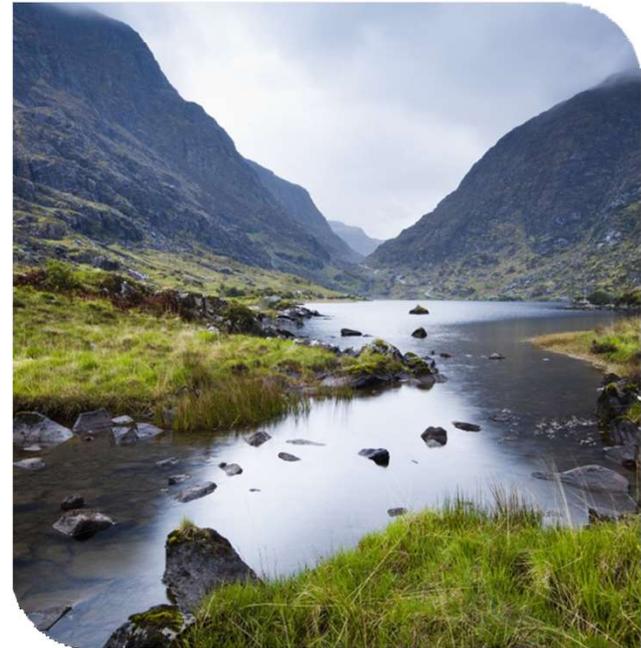


# Progress Update Irish Water Operations and Investment

Update to Water Advisory Body  
4<sup>th</sup> September 2020



# Introduction

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- Invitation/Agenda issued from Water Advisory Body to Irish Water on 2<sup>nd</sup> Sept to update on:
  - **"overall progress and update with emphasis on the points below:  
*Revision of the Irish Water Strategic Funding Plan in Q3,  
factoring a second COVID-19 wave and the drought.  
An update on the procurement review"***

## AGENDA

- Overall Progress and Update
- Update on the revision of the Strategic Funding Plan (SFP)
- Operational Review 2020:
  - COVID-19 impact including Wave 2
  - Additional challenges from Drought, Storm Ellen, Storm Francis
- Update on Procurement Review

# Attendees

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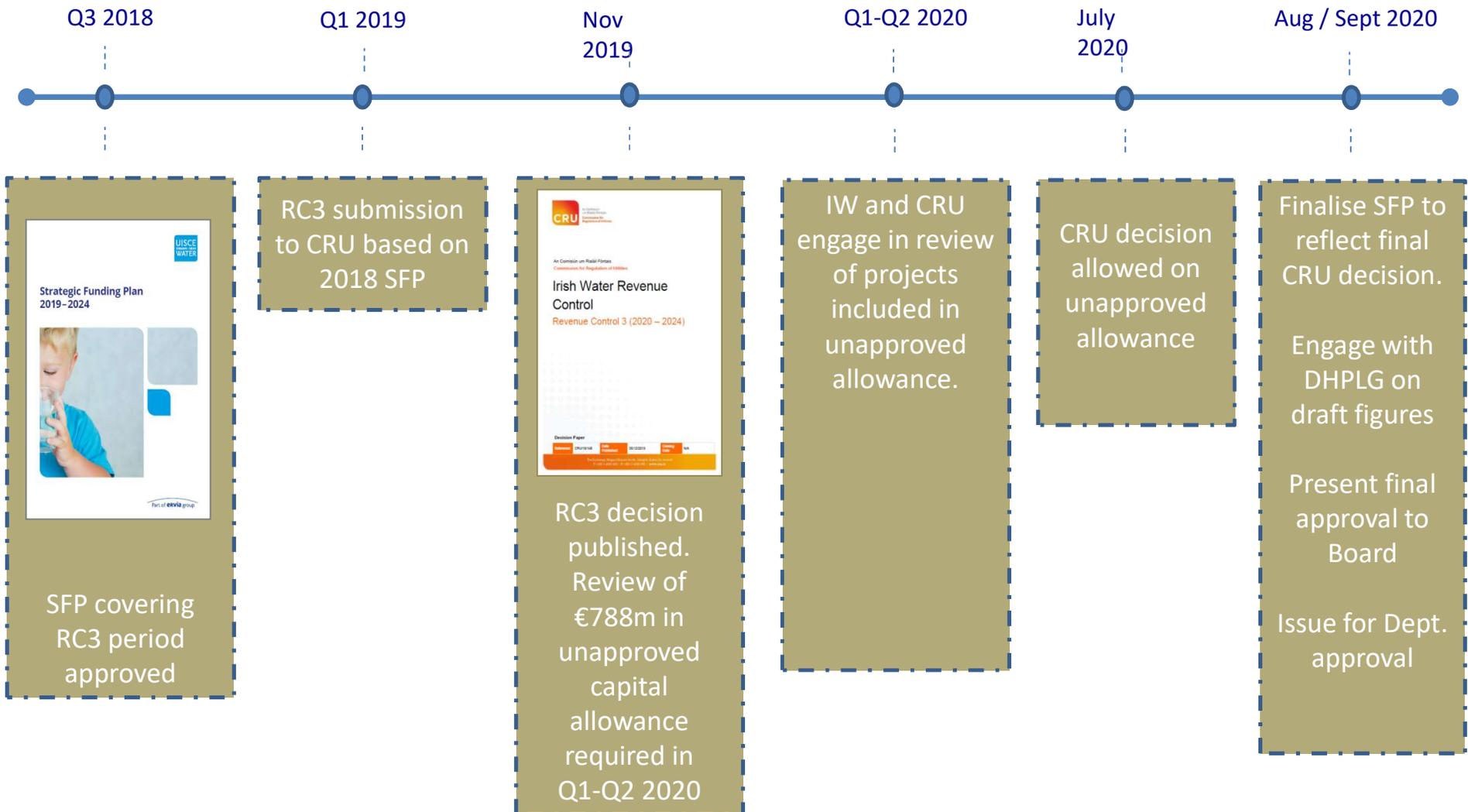
- Niall Gleeson - Managing Director
- Eamon Gallen - General Manager
- Chris McCarthy - Head of Finance
- Tom Cuddy – Head of Asset Operations (incoming)
- Florence White – Ervia Head of Corporate Affairs
- Declan Morrissey – Irish Water Supply Chain

