



International
Water Association

Specialist Group
Statistics and
Economics

THE PRICING OF THE DUTCH DRINKING WATER SECTOR

2018

Workshop Limassol, 24th of April
Ed Smeets



International
Water Association

EDMADI BV



INTERIM-MANAGEMENT & CONSULTANCY



Content

- Institutional structure water sector
- Key statistics water supply
- Governance & regulation water supply
- Tariffs



Institutional structure water sector

Many actors because of history:

- National level
 - government – national water policy
 - Rijkswaterstaat – national water agency responsible for national water infrastructure (coastal defence, rivers)



Institutional structure water sector

- Regional level

- 12 provinces – ground water policy
- 21 water boards (since 1255!) – regional flood protection, surface water quality, wastewater treatment
- 10 water companies – water supply

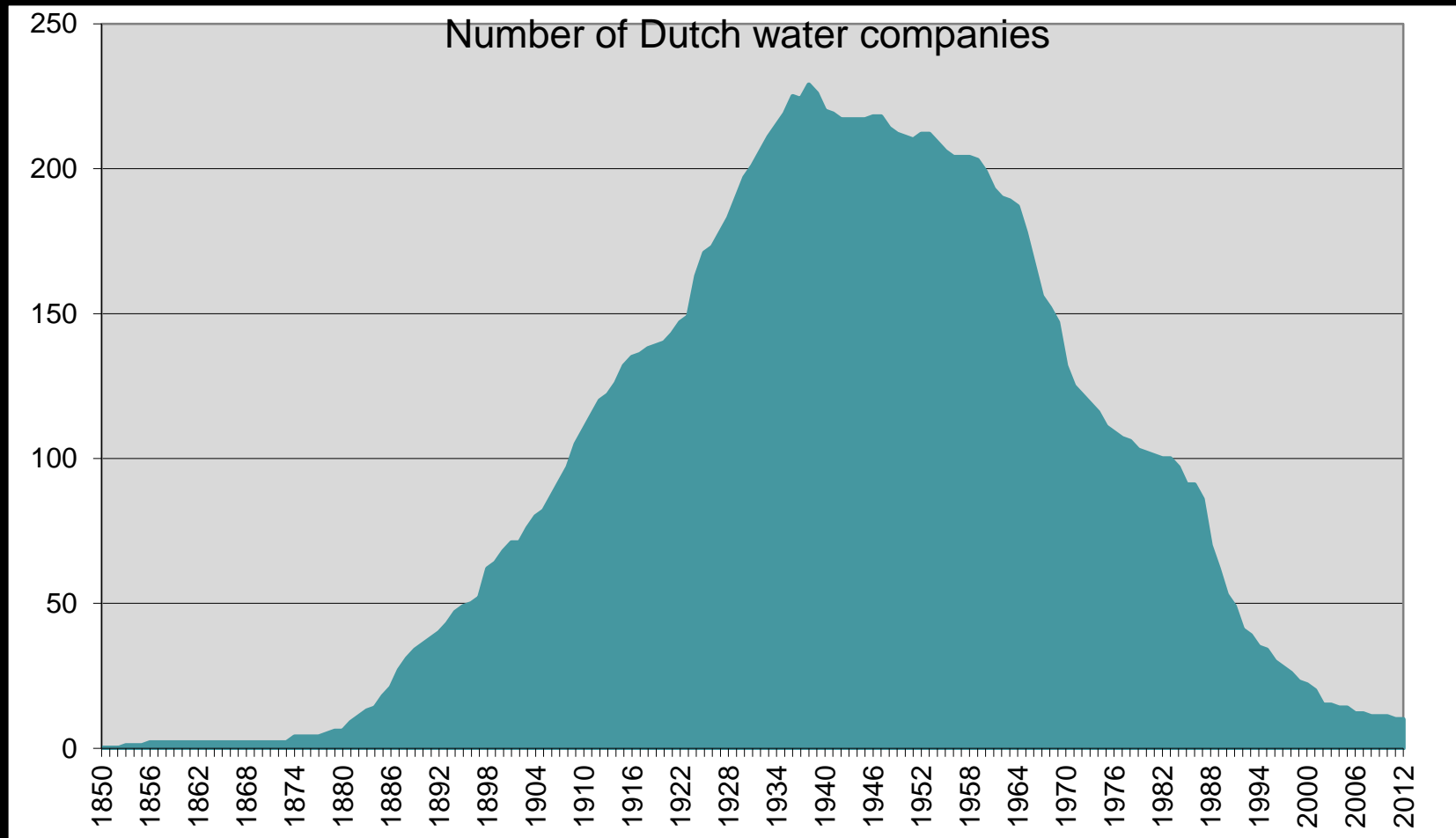
- Local level

- 380 municipalities – sewer systems



Key statistics water supply

Consolidation Dutch (drinking) water sector



Key statistics water supply

10 (drinking)
water
supply
companies
operating
at regional
scale



Key statistics water supply (2016)

