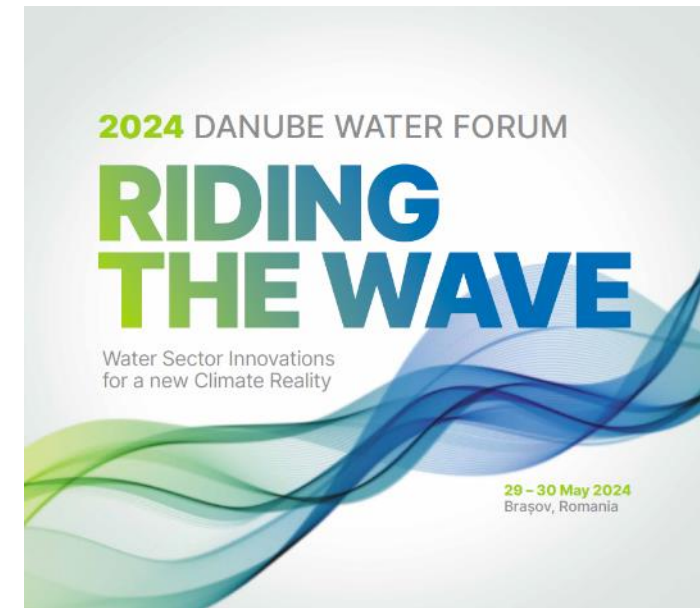


WAREG - International experience in water regulation



Ivaylo Kastchiev
WAREG Vice-president and EWRC Director

WAREG
European Water Regulators

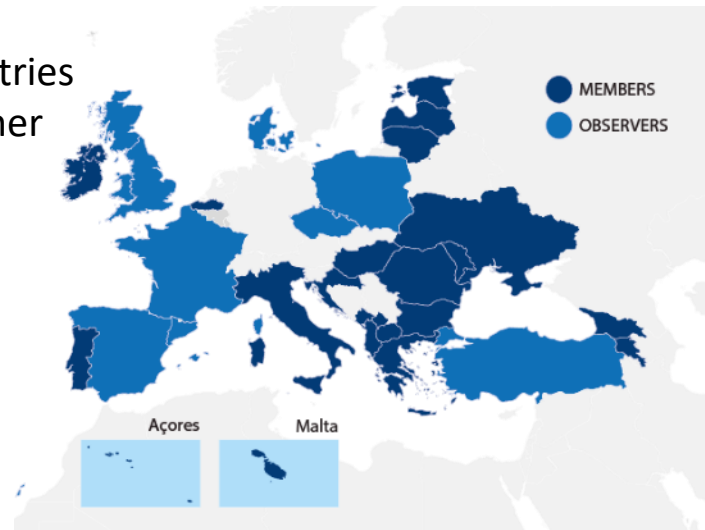


2024 Danube Water Forum
Setting the Scene: The sector's challenges in a new climate reality
30/05/2024, Brasov, Romania

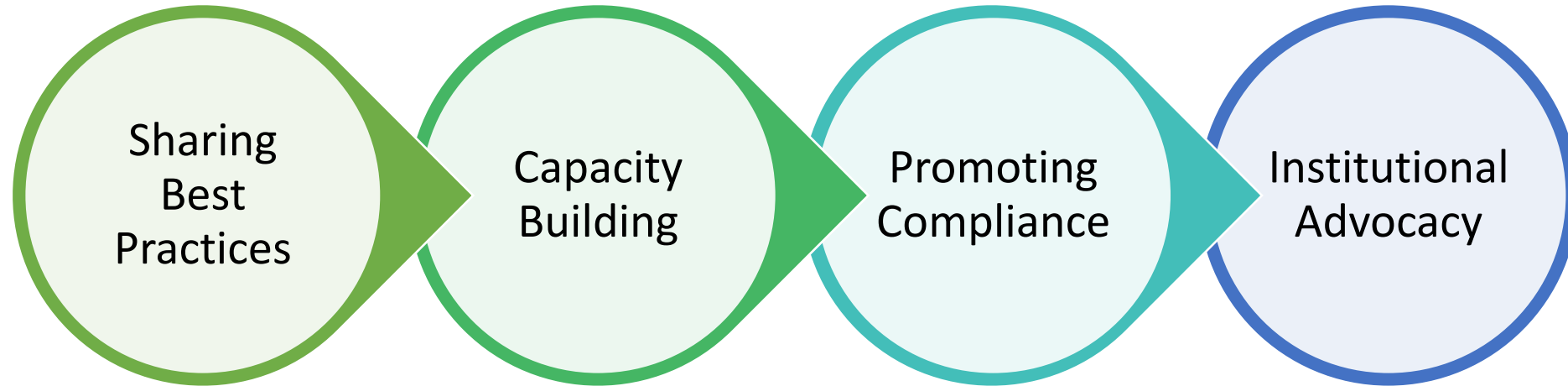
A public perspective on European water services

