

Water Governance in Europe: a survey on WAREG Members

**1st EUROPEAN FORUM
ON REGULATION OF WATER SERVICES (EFRWS)**

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ARERA

WAREG
European Water Regulators



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Independent assessment

- Water governance in OECD Countries: a multilevel approach (2011)
- The Governance of water regulators (2015)
- Implementing the OECD Principles on Water Governance: Indicator Framework and Evolving Practices (2018)

Self- assessment

- WAREG Report on Institutional frameworks. A comparative assessment (2015)
- WAREG Report on Tariff setting (to be published)

Ministerial/Local Regulation

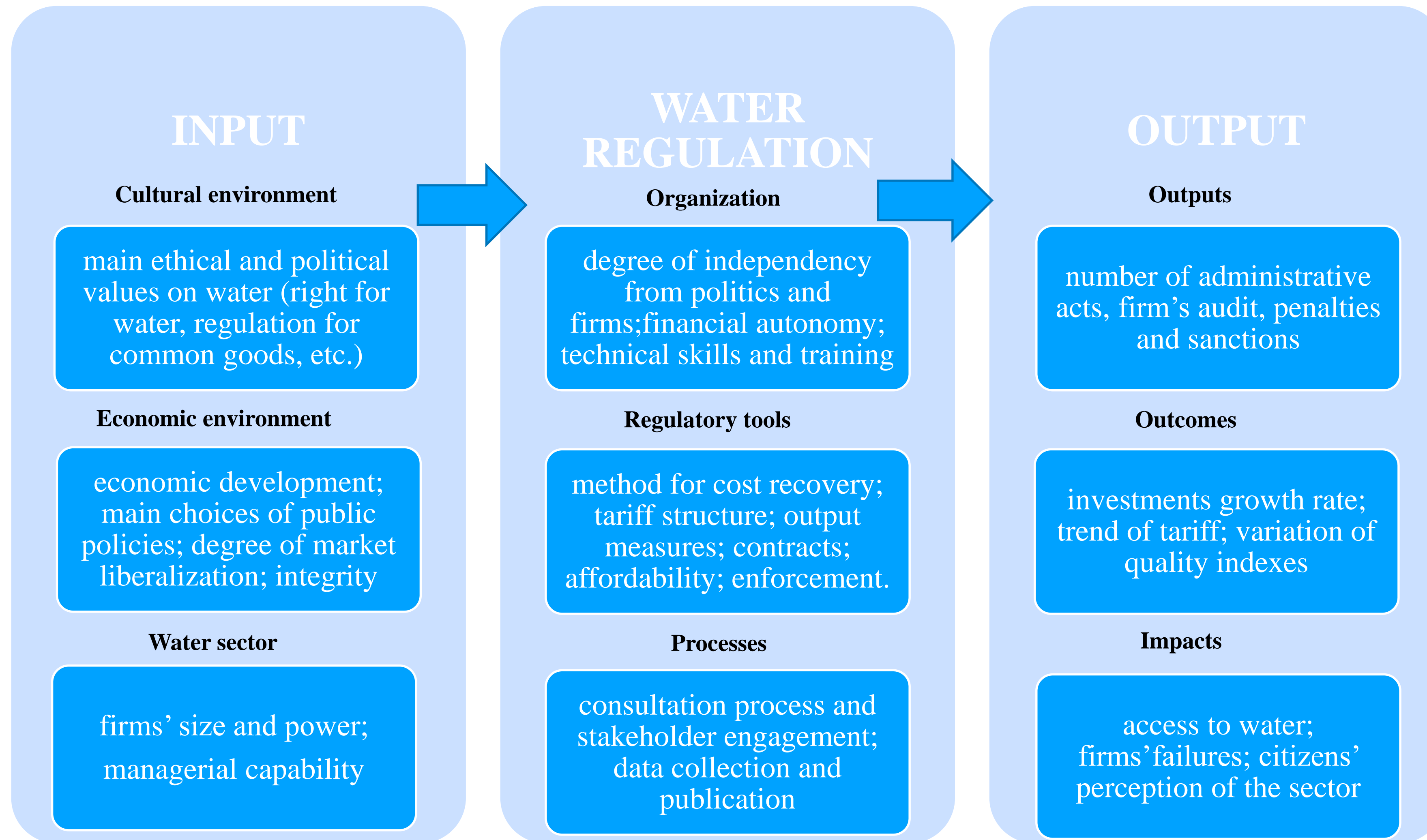
- **Greece, Belgium Flanders, Spain:** ministerial administrative bodies
- **France:** Regulation by contracts
- **Germany & Austria:** municipalities, no tariff method
- **Holland:** general rules by governments & administrative powers by districts