Number of employees: 4856

Water production: 1150 million m³

Sources: 58% ground - 42% surface

Number of connections: 8.0 million

Distribution system: 120000 km

Household consumption: 119 litres/person/day

Turnover: 1365 million €

Investments: 438 million €



Governance & regulation water supply

Drinking Water Act (2011)

- legal mandate to (10) regional, public water utilities
- ‘private business, public owners’
 - limited liability companies under private law (except ‘Amsterdam’ water cycle utility; foundation)
 - decentralised ownership restricted to municipalities and provinces



Governance & regulation water supply

- water quality: key priority
- infrastructure is vital → risk-based supply plans to secure supply today and tomorrow
- reasonable, affordable tariffs
- full cost recovery
- limitation to equity and profit
- mandatory benchmarking



Governance & regulation water supply

- balanced supervision at two levels
 - centralised national supervision by Inspectorate of Ministry of Water:
focus on water quality/public health, continuity, finance & efficiency
 - decentralised utility governance by public shareholders:
focus on management, operational and financial performance, investment policy, tariff setting



Tariffs

Tariff setting principles

- transparent
- social responsible
 - * acceptable for costumers
 - * reliable, high quality supply for the future
 - * sustainable
- fair
 - * causer pays
 - * no cross subsidies



Tariffs

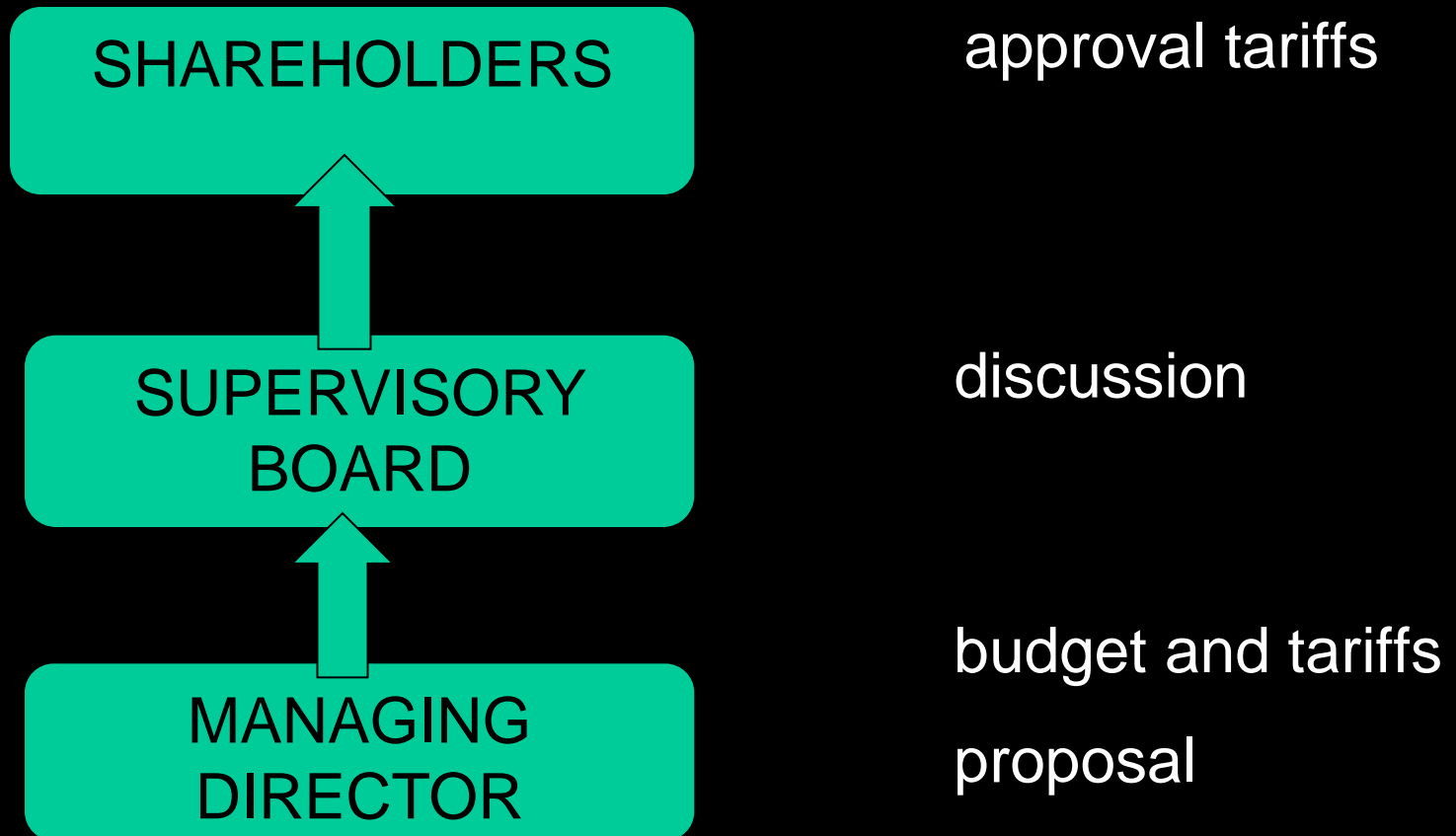
Tariff setting principles

- full cost recovery
- limitation to equity (70%)
- limitation to compensation for capital costs
(WACC = interest + net profit = 3.8% of total capital)



Tariffs

In company process



Tariffs

Structure

Households

- per m³: flat volumetric rate
- capacity/availability: flat fixed rate

Non households

- per m³: flat volumetric rate (or decreasing block rate)
- capacity: fixed rate increasing with the capacity of connection



Tariffs

Average drinking water price households (2018, €)

Fixed charge per year	:	65,-	(43,- / 86,-)
Rate per m ³	:	0,69	(0,43 / 1,24)
Taxes per m ³	:	0,51*	

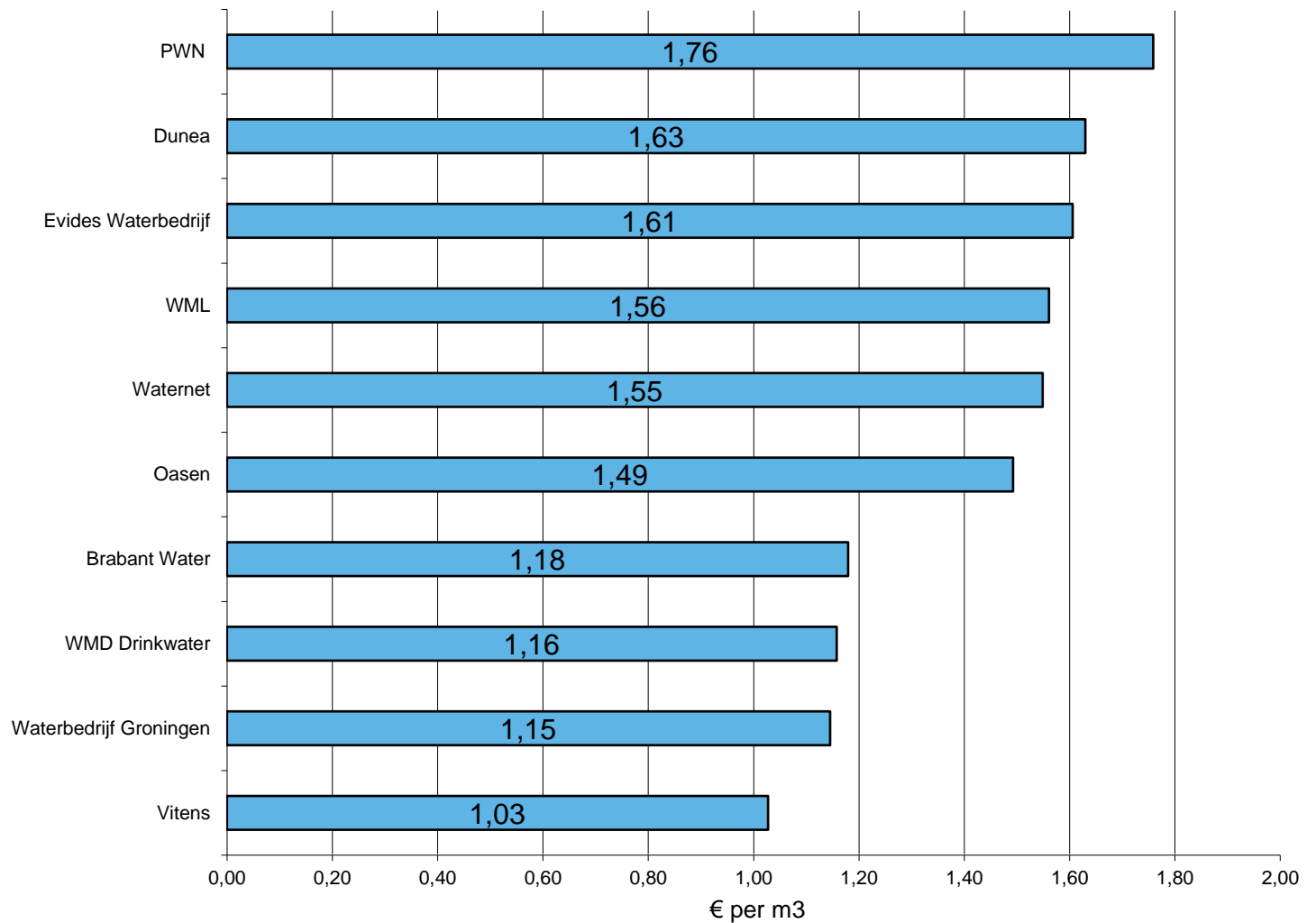
Average rate per m³ all in : 1,83

* including Tax on Tap Water (0,34/m³ for first 300 m³)



