Submission to the Commission for Energy Regulation
on
Irish Water’s Domestic Tariff Proposals

May 16, 2014
Introduction

Age Action, founded in 1992, is a national charity which promotes positive ageing and better policies and services for older people. We have 2,500 members comprising individuals, statutory, private and voluntary organisations. As well as being an advocacy and representative organisation we also provide a range of services. For example, our information service received over 2,400 calls last year, including requests for assistance on utility-related issues e.g. social welfare supports and entitlements, home energy efficiency schemes, assistance during cold weather periods and billing and debt related issues. We also run the Care and Repair programme, undertaking small jobs in older people’s homes. This programme also provides a registered trade referral list, offering older people a list of trustworthy tradespersons.

Initial observations

Age Action welcomes the opportunity to make a submission on Irish Water’s domestic water tariff proposals. Our key concerns are that the final structure agreed by the CER is cognisant of people’s ability to pay and the specific needs of older people. With more than one-in-three older people currently living alone in Ireland (and only one income coming into the home), we are particularly concerned about the impact which water charges will have on them. The new tariffs must also be fair to customers who have higher water consumption needs as a result of a medical condition. Many older people are on low, fixed incomes and so ability to pay is a major issue. There are also high levels of chronic illness and disability among this section of society.

Given these specific issues, it is important that the tariff structure is designed to address them. It is also important that it does not nullify or undermine any affordability measures introduced by the Government.

Background Facts on Older People

Poverty

Amongst the Irish population EU-Silc statistics (CSO, 2013a) show that 9.7% of people aged 65 years and over (approximately 45,000 people) are at risk of poverty, an increase of 1% since 2010 (see table 2 below).

Earnings from work account for less than 13% of the incomes of Irish older people, on average, while nearly 6% came from private pensions, investment income and property income and 17% from occupational pensions (CSO, 2012a as quoted in OECD, 2013). State transfers therefore play a huge role in keeping people out of poverty, protecting older people against poverty reducing the rate by almost 82% for those over 65 years of age. The
dependence on state transfers to prevent poverty increases with age, with higher rates for those aged 75 years and over.

An additional measure, as noted by the OECD in their report to the Department of Social Protection (2013), is that which relates to the **depth of poverty**. This is how far the median income of the poor population is below the poverty threshold. This measure presents a less favourable picture of old-age income poverty in Ireland. For people aged 65 and over, this poverty gap index is 24.7% in Ireland compared with an OECD average of 20% and an EU-27 average of 15.7% recorded for 2010.

In addition, an examination of **income decline distribution** (CSO, 2012b) of Irish households shows a clustering (45.4%) of older households in income deciles 1-4. This rises to almost half of older people living alone who are on the bottom 40% of income.

<table>
<thead>
<tr>
<th>Table 2: Percentage of people distributed by income decile</th>
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<tbody>
<tr>
<td>Income deciles</td>
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<tr>
<td>€ per week</td>
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<tr>
<td>65+</td>
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<tr>
<td>65-74</td>
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<tr>
<td>75+</td>
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<tr>
<td>Living alone</td>
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**Source:** Central Statistics Office, EU-SILC data published in 2012

**Deprivation** rates, which show the inability to afford basic goods and services, have increased for older people. As table 2 below shows, in two year (2009-2011) the deprivation rate for people aged 65 years and over increased by 1.8%. Consistent poverty among people aged 65 years and over is also going up, rising to 1.9% following a decrease to 0.9% in 2010.

<table>
<thead>
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<th>Table 3: Poverty rates for those aged 65 year and over 2009-2011</th>
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<tr>
<td>Year</td>
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<td>2009</td>
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<td>2010</td>
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<td>2011</td>
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**Source:** CSO, 2013a

**Cost of Living**

Households' spending power is also decreasing as an upward trend in the price of essential goods and services continues. Utilising Consumer Price Indices (CPI) data, collated by the Central Statistics Office we undertook an analysis of prices between
January 2008 and April 2013. The reason 2008 was chosen as the baseline year is because the State Pension has remained unchanged since then and the budget that year was the first in a series of austerity budgets. Tables 4 and 5 below show that the vast majority of items in that time period have increased. Most notably the price of energy, with electricity increasing by 32.5%, piped gas by 25.9%, diesel by 29.1% and petrol 36%. In addition, people have had to contend with huge increases in health insurance (+108.6%) and motor tax (+39.2%).

