

WATenERgy CYCLE

Urban water full cycle: from its source to its
end-users and back to the environment

WP3 Transnational Current Situation Analysis

Joint Del. 3.1 Common WFD Implementation on
FWC Recovery



PP4 - University of Thessaly-Special Account Funds for
Research-Department of Civil Engineering

WP3: Transnational Current Situation Analysis

- Responsible partner: PP4 - University of Thessaly-Special Account Funds for Research-Department of Civil Engineering
- Partners involved: ALL
- Budget: 77,817.51 €

WP3.1: Common WFD implementation on FWC recovery

- includes the current situation analysis of water pricing methodologies towards full cost recovery, at national and local level
- presents the analysis of existing water pricing methodologies and the full water cost recovery methodologies, at national and local level
- aims at investigating the current water pricing methodologies regarding the aspects of energy and water use on full water cost recovery.

WP3.1: Common WFD implementation on FWC recovery

Contents:

- Regulatory and institutional framework in the urban water full cycle
- Pricing policy of urban water supply service and charging process
- Accounting system
- Investments
- Social Policy

Role of the institutions in the process of water supply management (1/4)

- **Greece:** Three levels of participating institutes exist: national, regional and municipal. At national level the following institutions exist:
 - National Water Commission (under the Law 3199/2003)
 - National Water Council
 - General Secretariat for Natural Environment and Water - Ministry of Environment & Energy

At regional level the following institutions participate in the water supply management:

- Water Directorates at Decentralized Administration and Regional Authorities

At municipal level the institutions participating in the water supply management are:

- Municipal Enterprises for Water Supply and Sewerage

Role of the institutions in the process of water supply management (2/4)

- **Albania:** Ministry of Infrastructure and Energy
 - The Ministry of Infrastructure and Energy is a department of the [Cabinet of Albania](#), responsible for national climate policy and international cooperation on climate change, as well as energy issues, meteorology and national geological surveys, electricity, water, wastewater services and industry in Albania
 - National Water Supply and Sewerage Agency
 - Institute of Public Health/Ministry of Health
 - Ministry of Environment/Water Administration Unit
 - The Municipalities
 - Water Utilities JCS

Role of the institutions in the process of water supply management (3/4)

- **Cyprus:**

- The Ministry of Agriculture, Rural Development and Environment
- The Water Development Department, Ministry of Agriculture, Rural Development and Environment. WDD is the governmental organization responsible for the management and protection of water resources as well as for the development and operation of the water projects needed to serve the different uses, on the basis of the European and National Legislation and within the framework of the governmental water policy.
- The Council of Ministers, that decides / approves the WDD's and Minister's proposals regarding the water policy matters.
- The Water Management Advisory Committee, responsible to study the water policy proposals and submit its comments / opinion (which is not mandatory) to the Council of Ministers. The Committee's members come from governmental and public organizations as well as NGO's related to water supply and use as well as the water environment.
- The Local Water Authorities, as the competent authorities for the supply of potable water to the users in their area. The LWA are: the Water Boards which serve the large urban areas, and the municipalities and communities not served by the Water Boards.

Role of the institutions in the process of water supply management (4/4)

- **Bulgaria:**

- **STATE** – Water abstraction permits are issued by state authorities – Ministry of Environment and Waters via the Basin Directorates; The Business plans of the utilities are approved by the state Regulator (KEVR); The major part of the Public water utilities are governmental; The operation of the WS systems is assigned (to the utilities) by the Water Associations, organized by districts;
- **MUNICIPALITY** – Part of the Public water utilities are municipal and have not joined an existing Water Association yet; Municipalities are part of the Water Associations' management upon after joining it;
- **PUBLIC/PRIVATE WATER UTILITY** – The utilities maintain and operate the WS systems in accordance with the contracts with the relevant association; They are mainly governmental or municipal property apart from Sofiyska voda – private company with a 25 years concession contract with the Municipality of Sofia;