# Revision of the Strategic Funding Plan (SFP)

# SFP and RC3 Timeline...



This refresh of the SFP is the completion of the final part of the RC3 decision process set out below



# Revision to Strategic Funding Plan (SFP)

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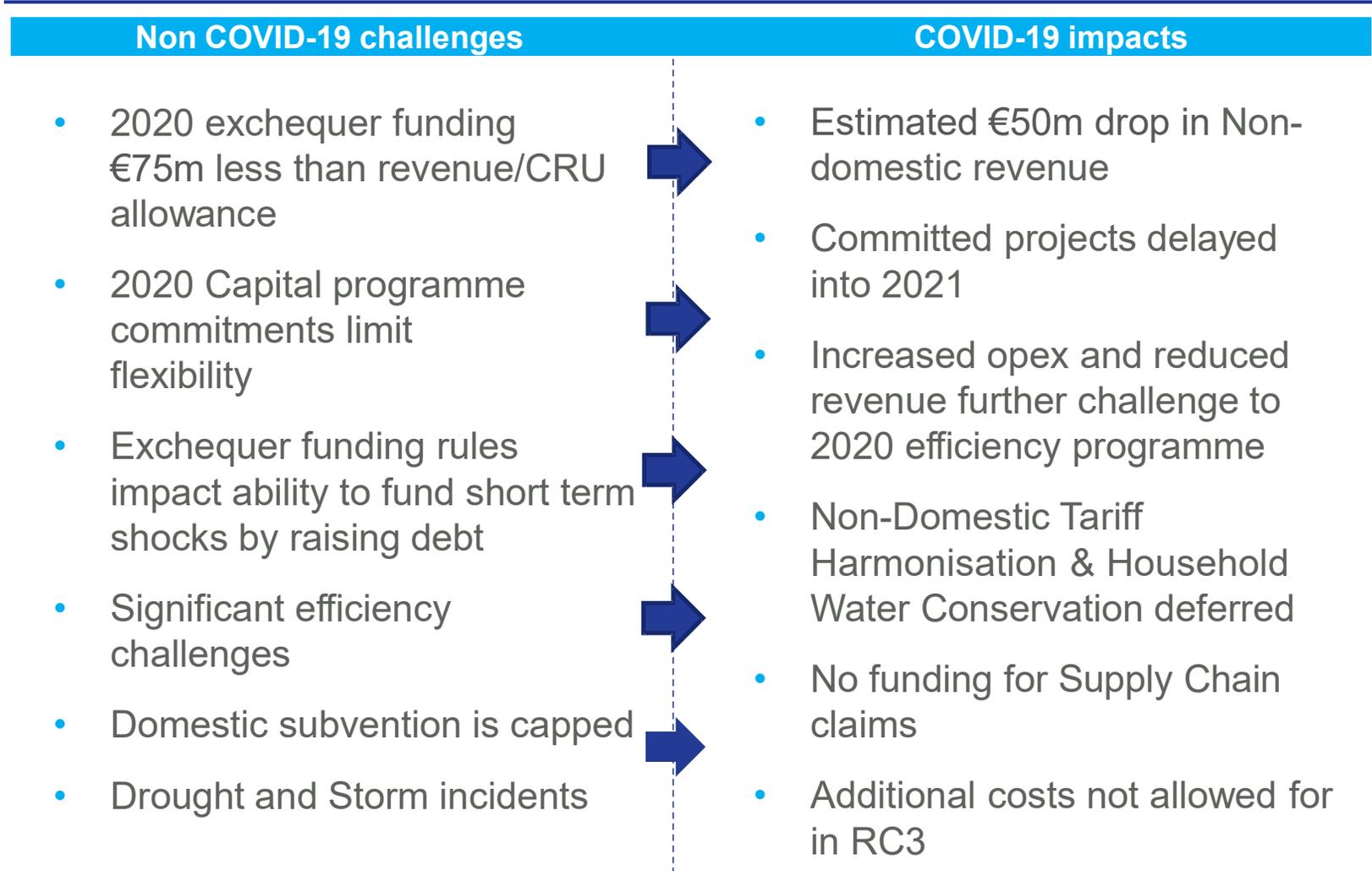
## ***Key assumptions***

