

Regulatory measures taken by Water Regulators in WAREG Member Countries against the Covid-19 crisis

The outbreak of the Coronavirus (Covid-19) pandemic, officially declared by the World Health Organization at the end of January¹, has led European governments to approve specific health security measures, with a different timing across Countries but with the single common objective to protect citizens' health by limiting mobility of persons and workers, in order to contain infections.

Among the unpredictable economic consequences of such measures, the likely impact on aggregate production, as some industries have been obliged to shut down plants or slow down production, has raised concerns among regulators over the continuity of essential public services, like drinking water and wastewater.

Fears of a contraction in the supply of water and wastewater services were also exacerbated by the risk of increasing default payments due by domestic customers, as many workers may have soon lost their jobs, as a consequence of the mobility limitations due to the sanitary crisis. For vulnerable categories of customers, bills may become less affordable, hence triggering potential social tensions.

Under this scenario, economic regulators in Europe have tried to provide immediate responses to protect customers and regulated companies. Despite the wide differences in regulators' competencies across Europe, both in terms of power intensity (whether binding or consultative powers) and extension of jurisdiction (whether national, regional or local regulation), some common approaches were remarked in a recent survey held by WAREG, the first European Association of Regulatory Entities.

In all surveyed cases, regulators promptly established internal task forces to draft early measures and to coordinate their implementation with national and local authorities. All such measures were agreed for a limited period of time, according to the specific provisions set out by National Health Ministries or by Governments (between beginning of March and beginning of April).

Additionally, regulators have continued to ensure their core functions with 90% to 100% of their staff working remotely. However, those regulatory functions that required personal contacts with operators were temporarily suspended, such as for instance dispute resolution, inspections, granting permits for plant start-up, registration of new operators, hearings of operators.

Some of the main measures taken in protection of regulated companies were the following ones:

- suspension of non-essential activities, like increasing of capacity and compensation for violation of guaranteed service standards;
- postponed deadlines for the transmission of economic, financial and technical performance data (and of business plan where there is an obligation to provide it) by regulated companies, or if not possible, cancellation of fines for delayed transmission of data;
- redefinition of regulated subjects' business plans;
- creation of specific funds (through tariffs) to support financial debts, under specific requirements (for instance, evidence of lower billing collection rates);
- deferral of the roll out of a revised non-domestic water charging framework;
- review of sampling plans to monitor water quality parameters and suspension of specific performance measurements.

Some of the main measures taken in protection of domestic customers were the following ones:

- deferral of payment terms or possibility to pay bills by installments (costs to be covered directly by central Government or through specific funds);

¹ World Health Organization, <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

- for vulnerable domestic customers: distribution of vouchers or use of a specific funds set up by the State (subsidies);
- continuity of customer service (though by limiting opening hours) offered by Regulators and by Regulated companies;
- suspension of ongoing proceedings against default payers (i.e. temporary block of water supply to domestic customers).

In the medium to longer term, financial tensions generated by governmental measures against the Covid-19 pandemic over regulated companies may lead to a review and a re-prioritisation of the capital investment plans, with associated impacts on operational expenditure, such as less operational expenditure allowed for growth.

Under the current exceptional circumstances, never experienced since their creation in the past 20 to 30 years, European Regulators have shown readiness to react promptly against the likely shocks on water supply, and in protection of customers. Regulators have deliberately loosened rules for water companies as listed above, in order to ensure continuity of water supply while accepting lower service standards.