- **North Macedonia:**

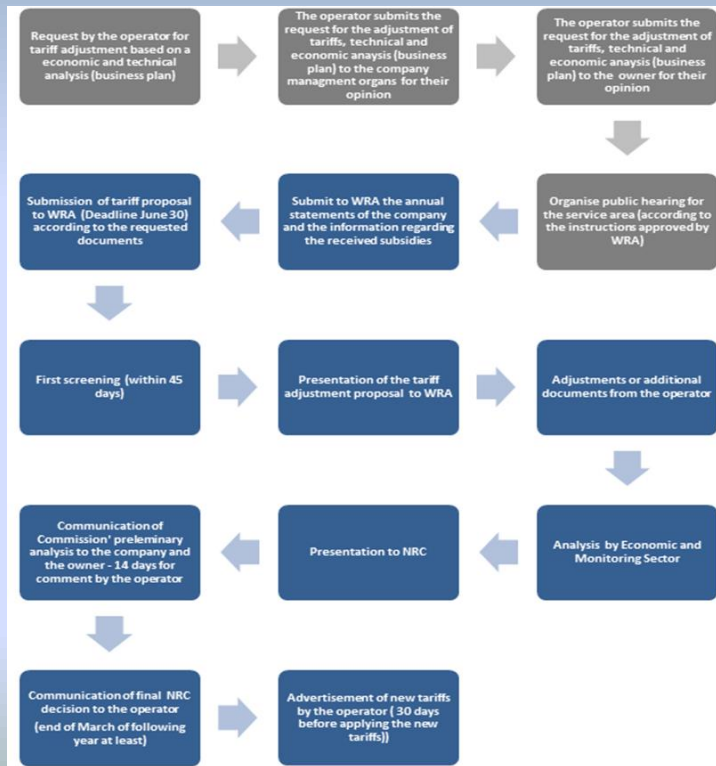
- In the process of water supply management, the Public Utility Enterprise (PUC) is managed in accordance with the Local Self Government.

Water price determination process (1/3)

Greece



Albania



Water price determination process (2/3)

- **Cyprus**

- According to the Water Pricing Regulations, potable water charges (from GWP as well as from LWA) should cover the total cost of water (including environmental and resource cost).
- Water charges are always applied on a volumetric basis (per cubic meter).
- The price of water supplied in bulk from GWP to LWA is unified for all LWA and flat (not blocked).
- Water charges applied by LWA are rising block tariffs, with high overconsumption charges.
- Water charges used by WDD (supply of water from GWP) are approved by the Council of Ministers, taking into consideration the Water Management Advisory Committee's opinion.
- Water Boards' water charges are set by the Water Board and approved by the Council of Ministers, after the WDD's agreement.
- Municipalities' water charges are set by the municipality's board and approved by the Ministry of Interior, after the WDD's agreement.
- Communities' water charges are set by the communities' board and approved by the District officer after the WDD's agreement.

Water price determination process (3/3)

- **Bulgaria**

- The pricing mechanism is applied on a regional base. I.e. the prices are calculated and approved for the whole territory, serviced by the water utility. They are applied uniformly for all type of clients – urban and rural. The water price is determined by the utility, reviewed and approved by the Regulator in accordance with the relevant Ordinance and Directions. Part of the review/approval procedure is the confirmation of the Water Association of the territory.
- For more details on methodology please refer to the **Ordinance for the regulation of WS&S service prices and the Directions to it – APP.3**

- **N. Macedonia**

- The price level depends on the amount of the water service tariff,
- the amount of fees associated with the use of waters determined by law waters, as well as taxes determined by law.
- While the amount of the water service tariff depends on the costs incurred by the service provider to provide it, including the costs for support services, which is calculated in accordance with Methodology for determining the tariff.

