Water Services for Supply and Sanitation
Regulatory and Institutional Framework

The Portuguese experience on the regulation of the water services

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Zaragoza, 14 de julio de 2008

The water services in Portugal

- **The complex universe of regulated utilities:**
  - **Large number of utilities (»300).**
  - **Large diversity of dimensions and capabilities.**
  - **Large diversity of institutional models.**
- **Institutional models for the state and municipal systems:**
  - **Direct management.**
  - **Delegation (≥1998).**
  - **Concessions (≥1993).**

The purpose of regulation by IRAR
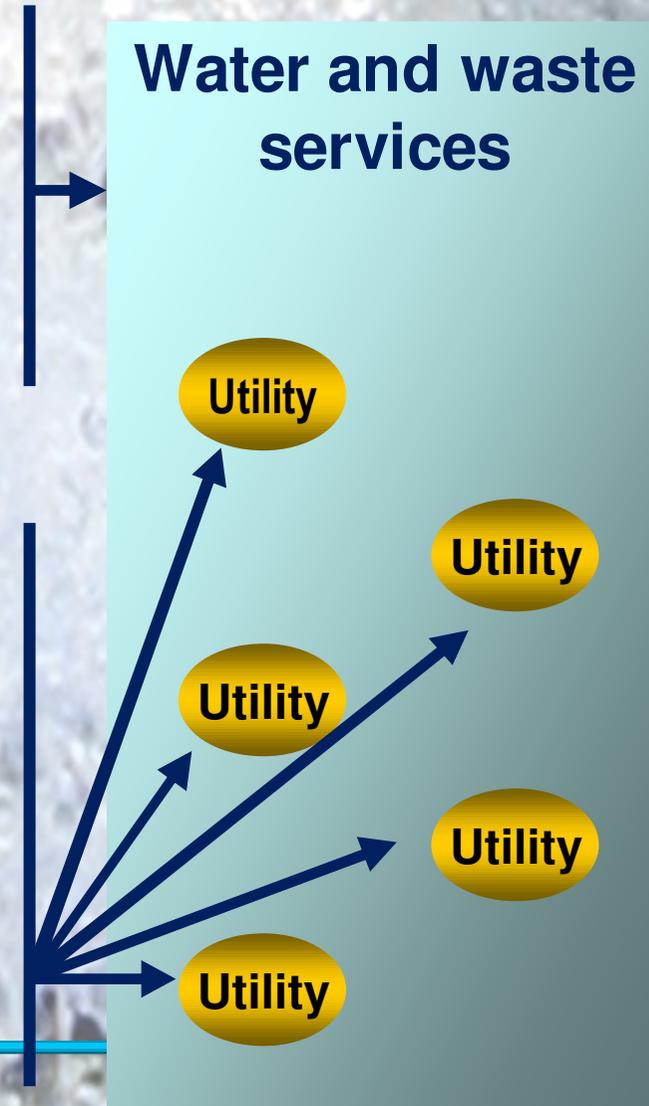
- **Protecting the user interests.**
- **Safeguard the economical feasibility of the utilities.**
- **Preservation the natural resources.**

The regulatory model

Water and waste services

- **Structural regulation of the sector.**

- **Regulation of the operators behaviour:**
    - **economic performance**
    - **quality of service performance**
    - **water quality performance**

Utility

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The structural regulation of the sector

