These services were previously paid for via a central management charge (CMC) payment to the LAs. As part of the signing of the Master Cooperation Agreements between UÉ and LAs, the Government is now funding CMC directly with LAs from 2024. This resulted in a €71m⁶ opex reduction in 2024 (2022 monies). The opening operating expenditure for the 2025-2029 period already reflects this reduction while the replacement opex for new UÉ support services will materialise over 2025 and 2026. The new, enduring support costs therefore represent an incremental cost to the opening operating costs for the RC4 period. These are described further below.

Buildings - €12m

New Operational Centres (Depots) and Stores:

There are over 100 Depots supporting Water Services nationally. Many of these are shared facilities and provide accommodation for approximately 1,000 employees. Currently UÉ does not have a portfolio of Operations Centres.

UÉ's future occupancy requirements include 21 Regional Operations Centres and a further 46 local Operations Centres. These facilities will provide accommodation for approximately 650 staff comprising the Outdoor Network Crew for Water and Wastewater services. These facilities will be co-located with the Regional Stores where required. Each facility will provide a small number of workstations to support UÉ's national workforce (field and office-based staff). The design and sizing of the Operations Centres will be

⁵ Including opex costs incurred in meeting the EU's Corporate Sustainability Reporting Directive (CRSD). Since 2023, the CRSD requires companies to report on the impact of corporate activities on the environment and society, and requires the audit (assurance) of reported information

⁶ €63m in 2017 monies, see section 3.4 of the Opex Look Back submission.

aligned with the future ways of working being implemented through the UÉ Transformation programme.

Seven Regional Operations Centres and Five local Operations Centres will be onboarded by 2025. UÉ has budgeted the balance of Operations Centres to be onboarded in 2026 and 2027. A rental rate by county has been applied to each Operations Centre category and an average rate applied to overall rental calculations.

New Offices:

16 additional Offices are expected to be onboarded during 2025 and 2026 to align with the expiration of the Support Services Agreement which facilitates UÉ staff to occupy LA office space. 550 to 600 staff are to be accommodated, taking into account the allocation of staff to the existing UÉ offices.

The required office size has been based on the number of employees and the application of hybrid working. Four primary offices are expected to be onboarded in 2025, with the balance of new offices to follow in 2026.

Similar to the calculation of occupancy costs for operations, a rental rate by county has been applied to each office category and an average rate applied to overall rental calculations.

UÉT Programme - €23m

There is a critical need to continue to resource the UÉT Programme to complete key transformational activities including the implementation of standardised ways of working, and the establishment of the enduring operating model in order to deliver the Government 'Framework for the Future of Water Services'.

The Transfer phase has been significantly completed in RC3, with UÉ taking effective control of water services activities across all 31 LA areas. This was implemented through the signing of the Master Co-operation Agreement and the putting in place of 31 separate Support Services Agreements, replacing the original SLA structure.

Moving into RC4, the UÉT transformation phase will involve the streamlining and standardising of all water services activities into dedicated water and wastewater streams, and the establishment of dedicated Centres of Excellence (COEs) in Operations Support, Control and Leakage. This will

enable support for front line staff as part of a national structure with a continued focus on local service delivery. Core activities include:

- Continued investment in technology and equipment such as hand held units (HHUs);
- Rollout of additional fleet and regional stores;
- Linked SCADA alarms and telemetry on sites;
- Standardising the process used across all plants and standardising roles for specific jobs, with significant associated training needs, and;
- Dedicated communications and engagement support to Water Services staff.

3.1.4 Externally Driven Opex Growth - €139m

Investment Driven Opex - €77m

UÉ is responsible for the provision and development of water services, including the collection, treatment, and discharge of urban wastewater. There is an obligation 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 peer UK utilities which results in comparably higher costs to reach compliance.

Achieving compliance with all European and national requirements remains a serious challenge that UÉ is addressing through capital investment in water and wastewater infrastructure. UÉ continues to deliver capital projects and programmes resulting in improved drinking water quality, improved wastewater quality, water and environmental conservation and improved capacity and resilience. Key RC4 deliverables include new and upgraded treatment plants, removal of water schemes from the EPA's Remedial Action List (RAL) and agglomerations from the EPA's Priority Action Areas List (PAL), new watermains and sewers, and a reduction in the number of properties at risk of microbiological and trihalomethanes non-compliance.

In addition to compliance related upgrades, infrastructure is being upgraded and upsized in RC4 to cater for continued population and economic growth across the country.