- Albania – ERRU
- Armenia – PSRC
- Belgium / Brussels – BRUGEL
- Belgium / Flanders – VMM
- Bulgaria – EWRC
- Croatia – VVU
- Czech Republic – MA
- Denmark – KFST
- England and Wales – OFWAT
- Estonia – ECA
- France – MEST
- Georgia – GNERC
- Greece – RAEWW / GSW
- Hungary – MEKH
- Ireland – CRU
- Italy – ARERA
- Kosovo – WSRA
- Latvia – PUC
- Lithuania – NERC
- Malta – REWS
- Moldova – ANRE
- Montenegro – REGAGEN
- Northern Ireland – NIAUR
- North Macedonia – ERC
- Poland – SWHPW
- Portugal – ERSAR
- Portugal / Azores Islands – ERSARA
- Romania – ANRSC
- Scotland – WICS
- Spain – MITECO
- Spain / Catalonia – CWA
- Ukraine – NEURC
- Turkey – MoFWA

- **Established in 2014 (ARERA initiative, 12 founding Members), headquarters Milan, Brussels**
- **No-profit association of national & regional Public Authorities** with supervising and/or regulatory responsibilities in the dw & ww sectors.
- Members oversee **+300 million** consumers in EU. (**+400 million** including non-EU members & observers)
- **24 Members + 10 Observers:**
 - 18 EU Member States + UK
 - 7 EU Candidate Countries
 - 1 EU Potential Candidate Countries
 - 1 EU Neighbouring Policy Partner



What we do? - Our Working Areas



Sharing Best Practices

- Promote collaboration among Members
- Exchange and share common practices

Capacity Building

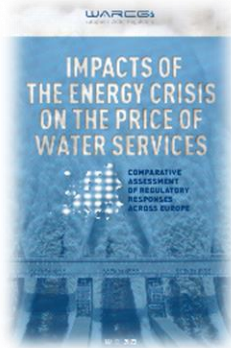
- Organise specialised training
- Offer technical assistance
- Exchange know-how

Promoting Compliance

- Support the full implementation of EU legislation in the water sector in EU Member Countries
- Promote capacity-building on water sector regulation in EU Candidate and EU Partner Countries

Institutional Advocacy

- Quality of services
- Consumer protection
- Innovation
- Environmental sustainability



WS service provision across Europe

- ❑ Water and sanitation (WS) assets are of public ownership across Europe, often owned by Local governments.
- ❑ Service provision is mostly organized as *delegated public management models*, where municipal or state owned companies are organized to manage the assets and provide service. Unfortunately there are still cases of *direct public management* (service is provided directly by municipality).
- ❑ Private involvement is also available through *delegated private management models* (concession / lease contracts), and rarely through *direct private management* (usually small suppliers to limited number of customers).
- ❑ Regulation and control are achieved in different model...

National Multi-sector Regulator: Energy & Water

(Armenia, Malta, Bulgaria, Lithuania, Georgia, Latvia, Estonia, Italy, Hungary, Ireland, Moldova, North Macedonia, Montenegro, Brussels)

National Water-only Regulator

(England and Wales, Scotland, Albania, Kosovo)

Other Regulators / Agencies

(Denmark, Flanders, Portugal, Romania, Poland)

Local regulation % ex-post control

(France, Germany, Austria, Spain, Netherlands, Scandinavia, Wallonia...)



WS service provision across Europe

- ❑ **WS Regulators:**
- ❑ Board members are appointed by Parliament / Government / President;
- ❑ Mandate between 5-7 years, usually limited to 2 mandates;
- ❑ Independence is guaranteed by financing from own sources.