Independent/autonomous regulators

- **UK & Portugal:** Mono-sectorial regulation on water sector (or environment- water and waste)
- **Denmark & Estonia:** Antitrust authority
- **Albania, Bulgaria, Irlanda, Lettonia, Lituania, Malta, Italia, Ungheria:** NRAs on energy

- ✓ **Institutional bodies**
- ✓ **Powers**
- ✓ **Regulation models and tools**

THE «ONE SIZE FITS ALL» RULE MUST BE AVOIDED (WAREG GA 2018)



The contingency approach is followed to design a new structure/process, adapting its features to the external context (input) and to the targets which should be achieved (output)

Main objectives of Wareg survey 2019

The answers of the questionnaire make a general picture of the variety of WAREG regulators

WAREG Task Force «Governance» established in May 2019 to investigate about possible relations between regulatory models and governance context, and specifically:

- Cultural environment
- Institutional framework and economic system
- Water sector

According to the contingency approach, the Task Force aim is to elaborate a model to monitoring the changes on water regulation, making conclusions and propositions on possible regulation framework changes

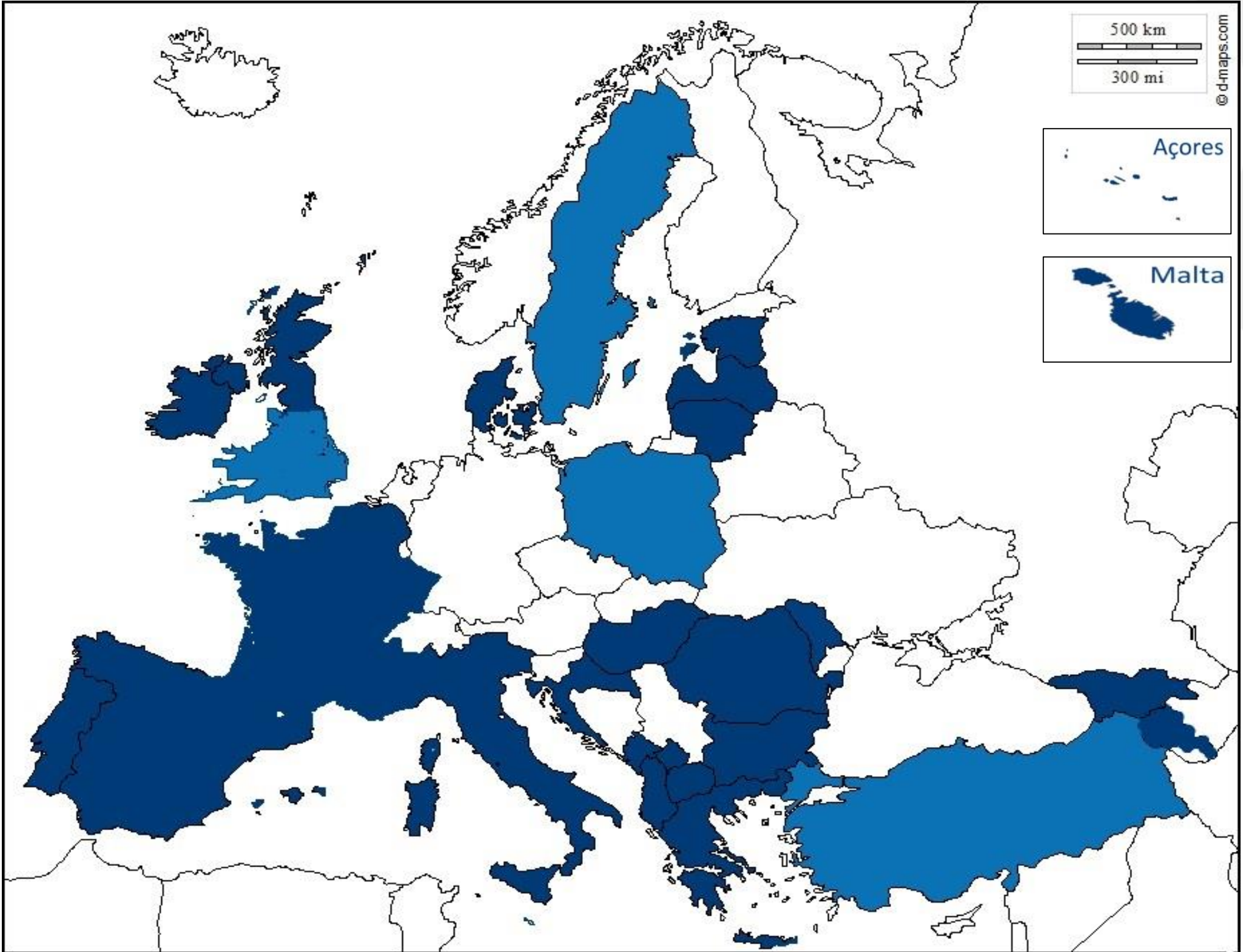


Wareg Survey is based on 4 main streams of information:

- Legal status
- Accountability
- Scope of action
- Water governance and price setting

