

Uisce Éireann Revenue Control 4 (2025-2029)

Water Services Innovation Fund
Governance Proposal



Table of contents

1. Executive Summary	3
2. Background	4
3. Proposed Changes to Governance Process	4
4. Conclusion	7

1. Executive Summary

In 2015, the Commission for Regulation of Utilities (CRU) established the Water Services Innovation Fund (WSIF) for Uisce Éireann (UÉ). The governing principles, application process, qualifying criteria and general reporting requirements were set out in the WSIF Information paper (CER/15/076)¹.

The WSIF allows UÉ to explore innovative technologies and approaches through projects that would not otherwise be funded as part of its normal operating costs or Investment Plans. By their nature, innovation projects may not necessarily succeed. However, for a project to be approved, UÉ must demonstrate that it has a reasonable chance of delivering defined, tangible benefits for UÉ's customers and that these benefits outweigh the cost of the project. Projects must be designed to deliver improvements according to the criteria outlined in the guiding principles of the WSIF information paper.

Since the establishment of the WSIF in 2015, UÉ has received approval for 11 innovation projects which have delivered improvements to planning and operational performance across a range of topics from leakage reduction to nature-based treatment solutions. Over the course of this time, UÉ has invested in excess of €3.9m directly, not including projects still currently underway. Including recently approved projects, UÉ is forecasting an additional approved investment of €2.8m.

Currently, all applications submitted to the WSIF are reviewed and approved by the CRU. Each approved project is reported on through bi-annual updates, annual reports and a project close out report.

While the criteria for WSIF funded projects remains the same, the organisational context and the challenges facing UÉ have changed since the fund was established. For example, innovation to achieve our sustainability ambitions on policies such as net zero require wider collaboration with third party organisations and the need for greater agility in the supporting governance and approval process to enable this.

UÉ proposes changes to the current WSIF fund for the RC4 period (2025-2059) to streamline the process and accelerate the rate of innovation. The key changes proposed are the introduction of a two-tier governance process that delegates some approval and management authority to UÉ and a more simplified reporting approach. These proposals are consistent with the approach taken to other regulated Irish utilities such as ESBN and Gas Networks Ireland (GNI).

¹ [CER15076-Water-Services-Innovation-Fund-Information-Paper.pdf \(divio-media.com\)](#)

2. Background

Since the fund was established in 2015, the organisational context and the challenges facing UÉ have changed. UÉ has undergone significant organisational change including separating from GNI and Ervia, establishing a new leadership structure and taking on direct responsibility for water services operations from Local Authorities.

In 2023, UÉ set out a strategic direction for innovation to increase collaboration, expand the innovation portfolio and focus on delivering value on existing and newer business challenges. We introduced a definition of innovation as “*A new or changed product, service or process that realises value for UÉ and its stakeholders*” which aligns to ISO56000. UÉ’s definition distinguishes innovation from continuous improvement and also acknowledges that innovation includes transferring knowledge and experience from international counterparts to UÉ.

To coordinate the UÉ innovation portfolio, drive a culture of innovation, ensure strategic alignment of initiatives and to provide decision making capability, UÉ has already established internal innovation organisational and governance structures.

This structure provides a central innovation team to drive innovation strategy, effective cross-functional collaboration and knowledge sharing coupled with governance and decision-making capability. The Innovation Community of Practice provides coordination of the innovation portfolio, overseen by a UÉ Head of Function, the UÉ Executive, and the Investment, Infrastructure & Sustainability Committee (Board sub-group). This structure also supports acceleration of incremental innovation within each of the business functions and the proposed changes to the WSIF governance.

The current WSIF reflected the needs of the earlier revenue control periods (IRC1, IRC2 and RC3). Recognising the significant changes in the innovation landscape within and outside of the organisation, as UÉ moves to Revenue Control 4, UÉ proposes a revision of the WSIF. This revision is required to address emerging challenges, be responsive to the needs of water services operations, leverage external collaboration and funding opportunities for efficient investment in innovation, and to acknowledge UÉ’s robust internal governance processes.