Capital investment can drive an increase in the operational cost base through additional needs to operate and maintain new and upgraded assets. The

capital expenditure forecast for RC4 has been analysed by project and split into those which generate additional operational expenditure needs (e.g. treatment plant upgrades) and those which do not (e.g. leakage reduction programmes, energy efficiency, sewer rehabilitation). For those projects which are deemed to generate an additional annual opex requirement, the investment driven opex impact is calculated as:

- Total project cost (€m) x 1.5% p.a.

The 1.5% assumption is based on an analysis of capital projects, and the associated opex requirement, presented to UÉ's Expenditure Approval Committee (EAC) since 2020. All projects, which are due to complete later than RC4, are deemed as 'Work In Progress' and are excluded from the analysis. Applying the 1.5% assumption generates an additional operational expenditure requirement of €77m over the RC4 period.

Economic Growth - €14m

Ireland's economic and population growth is leading to increasing pressure on water production and wastewater treatment to keep pace with demand. This has a direct impact on UÉ's operating costs due to an increasing requirement for key variable inputs such as energy and chemicals.

It is expected that the cost of these variable inputs will increase in line with Gross Domestic Product (GDP) growth over the RC4 period.

DBO - €48m

Increased DBO costs in RC4 are driven primarily by enhancements at the Ringsend wastewater treatment plant (WwTP). The plant treats over 40% of the national wastewater load, servicing Dublin and parts of Kildare and Meath.

The upgrade of Ringsend WwTP involves a programme of works to expand capacity to address overloading. Currently, Ringsend WwTP is not in compliance with either the Urban Waste Water Treatment Directive (UWWTD) or its Wastewater Discharge Licence, as granted by the Environmental Protection Agency (EPA). The Court of Justice of the European Union (ECJ) has declared that Ireland has failed to meet the requirements of the UWWTD, with Ringsend WwTP the most significant driver (40% of the entire country) in the case against Ireland.

Treatment requirements are also driving higher costs in RC4. The provision of nutrient removal requires additional electricity, chemicals and process control instrumentation. There is also a net cost associated with the operation of the phosphorus fixation plant as part of achieving effluent phosphorus compliance. Additional costs in RC4 will also arise due to substantial increases in sludge from the plant and the associated cost for treatment, storage and reuse.

3.2 Efficiencies

The analysis completed by Frontier Economics finds UÉ to be relatively efficient versus Ofwat regulated companies at the end of RC3. At a summary level, the improved efficiency position is driven by two core factors:

- a) UÉ's unit costs have reduced in real terms, while unit costs in England and Wales (E&W) have increased over the same period; and
- b) Improvements to the cost models provide evidence that previously assessed levels of inefficiency may have been over-stated.

This assessment is consistent with UÉ's experience of rigorous cost management over the past ten years. UÉ has managed its costs so that it has delivered embedded cost savings, cost containment and cost avoidance in a strong cost control environment. The efficiencies that UÉ is projecting for the RC4 period are set out in the table below. A total of €7m incremental in-year efficiencies over the period have been specifically identified.

Efficiencies €'m	2025 In Year	2026 In Year	2027 In Year	2028 In Year	2029 In Year	Total
IT	(3)	0	0	0	0	(3)
DBO	(1)	(1)	(1)	(1)	(0)	(4)
Total	(4)	(1)	(1)	(1)	(0)	(7)

Table 3.4 Specific additional opex efficiency initiatives 2025-2029 (2022 monies rounded)

Specific additional efficiency projects that are currently underway are set out below.

IT Efficiencies – Within this submission, UÉ's operational IT costs are captured in 'Controllable Opex' – 'Non payroll TOM.' The 'I.T. & Telecom costs' shown in Table 2.4 are net of the €3m saving in 2025 set out above. This

saving arises because the IT department within UÉ is currently restructuring its frameworks to derive further value for money benefits. The scope of the restructure is to implement a single supplier managed service with end-to-end ownership of all IT application and infrastructure components. This includes but is not limited to customer care and billing, financial applications, payroll systems, servers, cloud operations and database management. One single supplier, procured via a competitive process, will ensure maximum economies of scale. The new framework has already been executed and is expected to deliver savings of €3.4m in 2025.

DBO Efficiencies – For purposes of this submission UÉ’s DBO plant costs are captured in ‘Controllable Opex’ – ‘DBO.’ The ‘DBO’ costs shown in table 2.1 are net of the €1m p.a. of savings targeted for 2025-2029 set out above. The DBO portfolio was migrated from the LAs 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 that were primarily negotiated by the LAs.