Other data on institutional and economic frameworks are collected by:
 a) IMF data sets, b) Trasparency international index, c) European commission reports.

25 WAREG Members and 9 observators



- | | | |
|-------------------------|-----------------|------------------|
| Brugel – Brussels (BEL) | REWS – Malta | RAE - Montenegro |
| VMM – Flanders (BEL) | PUC – Latvia | ERRU – Albania |
| OFWAT (UK) | EWRC – Bulgaria | ERSAR – Portugal |
| WICS – Scotland (UK) | GNERC - Georgia | NCC – Lithuania |
| MITECO – Spain | HEA – Hungary | CRU – Ireland |
| ARERA – Italy | WSRA - Kosovo | |

17 WAREG Members/observators from 15 Countries
11 EU member States and 4 extra EU

Institutional Framework

- Form of state
- Population
- Area (Km²)
- Corruption perception index
- Right to water

Country Economic data

- GDP (billion US dollar)
- Inflation rate, average consumer prices Annual percent change
- General Government gross debt (% of GDP)

Water industry data

- Number of DW Operators
- hhs served (water supply)
- Average consumption (l./p./d.)
- Water withdrawals

The external inputs

The Institutional Framework

STATE:
Unitary (10)
Devolved/Federal (5)

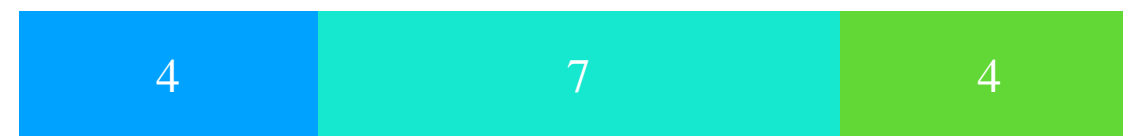
POPULATION



■ 10	1
■ 11 to 50	10
■ up to 50	3
	2

AREA KM2

■ 0 to 30 th ■ 30 to 100 th ■ up to 100 th



CORRUPTION PERCEPTION INDEX (1/180)