Structure of the water charge rate (1/2)

- **Greece:**

- Starting from 2017, the new Joint Ministerial Decree 135275/2017 entered into force.
- The latest Joint Ministerial Decision 135275/2017 requires water utilities to apply pricing policies following inclining block rates, consisting of a fixed charge and a volumetric charge (tariff per cubic meter of consumed water). The fixed charge is estimated in such a way to reflect and recover the fixed costs of each provider and is applied with a fixed charge per water meter. Water bills will also include an environmental tax (derived from the environmental and resource cost estimated by the Water Directorate of each Decentralized Region) which will be imposed per cubic meter consumed water.
- Every provider determines its pricing policy in inclining block rates to avoid excessive water use and achieve water saving. The first consumption block corresponds to the basic living needs of the population. The necessary water quantities for the operation of the social infrastructures (e.g. healthcare, education, etc.) are included in the first block. The consumption included in the first block is provided in an economic affordable price that may approach zero price.

Structure of the water charge rate (2/2)

- **Albania**

- Three structures of the water charge rate, depending on the possibility of water consumption measurement. For consumers, that for different technical reasons are not equipped with water meters, is applied a flat rate per inhabitat. While for consumers equipped with water meters in majority of WSS utilities, are applied uniform volume rate for water consumption, and only in one WSS utilities are applied increasing block rate for water consumption

- **Cyprus**

- Fixed rate and increasing block rates depending on each Water Board

- **Bulgaria**

- Uniform volume rate is applicable for the territory of each WS utility. In case of missing Water meter an increasing rate can be applied as a penalty, stimulating the client to install a WM.

- **North Macedonia**

- PUC “Vodovod i kanalizacija” – Prilep uses volumetric fixed tariff for households and industry.

Regulatory framework for the application of WFD recovery in compliance with the requirements of WFD (1/2)

- **Greece**

- The Joint Ministerial Decision 135275/2017 approves general costing and pricing rules for water services for various uses and rules and measures to improve these services. This Decision defines the processes and the methodology of the determination of cost of such services, including environmental and resource costs and the cost of water,
- The same decision requires that water cost recovery must be ensured, except of years preceded states of emergency. The water pricing policies should ensure that water incomes cover the total cost of the water services of the water service provider. In cases where the provider does not recover the total cost, the revenues should ensure every year the improvements of cost recovery. The cost recovery improvement is pursued with priority to the costs reduction.
- Determination of financial costs is carried out annually also taking into account accounting data of the previous period, from the water service provider. For the calculation of the direct (financial) cost the following cost components are taken into account: (a) Capital cost (b) Operating cost (c) Maintenance cost, (d) Administration costs and other costs.

Regulatory framework for the application of WFD recovery in compliance with the requirements of WFD (2/2)

- **Albania**

- WRA has to ensure customers that they pay tariffs based on the necessary and reasonable costs for the services provided. WRA's goal is to cover the immediate operation and maintenance costs, while the total cost coverage is more distant target. Tariff policy followed by the WRA includes a gradual increase of tariffs in the coming years, conditionally that the service providers achieve an improved level of service performance. Operators choose the tariff structure take into account the tariff policy objectives.

- **Cyprus**

- Water pricing regulations according to the Article 9 of WFD.

- **Bulgaria**

- FWC recovery of OPEX is provided for by the Ordinance mentioned in A1.5. The WS operator must prove the financial necessity of costs in his business plan and the Regulator should approve them accordingly. Still, due to delay in the administrative procedures (i.e. business plans and price approval), lack of FWC recovery may happen. Example – price raise of labor cost, electricity cost etc.
- On the other hand, CAPEX are not 100% recovered.

Social Policy in water pricing policies

- Greece: There are also social pricing policies developed. It depends on the policy of each DEYA.
- Albania: Even that in legislation is foreseen the possibility to apply a special tariff for economically deprived population, currently this practice is not applicable in Albania, due to the absence of a proper and defined scheme of reimburse of the tariff difference from local government units to WSS Utilities
- Cyprus: there is no social policy
- Bulgaria: no social policy
- North Macedonia: There is no special price for water supply for the vulnerable category of citizens.

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