In order to fully deliver the benefits of a single national water authority operating across the island of Ireland, UÉ is currently embarking on a programme to consider full ‘in house’ operation of these sites, once each individual DBO contract matures. A detailed business case is currently being prepared, focussing on potential operational and procurement efficiencies as the UÉ portfolio of sites expands. An indicative efficiency estimate of 7% (€4m), has been assumed for the 77 sites due to transfer over the RC4 period. In addition to these operating efficiencies, further potential gains could be available through central procurement of energy costs for these sites.

3.3 Costs Avoided

In addition to in-year efficiencies over the RC4 period, UÉ projects that it will achieve significant savings as a result of costs avoided through the UÉ transformation. These are the suppressed costs of LA vacancies which have been managed to date by UÉ in anticipation of future changes to the operating model. In the absence of UÉ transformation, these suppressed vacancy costs would be incurred.

These costs avoided are set out in the table below and have been calculated based on the original starting sectoral FTE count of 4,812 which is projected to reduce to 4,570 in the enduring end-state model as a result of

transformation. Approximately 80% of these FTE reductions relate to operational needs.

Costs Avoided €'m	2025 In Year	2026 In Year	2027 In Year	2028 In Year	2029 In Year	Total
Payroll	(10)	(13)	0	0	0	(23)
Total	(10)	(13)	0	0	0	(23)

Table 3.5 Payroll costs Avoided 2025-2029 (2022 monies rounded)

4 Emerging Cost Requirements

ÚE operates within a complex regulatory and legislative environment, which is constantly evolving. Since the submission of the SFP, increased legislative requirements have emerged in several areas. These legislative instruments have the capacity to materially increase the nature and scope of ÚE's costs. Given the uncertainty as to the extent of these obligations, there is currently insufficient information available to allow ÚE include full cost estimates in this submission. Some key examples include:

- **Laboratory testing and sampling:** The new requirements under the Drinking Water Directive will mean a significant increase in testing and sampling across the country. Full compliance with the testing components of this Directive is currently expected to cost c.€45m annually. Importantly, only c.€8m of this cost impact is included within the SFP and this submission, representing a glidepath to c. 20% compliance over RC4. There is also potential for the increased testing to give rise to additional capital and operating expenditure which has not been factored into projections.
- **Recast Urban Waste Water Treatment Directive (UWWTD):** The new UWWTD is expected to be formally adopted in the next 6 months. This will increase the compliance standards for wastewater treatment across ÚE's infrastructure and, ultimately, will increase costs. The exact scale of the cost increase is unknown at this stage.
- **Energy network costs:** A significant increase in electricity network charges was announced by the CRU in August 2024 which has increased ÚE's annual energy costs by c.€11m. It is ÚE's view that this element of energy costs could reasonably be treated as uncontrollable costs (pass through).

While this submission does include projections on efficiencies and cost avoidance, these are based on resource profiling assumptions over the period. The Government Framework for sectoral transformation has committed significant flexibility to water services staff until the end of 2026. Given the various options open to staff under the Framework, these projections are subject to unavoidable uncertainty and there is a clear risk that additional resource needs may materialise within the period.

UÉ would welcome further engagement with the CRU on how uncertain future costs can be funded within RC4 should they materialise. The wider UÉ funding model, including a heavy reliance on annual exchequer funding, means UÉ has no available reserves to accommodate unforeseen cost pressures. It is essential that the Opex allowance for RC4 is sufficient to meet the demands of an increasing population, facilitate service improvements for customers, and ensure UÉ viability.

5 Conclusion

UÉ is a National Water Services Authority delivering water and wastewater services for Ireland and it plays a central role in enabling social and economic growth, protecting the environment and the health and safety of customers and the public.

Since establishment, UÉ has rigorously pursued the challenging Opex efficiency targets set by the CRU while addressing critical compliance needs and making real improvements in service provision. The regulatory framework applied by the CRU has driven an unrelenting UÉ focus on careful cost management, with peer efficiency levels now in evidence in expert benchmarking analysis. The wider UÉ funding model, including a heavy reliance on annual exchequer funding, means UÉ has no available reserves to accommodate unforeseen cost pressures.