■ 0 to 10 ■ 11 to 50



The Countries Economic Data

GDP (BILLION US DOLLAR)

■ 0 to 100 ■ 100 to 1000 ■ up to 1000



INFLATION RATE, AVERAGE CONSUMER PRICES ANNUAL PERCENT CHANGE

■ until to 2%



GENERAL GOVERNMENT GROSS DEBT (% OF GDP)

■ until to 50 ■ 50 - 100 ■ up to 100



The Water Industry Data

NUMBER OF DW OPERATORS

■ 1 ■ until to 50 ■ up to 50 ■ up to 1000



HHS SERVED (WATER SUPPLY %)

■ 50-80 ■ 80-100



AV. CONSUMP. (L./P./D.)

■ ~100 (IT and SP up to 200)

WATER WITHDRAWALS

■ Until 10 mln m³ (6)

■ Up to 10 mln m³ (2)

The Contingency Approach: organization and internal process of regulators

Organization/budget

- ✓ All regulators have objectives and functions set in national legislation
- ✓ All regulators have power on drinking water and waste water sector
- ✓ Law guarantees independence in 14 out of 17 cases
- ✓ Regulators are mainly financed by regulated firms (11 cases) while only in 5 cases by State/Region
- ✓ Regulators' budget is typically approved on a yearly basis
- ✓ In case it is financed through national budget, a Regulator has usually the power of proposal
- ✓ In the majority of cases, Regulators have the power to decide on the allocation of expenditures

Decision-making Process

- ✓ Organization of public consultation (12 cases)
- ✓ Feedback to stakeholders (All)
- ✓ Impact assessment on main regulatory decisions (10 cases)
- ✓ Obligation to motivate decision (All)

In the majority of cases regulatory decision/any other acts are published on Regulator's website (13 cases)

Regulator's Decisions

- In the vast majority (15 cases), decisions of the regulatory body can be overturned by external institutions