- Principles of economic regulatory model maintained and alignment with price control period (RC3) as key principle.
- COVID-19 impacts factored into 2020 Strategic Funding Plan (recovery of reduced revenue).
- RC3 (price control period) efficiencies included in the plan.
- Single Public Utility (SPU) in place by 2021 or revenue control re-opener required in RC3.
- Separation of Irish Water from Ervia Group assumed to happen in 2023.
- Local Authority Service Level Agreements (SLA) to end within the plan allowing completion of Single Public Utility and settlement of opening balance sheet and long term provisions.
- Implementation Non Domestic Tariff Harmonisation and Household Water Conservation Charge updated to revised timelines.

## ***Progress made***

- Discussions on funding profiling ongoing with DHPLG
- Phasing alignment to previous Strategic Funding Plan preferred for funding purposes

# Challenges impacting Performance - Recap



# Revenue/Finance implications for SFP



COVID-19 Impact	Implication on Strategic Funding Plan
Non Domestic Tariff Harmonisation delay	<p>Reduction in RC3 forecasted revenue</p> <p>Additional subvention required to achieve revenue allowance</p>
Increases in domestic use not reflected in subvention	Rebalancing 2020 revenue sources not allowed under current model
Reduction in collection of non-domestic revenue	<p>Lack of funding flexibility delays capital projects into 2021.</p> <p>Planned outputs/outcomes will have to be reviewed</p>
Significant Contractor claims received arising from COVID-19 shutdown and productivity impacts	<p>No funding for contractor claims</p> <p>Commercial dispute process</p> <p>Further risk to Supply Chain and capital programmes</p>

# COVID-19 Implications for SFP Capex



COVID-19 Impact	Implication on Strategic Funding Plan
Enforced construction shutdown impacts 2020 capital investment.	Planned capital spend, outputs and outcomes will deviate from agreed funding plan and business plan
Necessary social distancing impacting productivity and delivery timelines for the foreseeable future	Extent of impact closely monitored Risk to RC3 outputs and outcomes and SFP
Planning and public consultation impacted by COVID-19 restrictions	Delays to delivering projects through planning phases due to impact of emergency bill on consultation, CPO etc. Likely backlog in planning system
Funding limitations resulted in reduction in Capital to replace reduction in Non Dom revenue receipts	Projects delayed and output targets foregone

# Operational Performance 2020 & Challenges

# 2020 Performance impacted by significant challenges



## STARTING BUDGET POSITION

### COVID-19

- Lockdown / Full Restrictions: 12 Mar – 18 May
- Recovery Phase 1,2,3+: 18 May – 8 Jun – 29 Jun – 31 Aug...
- Customer Behaviour: Water Usage Patterns, Dom, ND
- Risk to operations significant as community transmission increases