- **The goal of the structural regulation is to define the general rules of the sector.**
- **At the level of the institutional framework of the sector:**
  - **Updating the legislation of the sector.**
  - **Monitoring the implementation of the national strategy for the sector;**
- **At the level of life cycle of the utilities:**
  - **Monitoring the tender process;**
  - **Monitoring the contractualization;**
  - **Monitoring the contractual compliance;**
  - **Monitoring the contractual modifications;**
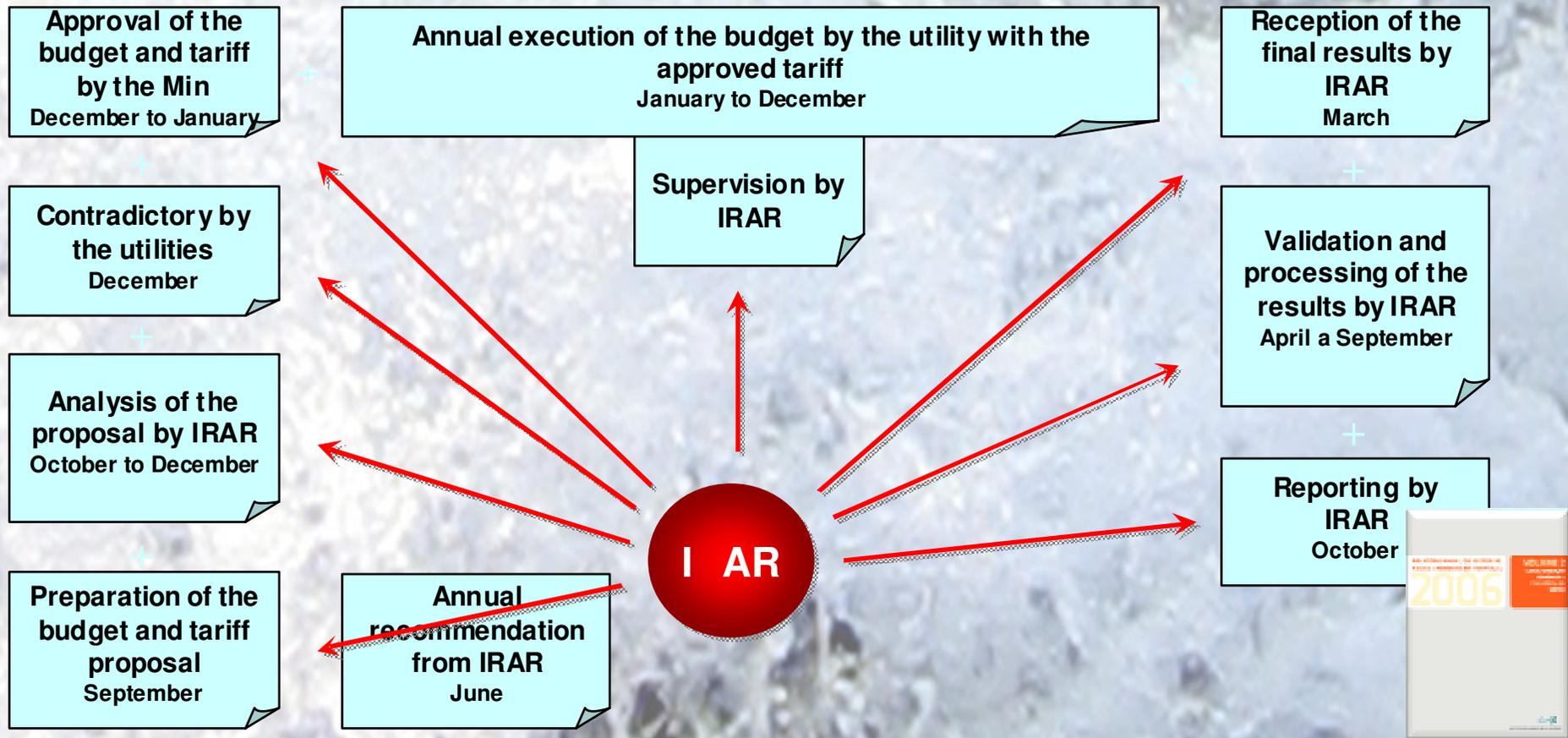 - **Monitoring the end of the contract.**