- ❑ **Tasks:**
- ❑ Collection of technical and economic data from WS operators (usually annual reporting)
- ❑ Review and approve tariff proposals of WS operators (different regimes for final approval);
- ❑ Monitoring of service quality and WS operators efficiency through KPIs;
- ❑ Business plans of WS operators review and approval (different regimes)
- ❑ Licensing of WS operators;
- ❑ Review of customer complaints;

Final tariff approval

(Albania, Armenia, Brussels, Flanders, Bulgaria, Estonia, Georgia, Ireland, Italy, Kosovo, Malta, North Macedonia)

Coordination of tariff approval

(Moldova, Montenegro, Lithuania, Hungary, Portugal, Romania)

Threshold of size / urban regulation

(Denmark, Estonia, Latvia, Moldova)

Business plan approval

(Albania, Bulgaria, Georgia, Ireland, Italy, Kosovo, Malta, Moldova, Romania)

Licensing

(Albania, Armenia, Georgia, Hungary, Kosovo, Lithuania, Malta, Montenegro, Romania)

KPIs monitoring

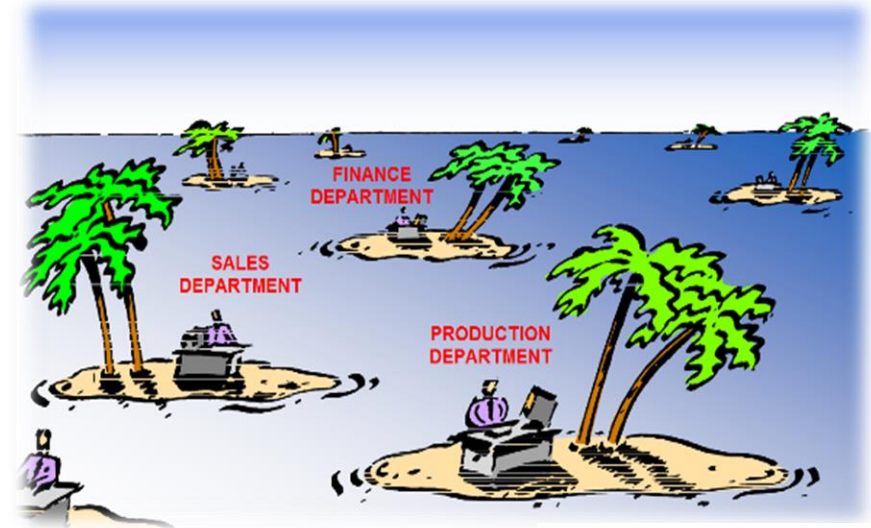
(Albania, Flanders, Bulgaria, Georgia, Hungary, Ireland, Italy, Kosovo, Latvia, Lithuania, Malta, Montenegro, North Macedonia, Portugal, Romania)

KPIs used in tariffs

(Albania, Bulgaria, Estonia, Georgia, Hungary, Italy, Lithuania, Portugal)

Challenges in benchmarking – National level

- ❑ Most of the data reported by WSO is generated **inside** the company, and is difficult to verify with external sources;
- ❑ In many cases there is no data integration inside the WSO (“**islands of information**”)
- ❑ Reporting can be **manipulated or mistaken** either on purpose or unintentionally;
- ❑ Regulators have **different** powers / capacity / budget / independence to check, inspect, validate and verify reported data from WS operators;
- ❑ Usually, there is **no support** from external authorities (asset owner, operator`s owner, others).
- ❑ More and more regulators issue **specific requirements** for WSOs internal information systems, in order to improve reliability of reported information



Challenges in benchmarking – International level

Significant differences between WAREG members :

- Scope of competences;
- Data collection process;
- Data validation and verification;
- Setting KPIs targets to operators;
- Assessing data quality and reliability;
- Monitoring performance;
- Reflection of KPIs levels into tariff setting;
- Powers to approve business plans;
- Powers to issue/revoke license to the operator;
- Methodologies, definitions and units of KPIs in usage;

Less than half of the regulators can set targets of monitored KPIs and/or can link these targets with licensing regime or business plan approval – **lack of integrated regulatory approach.**

Often regulators have **minimal powers** against companies' performance, with rarely used options to impose sanctions or reflect KPIs monitoring into the tariff setting process.

One of the most used option by the regulators is “**name and shame**” procedure, where achieved results are publicly announced.

Various indicators are used and applied by the WAREG members - analysed 425 indicators demonstrate **differences** not only in types and categories of the indicators used, but also **contrasts and distinctions**

Key Performance Indicators (KPIs)

- Essentially systematic and consistent ways of measuring an organization's **performance / efficiency** against their strategic objectives and targets AND others in the same industry AND set targets by legislation / regulator;
- Provide detailed information and quantitative analysis which permit organizations to make sound business decisions and monitor their **progress** AND permit comparison of an organization's performance against its **peers**;
- **Used by regulatory bodies** to **analyse and review** organization's performance AND benchmark AND measure progress (😊) or regress (😞) against set targets AND potentially link it to tariff setting mechanisms.