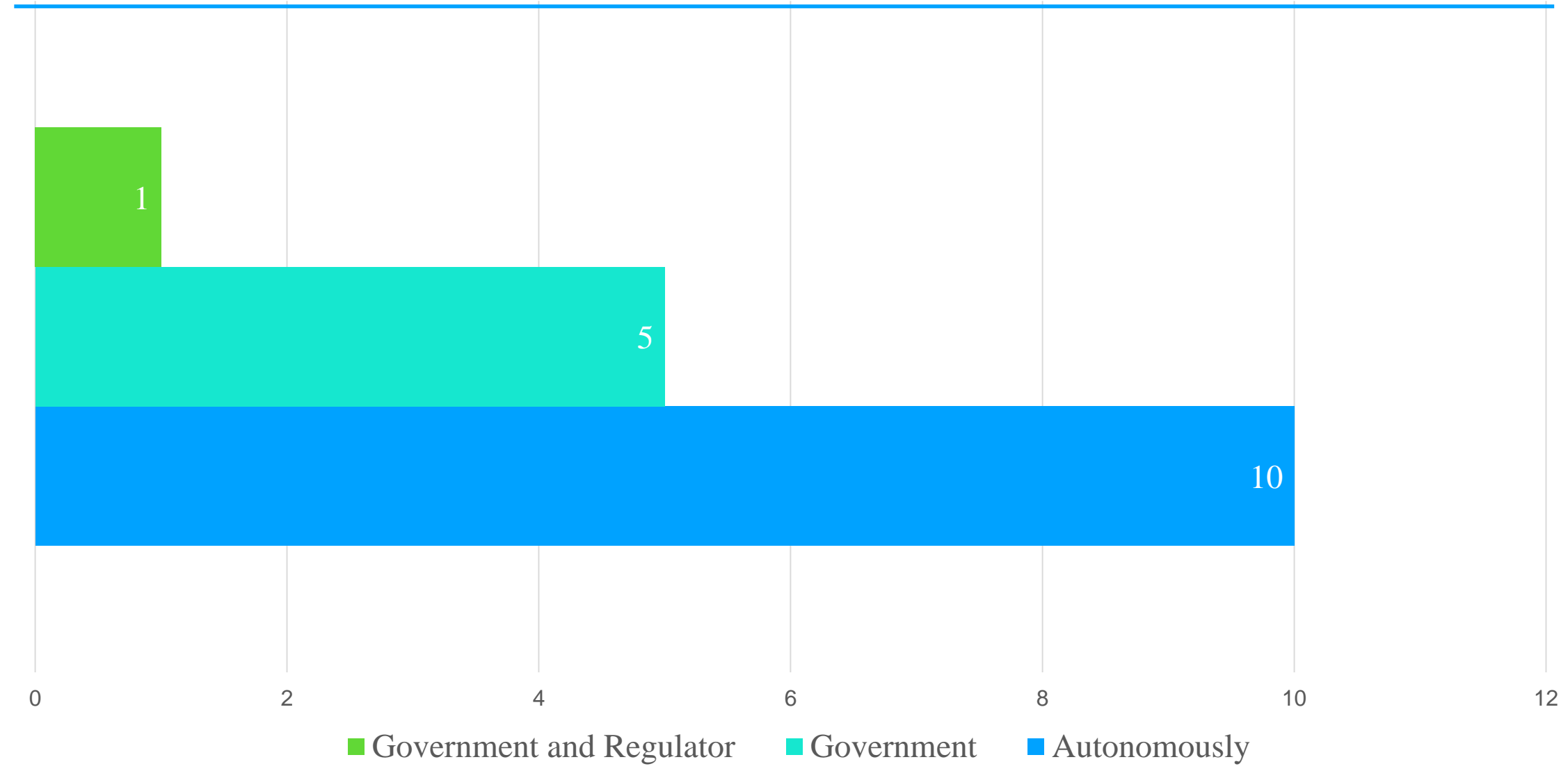
The organization Powers: Board Members Appointement Procedures/ Staff recruitments procedures

- In 14 cases, the regulator is led by a board (except for Belgium, Flanders and Hungary)
- In 14 cases specific qualification are required