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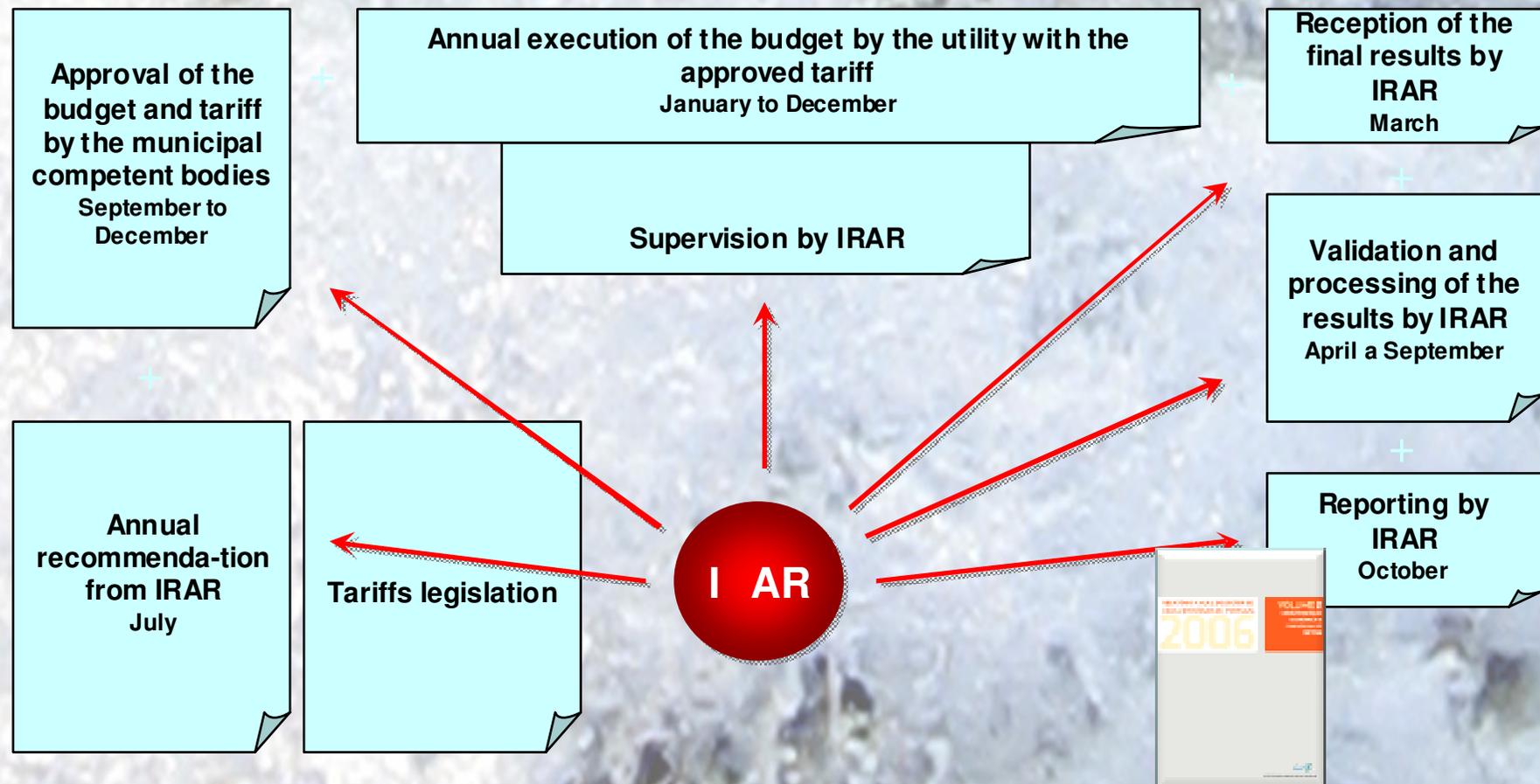
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The economic regulation

- **The goal of the economic regulation is to guaranty fair tariffs to the users and the sustainability of the utility.**
- **Annual cycle of the economic (direct) regulation of the state utilities:**

