



7 November 2018

Commissioner Paul McGowan - Chairperson,  
Commissioner for Regulation of Utilities,  
P.O. Box 11934,  
Dublin 24.

**Re: Irish Water Strategic Funding Plan 2019-2020 received in accordance with Section 34A of the Water Services (No.2) Act 2013**

Dear Commissioner McGowan,

I have been directed by Mr. Eoghan Murphy, T.D., Minister for Housing, Planning and Local Government to furnish the enclosed Irish Water Strategic Funding Plan 2019-2024 ("the Plan") updated to reflect the recent determination by the Commission for Regulation of Utilities (CRU) of Irish Water's allowed revenue for 2019.

While it is noted that the Plan is aligned with the overall capital investment envisaged for Irish Water in the National Development Plan (NDP), it is further noted that the Strategic Funding Plan reflects a more substantial portion of investment arising in the period to 2024, rather than the flatter profile envisaged by the Government in its NDP profiles, and that the increasing profile of Exchequer capital spending by Irish Water in 2022-2024 reflects the forecast commencement of major projects which involve quite "lumpy" expenditure (i.e. the Eastern and Midlands Water Supply Project and the Greater Dublin Drainage project) which would imply lower average levels of investment in 2025-2027.

The Minister considers that it is reasonable for Irish Water to plan for delivery in accordance with the Strategic Funding Plan profile, however, the question of increasing capital envelopes for 2023/2024 to accommodate this profile of spending, will have to be revisited in 2021 in light of the regulatory decision for the period and progression of capital projects, particularly the major projects. Such review will be undertaken in 2021 to determine the final profile in light of approved capital spending by the CRU for the third regulatory cycle, actual expenditure and progression of major projects. At that point there will be greater clarity regarding the capacity to adjust the capital envelopes in 2023/2024 and, if required, a decision to do so can be considered at that time. If it is not possible within the Government financial framework, at that stage, to bring forward NDP forecast expenditure from 2025-2027, there will be sufficient time to adjust plans for core capital expenditure in 2023/2024 to remain within available Government resources while still meeting overall NDP water services objectives.





Separately, while the Strategic Funding Plan anticipates some €39m in income from the excess charge regime over the period, the regime is to be implemented in a manner which encourages behavioural changes through fixing leaks and reducing consumption, rather than as a revenue raising measure. If this income is not received, it would be anticipated that costs would be reduced accordingly rather than additional Exchequer costs arising.

Against this background, the Minister has approved the Plan, without modification, including on foot of bringing it to Government for its information, and it is now being furnished to the CRU on the basis for approval of the Plan as outlined above. In line with its statutory functions, the CRU will consider the efficiency of investment proposals, together with submissions from Irish Water on its detailed investment plans, for the third regulatory control period 2020-2024 (with the CRU's allowed revenue determination for Irish Water feeding into annual Exchequer decisions on spending in respect of those years).

Yours sincerely,

A handwritten signature in blue ink, reading "Maria Graham", is written over a horizontal line. The signature is cursive and fluid.

Ms Maria Graham,

Assistant Secretary,

Water Division.