Various performance indicators and benchmarking platforms exist in the water industry, with lack of consistency in the definitions, descriptions, application and methodologies and approaches.

These are designed with different objectives and are not free of access.

What are Key Performance Indicators?

What they are: ✓

- Quantifiable/measurable and actionable
- Measure factors that are critical to the success of the organization
- Tied to business goals and targets
- Limited to 5-8 key metrics
- Applied consistently throughout the company

What they are not: ✗

- Metrics that are vague or unclear
- "Nice-to-know's" or metrics that are not actionable
- Reports (e.g., top search engines, top keywords)
- Exhaustive set of metrics
- Refutable

KPIs	Metrics
<ul style="list-style-type: none"> • All KPIs are Metrics 	<ul style="list-style-type: none"> • All Metrics are not KPIs
<ul style="list-style-type: none"> • KPIs give a holistic view of the performance of different functions in your organization 	<ul style="list-style-type: none"> • Metrics give you a picture of how different individual activities rolled out within the functions are progressing
<ul style="list-style-type: none"> • KPIs tell you where exactly your teams stand with respect to the overall business goals 	<ul style="list-style-type: none"> • Individual Metrics do not give any insights on their own
<ul style="list-style-type: none"> • Examples: Pre-sales KPIs, Email Marketing KPIs, Customer Success KPIs 	<ul style="list-style-type: none"> • Examples: Open Rate, Conversations in the last 2 weeks, Deals lost last quarter