The demands on Ireland's water services are rising. RC4 must accommodate cost pressures from economic and population growth and evolving compliance and sustainability requirements. Beyond meeting compliance requirements which are mandated in law, UÉ is committed to improving how water services are delivered to customers across the country. Having reached cost comparability, UÉ recognises that its efficiency drive must now focus on improving service in areas where there remains a gap to the levels reached by comparator companies.

The UÉ Transformation (UET) programme will be a critical enabler of this ambition. A key element of the programme will be the transformation of 'ways of working' to enable both efficiencies and service improvements through consistent processes, systems and standards nationwide. When fully achieved, the programme will enable UÉ to become a single public utility, supported by a diverse and inclusive workforce and an efficient organisation structure.

UÉ has completed the transfer of water services activities from the LAs in RC3. In RC4, the focus will move to transformation and the delivery of the UÉ enduring operating model. Transformation will build the capability for real improvements in water services to customers across the country. In addition to enabling significant cost avoidance, it will also deliver cost savings that will be used to meet critical needs.

The agreed Government Framework underpinning UÉ transformation presents uncertainties which must be managed throughout the RC4 period. This will pose considerable operational challenges and safety, service continuity, and operational stability will be prioritised during this period of complex change.

RC4 is a crucial period for UÉ as it seeks to deliver a new national operating model for water services while meeting critical growth, compliance and service needs. It is essential that sufficient operating allowances are provided to maintain operations and enable the transformational change effort required.

UÉ operates within a complex environment, which is constantly evolving. Additional requirements may arise within the RC4 period relating to legislative compliance mandates, regulatory changes, and other needs. Assumptions have been made in relation to the options that Water Services staff may avail of under the Government Framework for sectoral transformation. As these assumptions are subject to inherent uncertainty, there is a clear risk that additional resource needs may emerge within the period. UÉ would welcome further engagement with the CRU on how uncertain future costs can be funded within RC4 should they materialise.

6 Appendix

6.1 Glossary

Term	Description
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
FTE	Full Time Employees
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
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

6.2 Key enablers of efficiency enabled by the UÉ Transformation

Efficiency Levers	What's going to change?	What are the benefits?
LEVER 1: ENHANCED SCHEDULING ACTIVITY & INCREASED WORK OPTIMISATION	Work schedules created based on most efficient deployment of staff	Reduced non-productive time travelling , creating capacity for more work to be completed by fewer people
	Visibility of field force location in Scheduling and Management	Allows more effective deployment of staff to work on-day based on location, reducing unnecessary travel time , creating capacity for more work to be completed by fewer people
	Visibility of field force skills, training and equipment in Scheduling and Management	Allows the right resource to fix the issue to be deployed first time, reducing unnecessary repeat visits
	Work available to field force on devices , with full schedule visible by start of day	Reduces wasted time in the field waiting for work , creating capacity for more work to be completed by fewer people
LEVER 2: TARGETTED PLANNED MAINTENANCE	Routine tasks & planned maintenance schedules created	Clarifies the routine work required on sites and assets, reducing the amount of time spent carrying out unnecessary tasks
	Standard operating procedures produced for asset operation	Standardises the way that assets should be operated & maintained, reducing failure rates of assets linked to incorrect operation/maintenance, reducing unnecessary work
LEVER 3: ORGANISATION DESIGN, STREAMING & CREW SIZING	Standardised crew sizes and required roles in field force	Reduces unnecessary time on site , through people/skills not attending where they are not needed
	Revision of operational areas & boundaries	Ensures the most effective boundaries are in place based on site location and travel, as well as enabling more effective deployment of resource, reducing unnecessary travel time
	Start & finish from home	Reduces wasted travel time to site/depot at start of day, creating capacity for more work to be completed by fewer people
LEVER 4: FULFILMENT OF THE O&M MANAGEMENT STRUCTURE	Dedicated, streamed and streamlined roles across O&M management and specialised teams	Time taken to complete tasks is reduced, due to a reduction in the number of repeated touchpoints, handoffs, and work. A flatter management structure is created, by standardising spans of control.

LEVER 5: TRANSFORMATION OF STORES, INVENTORY & LOGISTICS	Central team managing procurement of spares/materials	Reduces the amount of admin time for field force managing their own ordering of required spares & materials
	Inventory & stores physical network stood up	Improves availability of spares and materials and their locality, reducing unnecessary repeat visits and travel time to obtain spares & materials
LEVER 6: FLEET TRANSFORMATION	Vehicles stocked with standardised critical spares & equipment	Increases the percentage of work that can be completed first time, reducing unnecessary repeat visits