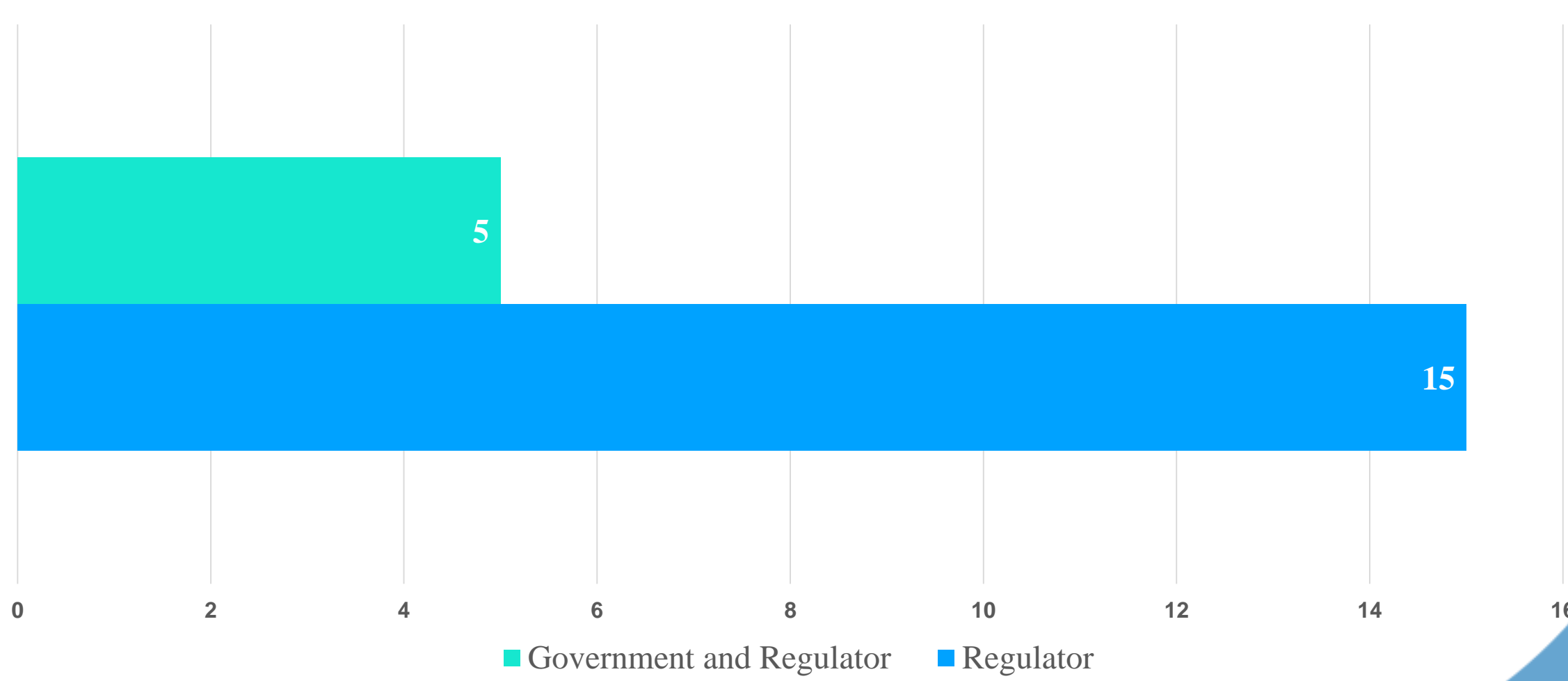
	Selection	Evaluation	Final appointment	Power to dismiss
Government	7	4	7	7
Parliament	4	5	8	7
Both Gov & Parl		5		
Other	4	2	1	2

- The duration of the mandate is usually from 4 to 7 years and it can be extended generally only once.
- The mandate is staggered in 7 cases, while in 2 cases it is simultaneous
- In 7 cases, after the mandate, it is foreseen a cooling-off period.

Who defines staff recruitments rules?



Who does it make the decision on the organization?



The water regulation: regulatory tools on water sector

In the majority of the cases:

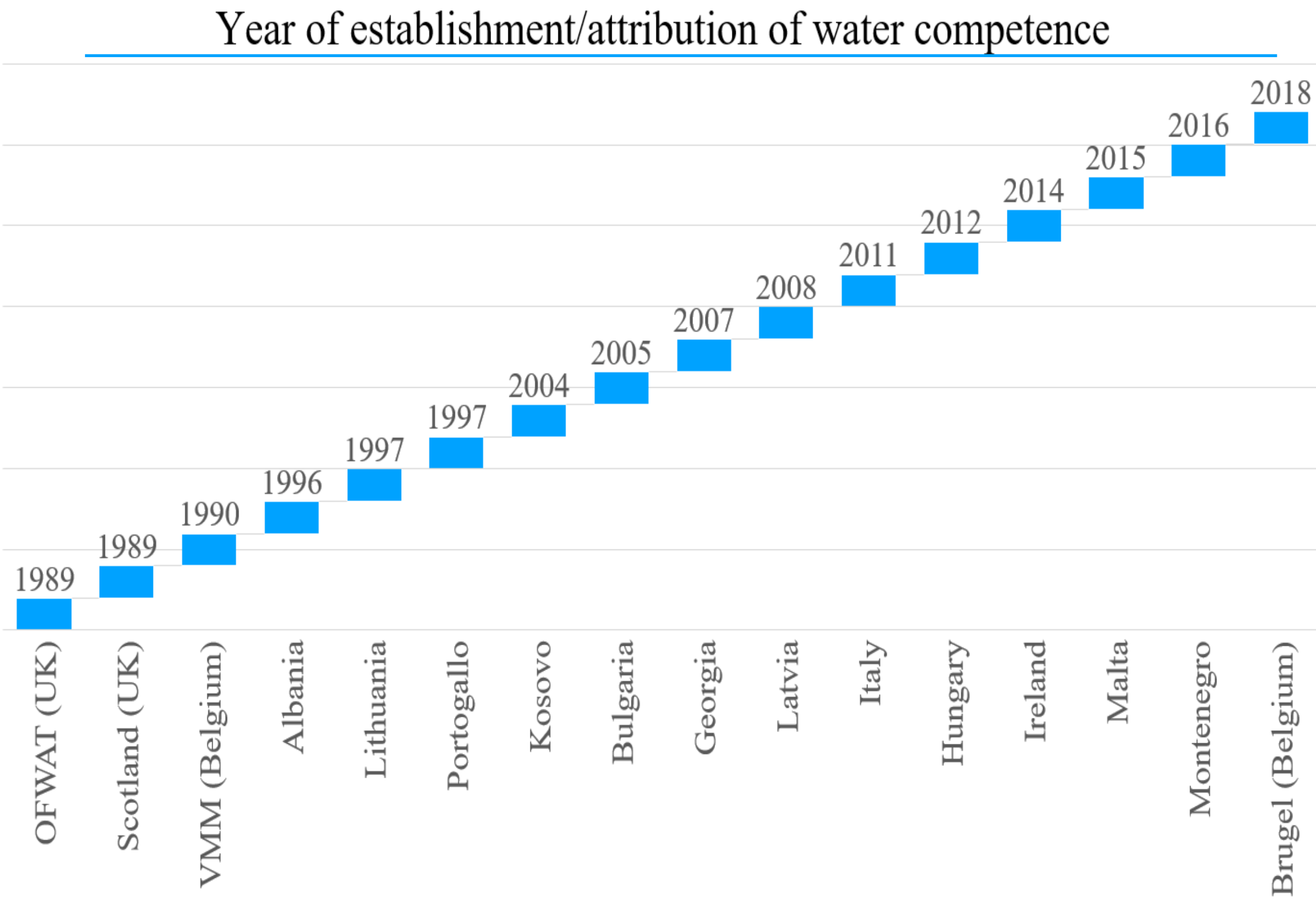
- ✓ Binding power on tariff/approval
- ✓ Sanction power

In 8 cases, the bodies have:

- ✓ power to deny/revoke licence and authorization (*to abstract ground/surface water*)
- ✓ Power to impose guidance and revenue and to approve contracts terms

Cost of operator	Quality standards	Consumer protection	Collection of information
<p>In 12 cases, there is a specific accounting system for cost determination of operator/cluster of operators exists.</p> <p>In the majority of the cases, the bodies have the power to harmonize the cost recovery for operators</p>	<p>In 8 cases, the bodies fix a minimum level of quality standards (in 5 cases it is published on the website)</p> <p>Only in 4 cases, the bodies publish best practices, code of conducts on quality services and guidelines</p>	<p>In the majority of the cases, bodies:</p> <ul style="list-style-type: none"> • Ensure compliance • Decide on dispute between industry/consumers • Have Sanction power • Ensure minimum quantity of water to specific category (7) through the water drinking bills (9) 	<p>Water sector:</p> <ul style="list-style-type: none"> • industry & market information • economic performance in regulated sector • operational service delivery <p>Internal organization:</p> <ul style="list-style-type: none"> • organization/corporate performance of the regulator • process • quality • compliance with legal & financial performance

The number of regulatory bodies/entities and the relationship between «Form of State» and water governance