An analysis of recent budgetary changes (Budget 2011, 2012 and 2013) shows that in conjunction with these creeping costs older people’s incomes have been further eroded by the cumulative effect of new taxes and increases to existing tax structures, reduced social welfare benefits and the loss of other benefits. The following, although not an exhaustive list of recent budgetary changes highlights those which significantly impact on older people:

**Taxes and charges**
- Introduction of household charge (€100 on all households) and the roll out of the property tax which does not include a waiver for those on the lowest incomes
- Introduction of the Universal Social Charge
- Introduction and increases in carbon tax (€15 per tonne in 2011 to €20 per tonne in 2012; introduced on solid fuels at €10 per tonne in Budget 2013, and doubled in 2014)

**Reduced social welfare benefits and cuts**
- Reductions in the value of the household benefits package (in the best case scenario, where best market rate is available, the cut amounted to a decrease of €7.07 urban and €10.57 rural in the electricity allowance monthly, a reduction in the gas allowance (calculated at €31.20 annually) and €13.10 on the monthly phone allowance
- Cut of six weeks to the fuel allowance in Budget 2012, which is an annual reduction of €120
- Loss of the bin waiver
- Reductions in the budget for the housing adaptation grant (funding cut from €54 million in 2012 to €35 million in 2013)
- Cut to the respite care grant (reduction from €1,700 to €1,375 in budget 2013)
- Changes to the number of contributions for eligibility for the State pension (greatly reducing the value of some individual’s contributory record and subsequently reduced the level of state pension (contributory) they can expect/receive)

**Increased Health and Social Care costs as a result of budgetary changes**
• Budget 2013 increased an individual’s contribution towards the cost of their nursing home bed under the nursing home support scheme for those in or planning to enter long-term residential care, from a maximum 15% of the value of the person’s main residence to 22.5%
• Introduction and five-fold increase in the prescription charge (introduced at .50c per item in 2011, rising to €2.50 per item in budget 2014)
• Increases to the drugs payment scheme threshold (€120 in 2011 increased to €132 in 2012 and to €144 in 2013)
• Reduced income threshold for the over-70’s medical card (incomes above €500 for an individual per week now only eligible for the GP visit card from 2013)

Health

Disability among older people which includes intellectual, physical and sensory disabilities is higher among the overall population, 29.5% compared with 9.3%. Among the older population disability increases with age, varying from 18.7% of 65-69 year olds to 58.6% of those aged over 85. Women are more likely to report living with a disability.

The National Disability Survey (2006) found 2.6 disabilities per person aged 65-74 and 2.8 disabilities per person aged 75 and over. For both age groups the most frequently reported disability was mobility and dexterity problems affecting 83% of people in the 75 and over age group and 70% between the ages of 65-74. Pain was the most frequently reported disability (59% of those aged between 65-74 and 48% of those aged over 75). The most commonly cited cause was arthritis 25% of those with a mobility/dexterity problem and 34% of those with a pain disability1 (Statistics Office (2006) National Disability Survey).

Chronic illnesses are responsible for 60% of all deaths in older people. Half of older people have a chronic illness compared to less than 20% of the working age population. Among those aged over 75 years, nearly 60% report a chronic illness and there is a higher prevalence in women than men. Furthermore, there are links between chronic illness and poverty, with just one fifth of people with a chronic illness or health problems at risk of poverty. The most common cause of death in those aged over 65 is cardiovascular disease followed by cancer and respiratory disease.

Consultation Questions

Structure of charges – standing charges and/or volumetric charges

Age Action believes that standing charges could pose increased financial pressures on low income households unless the charge is waived for customers on low incomes. Age Action
would be concerned that any financial supports from Government for low income customers would only go to paying the standing charge, and they would still be left with a substantial bill afterwards. We welcome the Government’s decision to reject the standing charge option. However, this will inevitably lead to higher volumetric charges for all. In order to adequately protect low income households, the protective/affordability supports should take the form of a special “low income customer” allocation of water units. We fear the value of a cash payment support (as has been proposed by Government for pensioners) would be reduced by the higher cost of water units under a model without standing charges. A similar cash payment approach to energy payments under the Household Benefits Package in recent years has resulted in the spending power of pensioners being reduced.

For the new charges to be fair, they must not penalise people who have greater water consumption needs because of medical need. Given the high level of chronic illness and disability among older people (highlighted earlier in this submission), many older people will have higher consumption needs due to greater medical, sanitation or laundry requirements. Their bills should be capped so that they never have to pay more than an older person’s household with similar occupancy levels, but without additional medical needs. The same approach should also be adopted for those with medical needs who are billed on an assessed basis.

People with medical needs which result in higher water consumption levels should be able to apply for affordability protection measures through their doctor.

Factors to form the basis of the assessed charge

Difficulties fitting meters to older homes is likely to mean that older people may be disproportionately represented among those who will be billed on an assessed charge. Both the tariff structure and the means of assessment are therefore important if vulnerable older people are to be protected.

Age Action believes that occupancy is the most suitable factor on which to base assessment. Given our concerns about older people living alone, the tariff model should also work to protect these people from higher unit costs. On this basis, Age Action believes that option 2 is the most suitable model to adopt. This protects lone residents, while also providing a greater sliding scale of categories. While this may disadvantage larger families, we believe they can be insulated from disproportionately larger bills by affordability measures which would provide larger water allocations for children.
Whether there should be a transition period from unmetered to metered charging

Age Action supports the case for a 12 month transition period for people transferring from an unmetered charge to a metered charge. We support the provision of bills every two months (in line with the approached adopted by other energy utilities) as opposed to quarterly billing. A 12 month transition period will ensure people do not receive much larger bills than when they were metered, and will give them time to adjust their water consumption behaviour.

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