### ALGAE

- Vartry Water Source

### DROUGHT / WATER SCARCITY

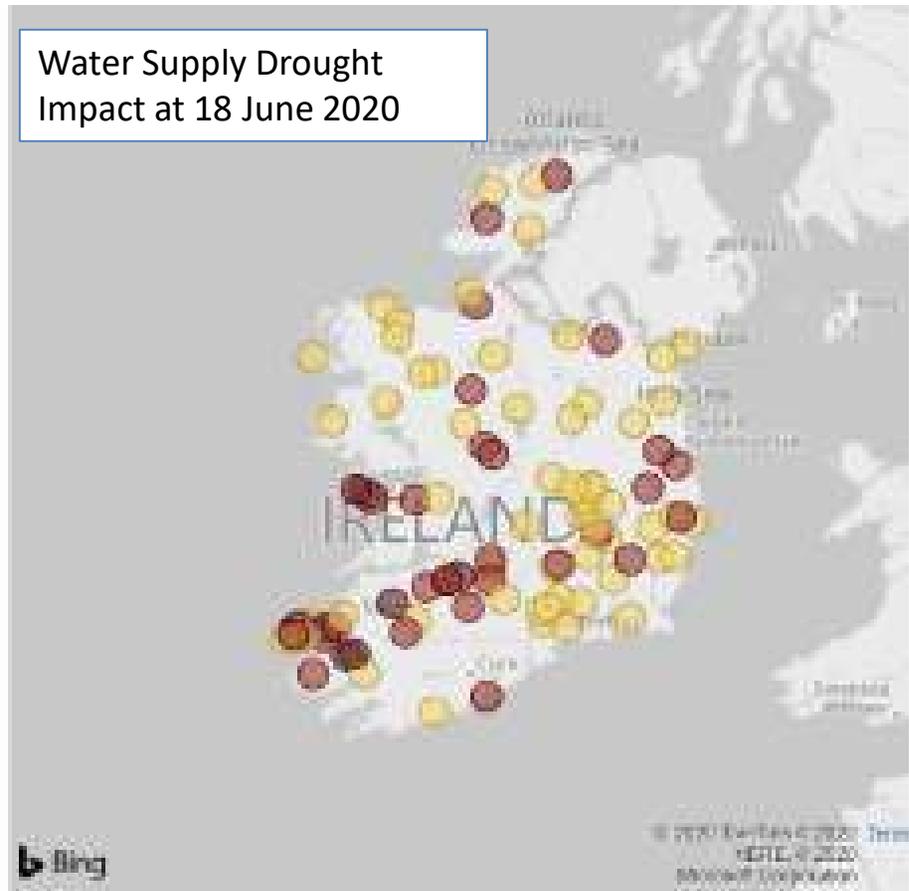
- Surface Water / Ground Water
- Service Challenges
- National & GDA / Water Conservation
- Recovery challenges

### MAJOR INCIDENTS

- Storm Ellen
- Storm Francis
- Leixlip WTP

### EMERGING/ ENDURING ISSUES

- Resilience / Reaction Capacity Risks
- Winter
- Contingency Measures Preparations



# Operational challenges exacerbated by COVID-19



## Vartry Water Treatment Plant:

- Seasonal Algae bloom
- Impacts available supply by up to 40 MLD – quality not impacted
- Logistically challenging and very expensive to tanker to reservoirs



## Achill – Do Not Consume Notice:

- Plant capacity c3,500
- ‘Staycations’ increased population up to c10,000
- Complex network of 18 reservoirs
- Alternative Water Supplies to 28 locations for an extended period
- Excellent cooperation locally e.g. Civil Defence distributing water to Vulnerable Customers



# Leixlip UV – 700mm Kildare Line damaged due to strike during drilling works (17 Aug)



1. 5m depth excavation – unable to get to pipe due to significant water flow & butterfly valve passing
2. Required 2No. 8hr full plant shutdown to drain down WTP & replace faulty valve in 6m deep chamber. Valve stuck  $\frac{1}{4}$  open & had to be cut out
3. High levels of debris in damaged pipe – cleaning, scouring, sterilisation required
4. Line brought back into service 27 August
5. Operations backfired Kildare customers from Ballymore Eustace to mitigate issue



# July Stimulus Package

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## Irish Water received €43m:

- Leakage Reduction €30m (Find & Fix, Mains Replacement etc.)
- Capital Maintenance €13m

## Requirements:

- Capital investment
- New work – i.e. not to compensate for funding shortfall
- Geographical spread
- Labour intensive
- Must be invested by year end

## Progress:

- 'Shovel-ready' projects identified
- Programmes ramped-up using existing frameworks
- Reporting process being agreed with Board / Dept.

# Look Forward

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- Continuing impact of COVID-19 for foreseeable future.
- Lack of certainty on financial outlook – Potential for significant impact on delivery of committed outcomes and outputs
- Stimulus package of €43m Leakage & Capital maintenance very welcome
- Continuing to engage with Government Depts. on Strategic Funding Plan realignment
- White Paper on SPU expected by month-end / early October.
- Continued Proactive approach to significant operational challenges:
  - Operations steady
  - Business Continuity Plans working well

# Procurement Review Update

# Update on Procurement Review

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- Progressing Package 1 :
  - **Review of Irish Water's Procurement Policies and Procedures**
- Scope discussed and agreed with Water Advisory Body
- Evaluation supported by WAB
- Standalone Request For Tender (RFT) issued to appoint supplier
- Tender process nearing completion
- Expect to appoint supplier September
- Timeline for draft report updated once supplier appointed

# Q&A