Approval of the budget and tariff by the Min
December to January

Annual execution of the budget by the utility with the approved tariff
January to December

Reception of the final results by IRAR
March

Contradictory by the utilities
December

Supervision by IRAR

Validation and processing of the results by IRAR
April a September

Analysis of the proposal by IRAR
October to December

Reporting by IRAR
October

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Preparation of the budget and tariff proposal
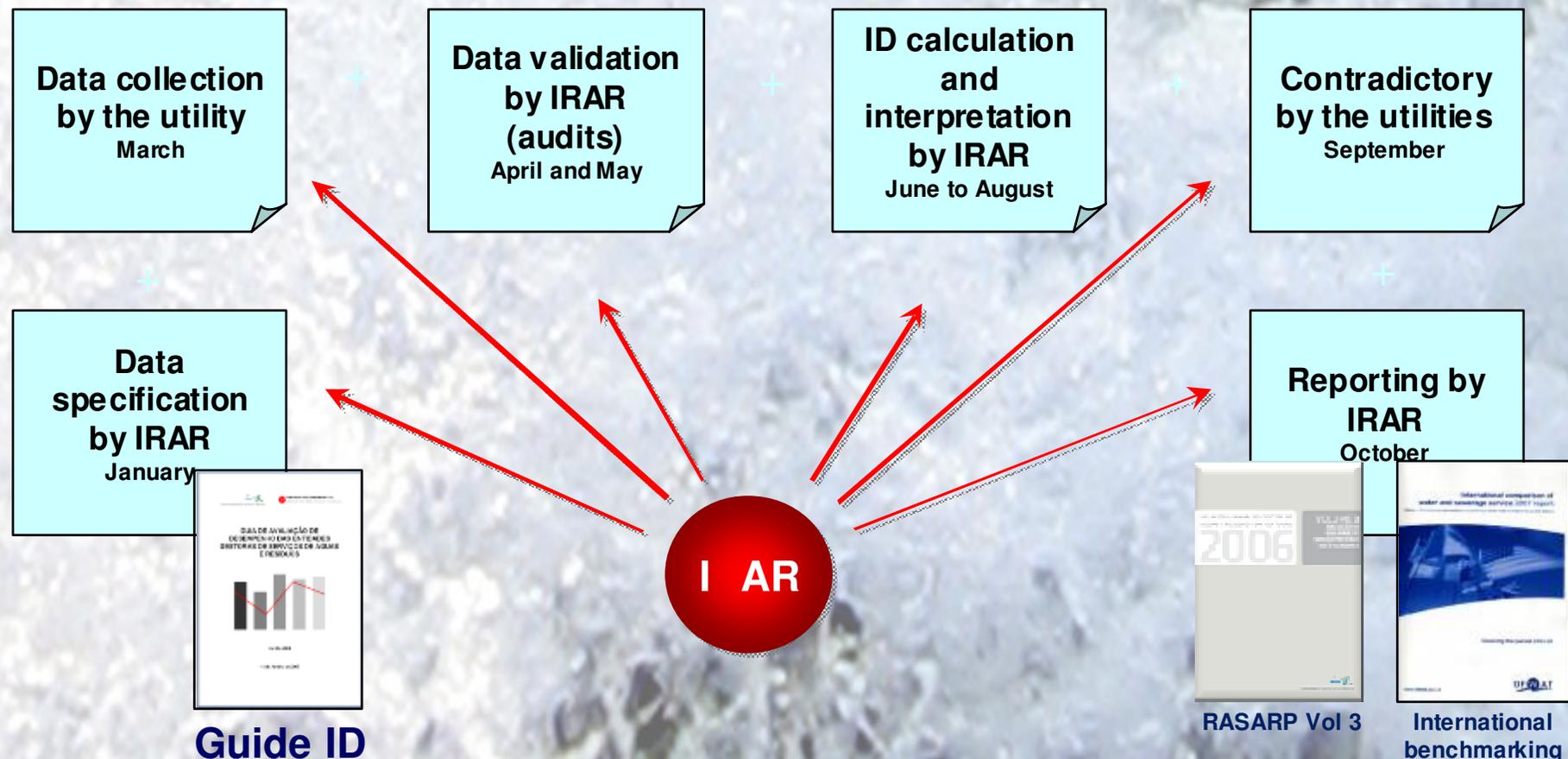September