3. Proposed Changes to Governance Process

UÉ is seeking CRU approval to introduce a two-tier WSIF governance model to recognise the relative risk of the approval decisions being made and to improve the efficiency of the process. These changes aim to streamline the governance process, accelerate innovation delivery, and better align WSIF funding with UÉ’s

existing processes, strategic goals and the evolving water services landscape. The two-tier model fundamental elements are as follows:

Tier 1: Transformational innovation (Greater than €1m estimated total cost):

Targeting proactive transformational innovation on emerging challenges and opportunities in the water sector.

Typical scope: Innovation which requires collaboration outside the direct current remit and/or control of UÉ. Examples include but not limited to new circular markets, reuse of water, resource recovery, energy recovery, avoided carbon.

Project application: No proposed changes, a formal application will be made to the CRU for prior approval from the CRU.

Project approval: No proposed changes, formal approval will be made by the CRU.

Tier 2: Incremental Innovation (Less than €1m total estimated cost):

Developing a portfolio of ideas, incubation and acceleration of best appropriate practice collaborating with peers and established strategic partners e.g. Ofwat, UKWIR, Spring, UÉ supply chain, Enterprise Ireland, EPA, SEAI, ESB etc.

Typical scope: Innovation within the water sector on known challenges that are within the current remit of UÉ and low value ideation and incubation activities to develop initiatives to the point where there is a compelling business case and target for innovation. Examples include leakage reduction, energy efficiency, HyWater (feasibility study).

Project application: A formal project proposal will be reviewed by Innovation Community of Practice (CoP) members.

Project approval: UÉ proposes to follow internal governance for individual WSIF funded projects up to €1m. In accordance with UÉ's 'Expenditure and Contract Approval Policy' (PD02/PD03) the following approvals thresholds will apply:

- Approvals with an estimated total cost up to €500k - Head of Function
- Approvals with an estimated total cost of between €500k and €1m – relevant member of the Executive team

In addition, UÉ proposes that all innovation projects be reviewed by an appointed Steering Group. The Steering Group would include an external 'panel of experts' procured through existing framework agreements. The 'panel of experts' would provide external technical expertise supporting objective review of potential projects, viability, sector impact, while also ensuring that all projects adhere to the WSIF principles.

RC4 Reporting Process

During RC4, UÉ proposes to align WSIF progress reporting with the annual CRU reporting timelines:

- Annual Update (June)
 - Summary of in-flight projects
- Project close-out report (as required)

The following table contains a summary of proposed changes to governance for the WSIF for RC4:

Governance Element	Current Governance	RC4 Governance proposal
Reporting Frequency and Format	Quarterly progress reports and final reports on projects and expenditure for the interim revenue review period.	Annual review meetings aligned with annual revenue control and internal reporting cycles. Closeout reports aligned to the application.
Application Process and Associated Documentation	Submission of a completed application form to the CRU. The form includes key project information, presentation slides, and a written submission.	Two-tier model: Retain CRU application for Tier 1 projects over €1m; UÉ internal governance for Tier 2 projects up to €1m. The process includes a formal project proposal reviewed by the Steering Group members.
Timeframe to Funding Decisions and Agility	Decisions made within three weeks of quarterly meetings.	Tier 1 retains current process Tier 2 allows for quicker internal approvals and rapid mobilisation of lower cost projects.
Innovation Maturity and Risk Appetite	Focused on delivering tangible benefits and value for money	Focus on tangible benefits and value for money remains but further emphasis on strategic direction for innovation, collaboration, and expanding the innovation portfolio.

Treatment of Benefits Arising	Any royalties/monies earned by UÉ as a result of projects funded under the innovation fund will accrue to customers.	Benefits from funded projects will be aligned with UÉ's innovation strategy and contribute to the overall value for customers.
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4. Conclusion

UÉ is committed to continuous improvement for innovation as outlined in the Water Services Strategic Plan (WSSP) and in line with other regulated utilities who manage their own innovation funds.

A revised WSIF process is required to adapt to new and rising challenges and to enable the agility and flexibility required to succeed and progress. As such, we are committed to working with CRU to enhance the viability and efficiency of the innovation process.

For RC4, UÉ proposes changes to the current WSIF fund to streamline the process and accelerate the rate of innovation. The key changes proposed are the introduction of a two-tier governance process that delegates some approval and management authority to UÉ and a simplified reporting approach. These proposals are consistent with the approach taken to other regulated Irish utilities such as ESBN and GNI.