KPIs in usage

NUMBER OF KPIS BY CATEGORY

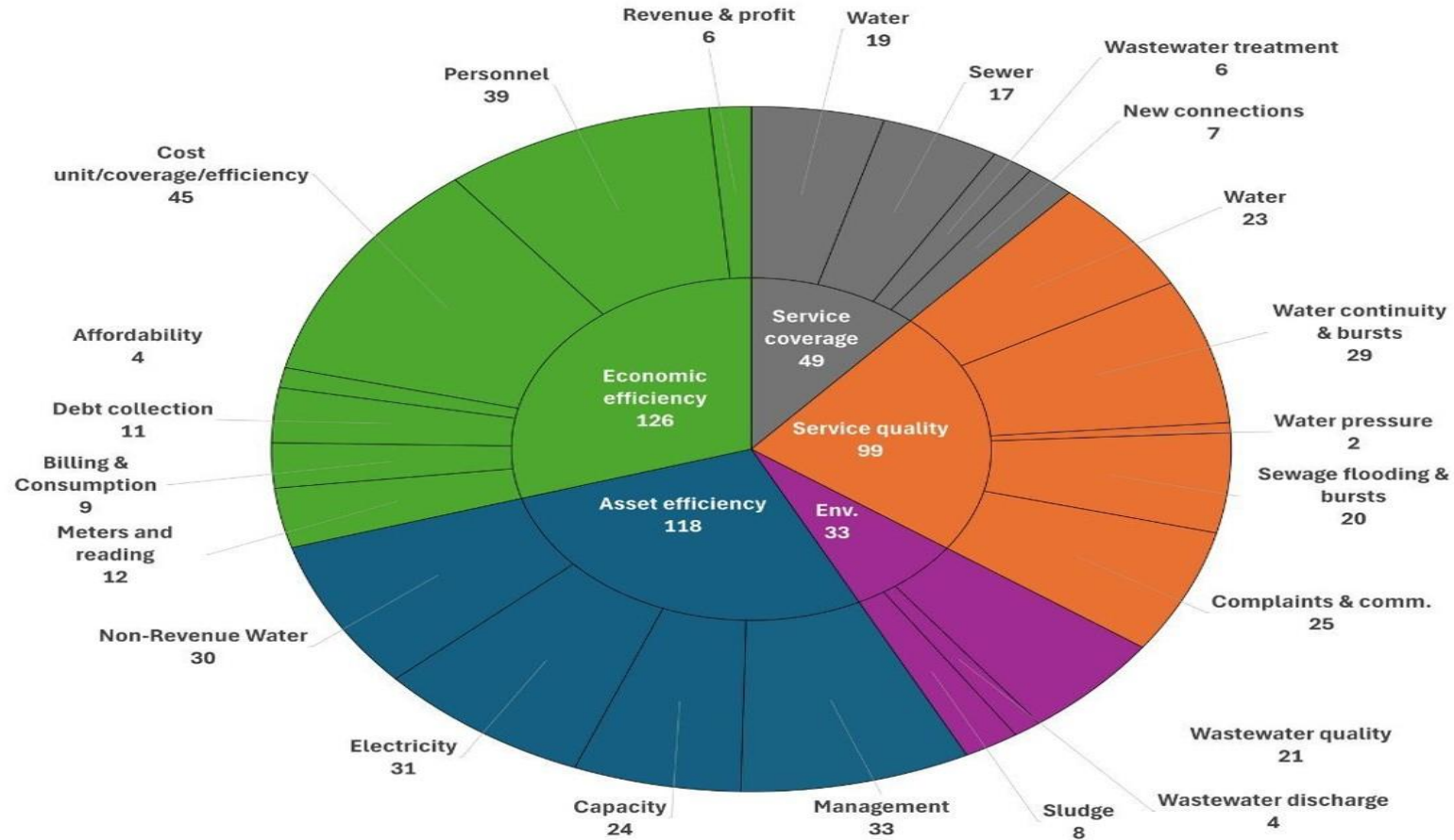
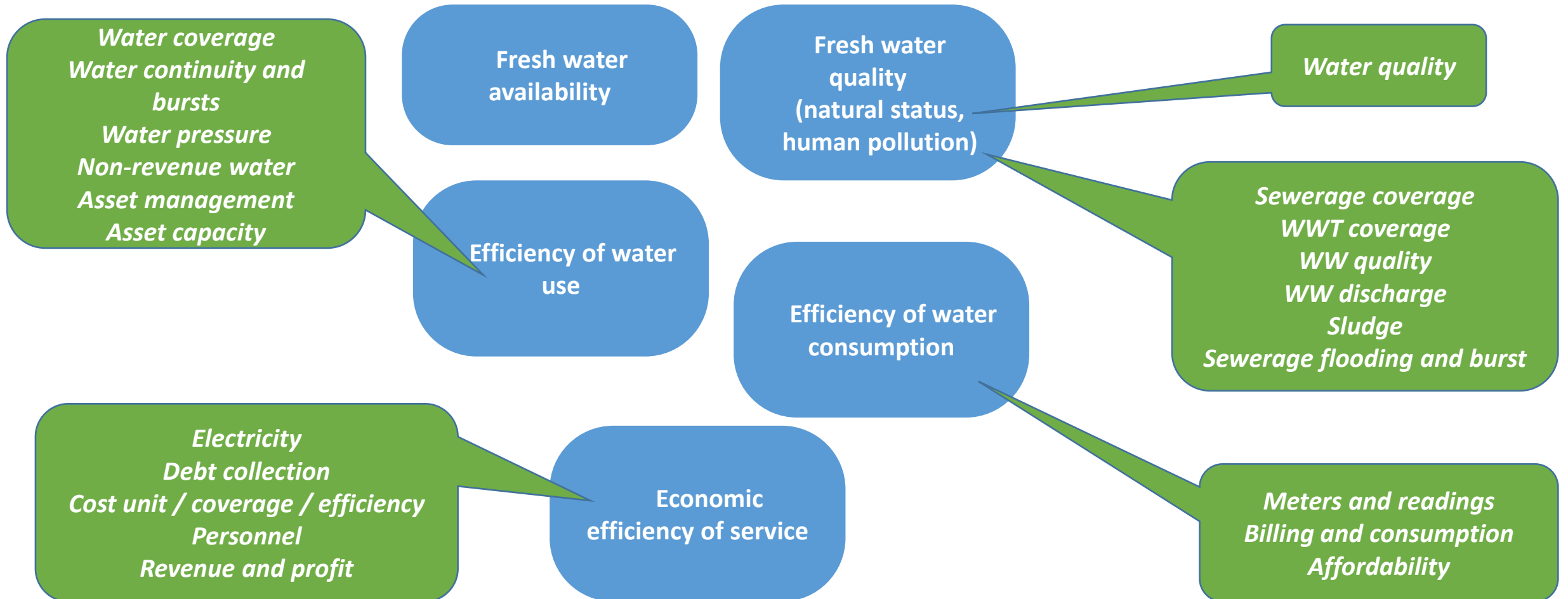