Annual recommendation from IRAR
June

2006

The economic regulation

- **Annual cycle of the economic (indirect) regulation of the municipal utilities (due to the municipal autonomy):**

Approval of the budget and tariff by the municipal competent bodies
September to December

Annual execution of the budget by the utility with the approved tariff
January to December

Supervision by IRAR

Reception of the final results by IRAR
March

Validation and processing of the results by IRAR
April a September

Annual recommenda-tion from IRAR
July

Tariffs legislation

Reporting by IRAR
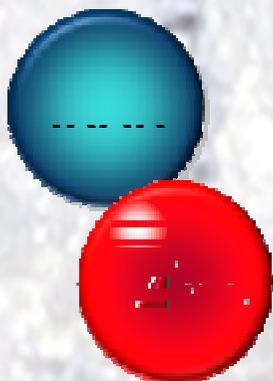October

I AR

2006

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The quality of service regulation

- **The goal of the quality of service regulation is to assess the level of service to the users and benchmark the utilities.**
- **Annual cycle of the quality of service regulation of the state and municipal utilities:**

Data collection by the utility
March

Data validation by IRAR (audits)
April and May

ID calculation and interpretation by IRAR
June to August

Contradictory by the utilities
September

Data specification by IRAR
January

Reporting by IRAR
October

I AR

Guide ID

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International benchmarking

The quality of service regulation

- **Quality of service evaluating system:**
  - **20 indicators covering:**
    - **Interface with the users**
    - **Utility sustainability**
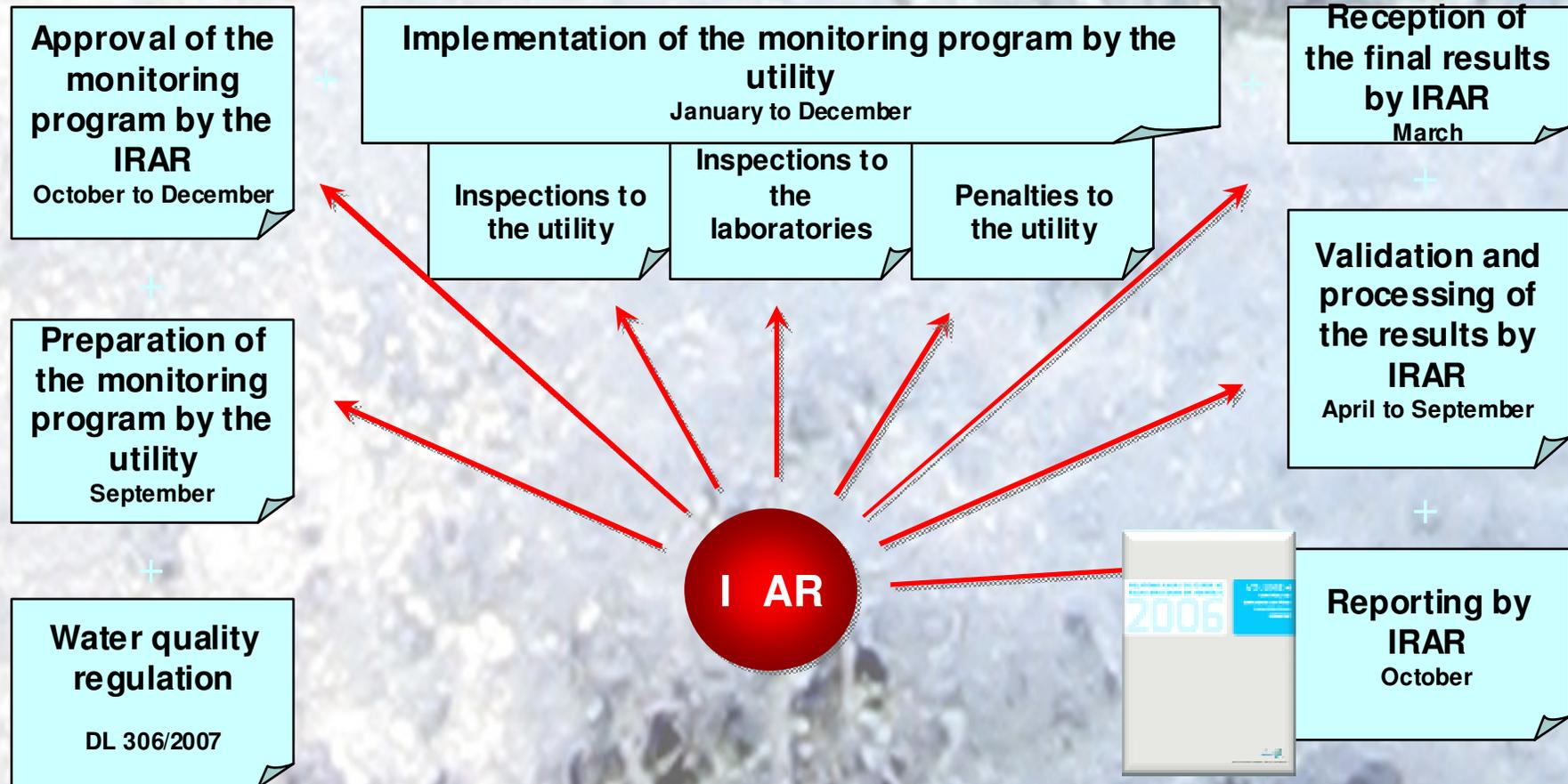   - **Environmental sustainability**

