

Water Division,  
Commission for Regulation of Utilities  
The Exchange  
Belgard Square North  
Tallaght  
Dublin 24  
D24PXW0

12<sup>th</sup> January 2023

## **RE: Consultation on the First Mover Disadvantage in Connecting to Water and Wastewater Infrastructure**

To whom it concerns,

Cork Chamber represents 1,200 members employing over 100,000 people throughout the city, metropolitan area and county. Our vision is to be a world-leading Chamber of Commerce, delivering on a progressive economic, social and sustainability agenda at the heart of a vibrant business community. Our direction is guided by our formal pledge to uphold the United Nations Sustainable Development Goals.

On behalf of our membership, Cork Chamber welcomes this opportunity to contribute to the Commission for Regulation of Utilities' (CRU) consultation on the First Mover Disadvantage (FMD).

We would like to stress that it comes at a time where the housing industry is facing unprecedented challenges including delays in the planning system, financial viability, inflationary pressures, and increased costs. It is critical that FMD does not exacerbate these issues and potentially cause further delays in the delivery of housing. This reform must also be aligned with National policy including Housing for All, ensuring quality and affordable housing is available to all.

The CRU and Irish Water have proposed three options for FMD:

1. Shared Quotable Rebate (SQR)
2. Reasonable Cost Reduction (RCR)
3. Group Appraisal Rebate (GAR)

The CRU have identified the SQR to be their preferred option, with Irish Water approving of both the SQR and RCR. Having consulted with our members and considering the CRU's key principles, Cork Chamber's preferred option is RCR being the fairest option for both the First Mover (FM) and subsequent developers. The following submission outlines the rationale for this preference.

### **Preferred Option: Reasonable Cost Reduction (RCR)**

The Reasonable Cost Reduction (RCR) proposal is the preferred option for Cork Chamber and its members, being fair and equitable for all parties. The RCR would provide the FM with an upfront

discount funded by Irish Water, reflecting the risk the FM faces. Irish Water recovers the funds through connection charges from subsequent developers while benefitting from the infrastructure.

This approach is considered fair and cost reflective, ensuring the FM is not disadvantaged with the initial investment. By not having to invest in the infrastructure outright, the viability and affordability of schemes is better enabled. This will then have a knock-on effect on homeownership. It is further positive that there is no time-limit on this approach. With the connection fee only being charged on connection, the RCR is also fair on the subsequent developer.

There are however concerns regarding the risk factor used in the calculation of this approach.

A low risk factor has been set by Irish Water on the basis that there have been no instances of FMD since data collection began in 2019. However, using this data alone does not accurately reflect the market considering the limited development that occurred between 2020 and 2021 due to the Covid-19 pandemic. We advise that this risk factor be reviewed once more data and evidence is available to reflect this and not leave FMs at a disadvantage.

To reduce the administrative burden on Irish Water while still ensuring their funds are recovered, an alternate funding method should be considered. The FM's investment costs could be deducted from Irish Water's connection charges. As Irish Water owns and benefits from the infrastructure once established, they can recover these funds from second movers who connect to the asset.

This proposal, along with the amendments outlined above, is the preferable option providing fairness and equity to all parties.

### Shared Quotable Rebate (SQR) & Group Appraisal Rebate (GAR)

The SQR and GAR both have positive aspects but also present challenges to providing a fair and equitable solution to FMD. The following issues have been identified within both options.

The five-year connection time limit for subsequent developers to allow for FM rebate eligibility is unnecessarily short and does not account for the time required in the development process which are typically greater than five-years. With this time-limit, FMs would miss out of payments. If these proposals were to move forward, we urge the time-limit be extended as seen in electricity markets outside of Ireland's, including the UK's Second Comer Regime<sup>1</sup> and Australia's Pioneer Scheme<sup>2</sup>.

The repayments in both schemes would be overseen by Irish Water, placing administrative burdens and potential delays in repayments. Further, without a time-limit on the rebate repayment period, FMs would still be investing in infrastructure initially, thus adding to housing delivery costs and affecting the viability of housing schemes. These costs would then undoubtedly be passed onto the homebuyer, thus affecting the local market value and affordability of housing.

Finally, the cap on rebates in the GAR proposal places the FM at a disadvantage.

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<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/470105/Informal\\_Consultation\\_Letter\\_Second\\_Comer\\_Regulations.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/470105/Informal_Consultation_Letter_Second_Comer_Regulations.pdf)

<sup>2</sup> [https://www.essentialenergy.com.au/-/media/Project/EssentialEnergy/Website/Files/Our-Network/PioneerScheme\\_Factsheet.pdf?la=en&hash=2A6829A93AF49F8A5D4E4C344465918B78124F10](https://www.essentialenergy.com.au/-/media/Project/EssentialEnergy/Website/Files/Our-Network/PioneerScheme_Factsheet.pdf?la=en&hash=2A6829A93AF49F8A5D4E4C344465918B78124F10)

## Additional Recommendations

An additional recommendation is to provide a mechanism to account for the diversity of housing delivery. For example, when a group of homebuilders invest in the connecting asset, they should not be disadvantaged for covering the initial charges as a group. A mechanism should be provided to reimburse their investment, so they are treated with the same fairness and equity as individual FMs.

## Conclusions

Cork Chamber welcomes the reform to Irish Water's connection charging policy to address FMD. It is critical that the chosen proposal does not impact on housing supply, which is already facing pressures, or add to the costs of delivering and purchasing new homes.

The RCR option, in conjunction with the proposed amendments outlined above, is Cork Chamber's preferred choice. This option is fair and equitable to all parties including the FM, subsequent developers and Irish Water. Prior to implementation the rebate calculation and risk factor must be reviewed, to provide a more accurate rebate and account for the heterogeneity of housing delivery schemes e.g., self-lay schemes.

Cork Chamber welcomes the review and would like to thank the CRU for the opportunity to contribute to this consultation.

We ask that our recommendations, comments and concerns are fully considered. We are available at all times for support, consultation, and to lend further insights from our members.

Yours Sincerely,



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Conor Healy  
CEO