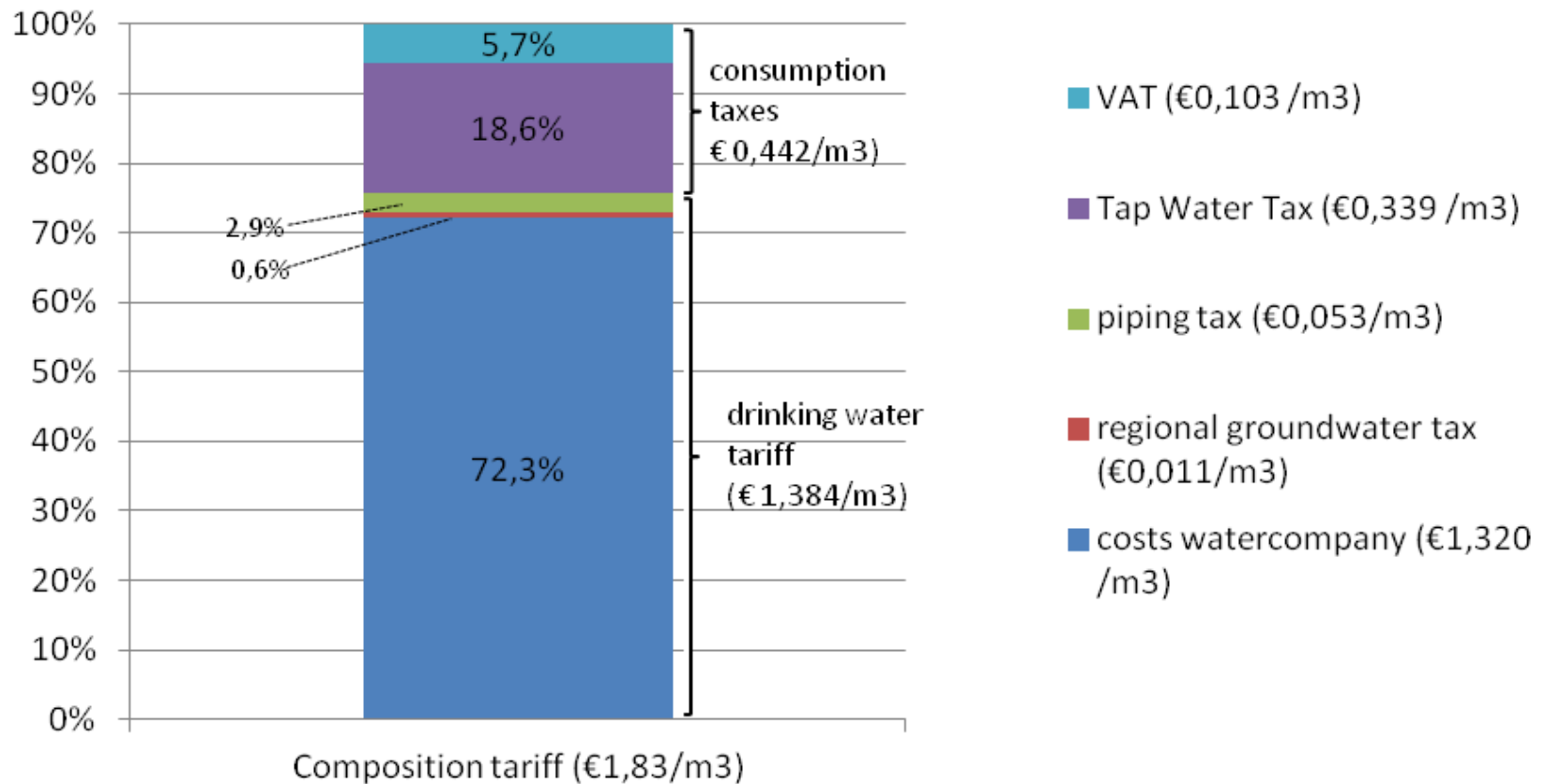
Tariffs

Price m3 average household 2018 (VAT and Tax on Tap water excl.)



Tariffs

Part taxes in average tariff households



Questions