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Serviço de abastecimento de água

Acessibilidade de serviço aos utilizadores
AA01 – Cobertura do serviço (%)
AA02 – Preço médio do serviço (€/m3)
Qualidade do serviço prestado aos utilizadores
AA03 – Falhas no abastecimento (n.º/p. entrega ou n.º/1.000 ramais /ano)
AA04 – Análises de água realizadas (%)
AA05 – Qualidade da água fornecida (%)
AA06 – Resposta a reclamações escritas (%)

Sustentabilidade da entidade gestora

AA18 – Ineficiência da utilização de recursos hídricos (%)
AA19 – Eficiência energética de instalações elevatórias (kWh/m3/100 m)
AA20 – Destino final de lamas do tratamento (%)

Serviço de saneamento de águas residuais

The quality of service regulation

- **Example of the pages of the annual report RASARP with the quality of service evaluation of one utility**

- **Example of the pages of the annual report RASARP with the benchmarking for one performance indicator**

The water quality regulation

- **The goal of the water quality regulation is to assess the quality of water supplied to the users.**
- **Annual cycle of the water quality regulation of the state and municipal utilities:**

Approval of the monitoring program by the IRAR
October to December

Implementation of the monitoring program by the utility
January to December

Inspections to the utility

Inspections to the laboratories

Penalties to the utility

Reception of the final results by IRAR
March

Preparation of the monitoring program by the utility
September

Validation and processing of the results by IRAR
April to September

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Water quality regulation

DL 306/2007

2006

Reporting by IRAR
October

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Conclusion

Based on the 6 years of experience in regulation in Portugal, we can say:

- Regulation can bean important tool in the continued improvement of the water services.
- The regulatory model must guaranty:
    - participation from the stakeholders;
    - technical capacity;
    - functional independence;
    - organic independence;
    - financial independence.
- Regulation must be a modern tool of the State interference in this sector of monopolistic water services.

Zaragoza, 14 de julio de 2008