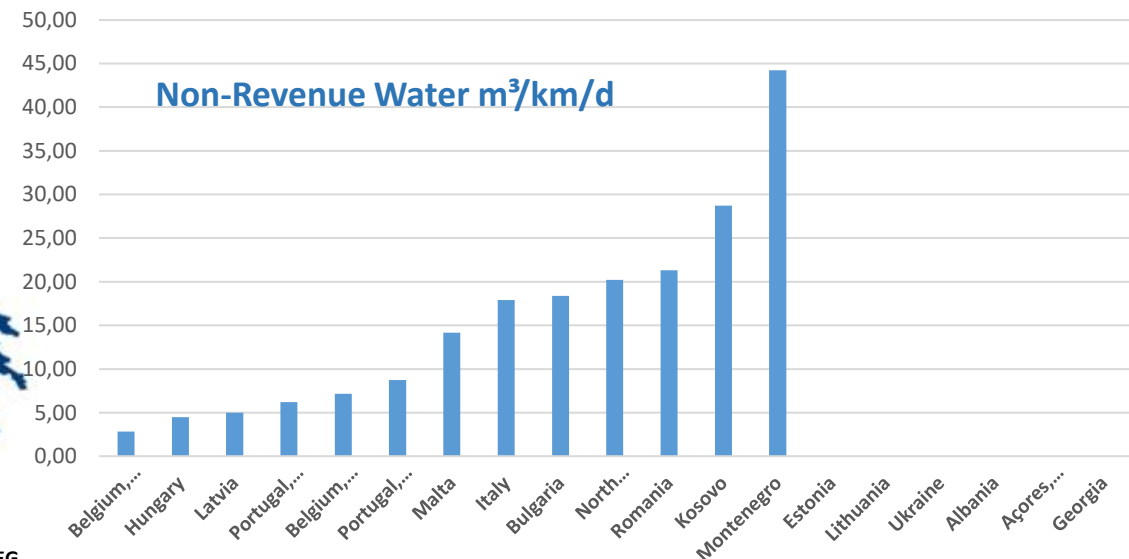
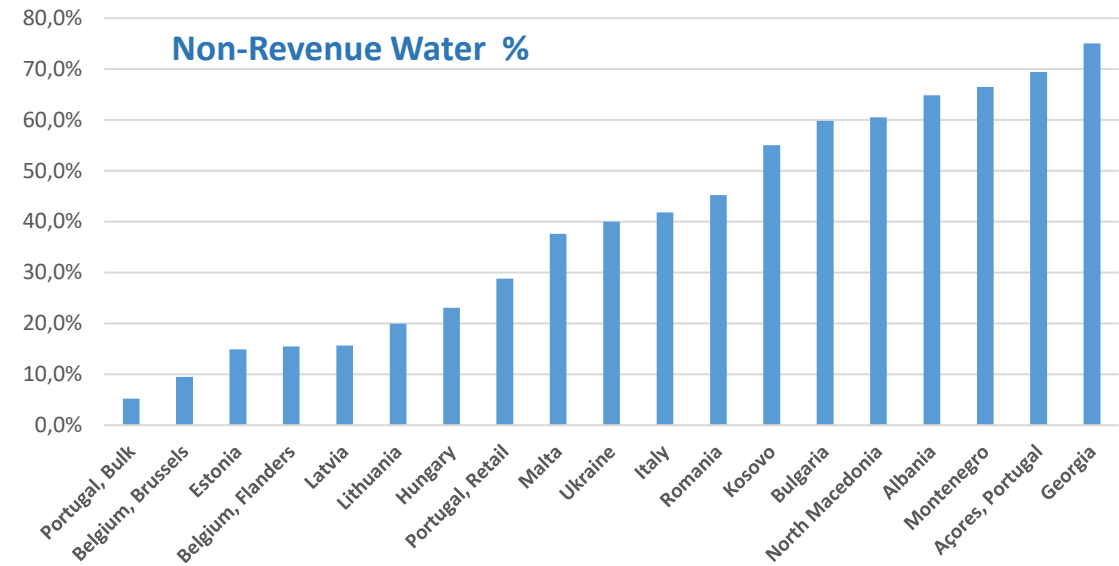
Chart from WAREG Report "Key Performance Indicators Frameworks in Wareg Member Countries (2023)"

How regulators can monitor water resilience

How can water resilience BE MONITORED



Non-Revenue Water in WAREG area



Source: WAREG

Different practices are applied during NRW calculation (not all companies included, or IWA water balance excluded)

www.wareg.org

secretariat@wareg.org

Headquarters : Piazza Cavour 5, Milan, Italy

Institutional Office: Avenue des Arts, 46/14,
Brussels, Belgium