Form of State

- Unitary (10)
- Devolved/Federal (5)

Presence of local/regional regulation:

- IT: Arera/Aprie
- UK: Ofwat/Wics
- BE: Brugel/Vmm
- SP: Local
- PT: Ersar/Ersara

Infrastr. Ownership

- Public (13)
- Private (2)
- Mixed Infrastructure (2+2 only wastewater)

Differences between regional/local regulation:

Belgium

- public infrastructures ownership; mainly separated infrastructure system (20 operators in DW and 105 in WW) → Ministerial Body (Vmm)

Infrastr. system

- Integrated (10)
- Separated (6)

- mixed infrastructure ownership; mainly integrated infrastructure system (2 oper.) → Autonomous body (Brugel)

UK

- public infrastructures ownership (1 public operator) in Scotland
- private infrastructures ownership (26 private operators) in England → Autonomous bodies (Wics and Ofwat)

An example of contingency approach application

- The Water Right is a law in some countries (7) with legal provisions for vulnerable costumers [**INPUT**]
- The access to water is guaranteed in 10 cases [**OUTCOMES**]
- In 9 cases there are specific regulatory tools on minimum quantity of water defined by regulatory bodies [**WATER REGULATION TOOLS**]

		INPUT		WATER REGULATION Regulators/organization			OUTCOMES
Country	Regulator Name	Water Rights	Rules on minimum quantity to specific vulnerable costumers	Legal status	Regulatory tools:		Access to water (through a defined minimum quantity of drinking water)
					calculation of the "affordability threshold" in relation to drinking water bills?	Is the minimum quantity of water ensured by the regulatory body through regulatory tools or by other entities?	
Albania	ERRU	No	Yes	Indipendent/autonomus_multisectorial	Yes	Yes	Yes
Italy	ARERA	Yes	Yes	Indipendent/autonomous_multisectorial	No	Yes	Yes
Belgium Bruxelles	BRUGEL	Yes	No	Indipendent/autonomus_multisectorial	No	No	No
Belgium Flanders	VMM	Yes	Yes	Ministerial/Regional Envi	Yes	Yes	Yes
Georgia	GNERC	No	No	Indipendent/autonomous_multisectorial	No	No	No
Latvia	PUC	No	No	Indipendent/autonomous_multisectorial	No	No	No
Malta	REWS	No	/	Indipendent/autonomous_multisectorial	Yes	Yes	Yes
Lithuania	NCC	Yes	No	Indipendent/autonomous_multisectorial	Yes	No	Yes
Ireland	CRU	No	Yes	Indipendent/autonomous_multisectorial	No	Yes	No
Hungary	HEA	Yes	No	Indipendent/autonomous_multisectorial	Yes	No	Yes
Bulgaria	EWRC	No	No	Indipendent/autonomous_multisectorial	Yes	Yes	Yes
United Kingdom	OFWAT	No	No	Indipendent/autonomous_monosectorial	No	No	No
United Kingdom	WICS	No	Yes	Indipendent/autonomous_monosectorial	No	No	No
Portugal	ERSAR	Yes	No	Indipendent/autonomous_envi	Yes	Yes	Yes
Montenegro	RAE	No	Yes	Indipendent/autonomous_monosectorial	No	Yes	Yes
Kosovo	WRSA	Yes	No	Indipendent/autonomous_monosectorial	Yes	No	No
Spain	MITECO	No	Yes	Ministerial	Yes	No	Yes

Key recommendations

- ✓ Check of national data/survey in bilater meetings with regulators
- ✓ Focus Groups on specific issues
- ✓ Reports drafting

Main Goal

- ✓ Elaborating a method/model that permits a peer reviewing between WAREG members, checking the evolution of water governance taking into consideration the inputs changes and monitoring the expected impact/outcomes

*Thank you for the
attention*



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Rome, Dec. 3rd 2019