



# **COUNTRY: CROATIA**

**Council for Water Services**

Regulation, tariffs and sector performance

# Regulator characteristics

- **SUBSIDIARY REGULATOR**

- **INDEPENDENT BODY**

**9 members** ( „coming from” but not „representing” - MoAG, MFIN, MCSP, WUT Assoc., Croatian Waters, Employers Assoc., Cities Assoc., Municipalities Assoc., Counties Assoc. )

**Parliament** - to appoint members, to approve reports...

**MoAG** – to provide administrative and technical support.

- **AD HOC BODY**

- Law enacted in **DEC 2009**/Regulator became operational in **JULY 2010**
- Mandate and role (tariffs – YES, quality standards - NO, licensing - NO, consumer protection – YES, partially through tariffs, information and data gathering - YES, performance monitoring – drafting the legislation, etc.)
- Number of professional staff 1 from MoAG
- Operating budget 160.000 EUR/year

# Tariff regulation

- **SELF-REGULATION** on local level. Tariff Decision enacted by WUTs and mayors consent.
- **REGULATOR'S ROLE:**
  1. EX POST REVIEW OF TARIFFS
  2. SUBSIDIARY REGULATION OF TARIFFS
  3. DRAFTING THE MINIMUM TARIFFS CRITERIA DECREE AND BENCHMARKING DECREE
- The tariffs are reviewed/revised in average cycle of 3 to 5 years

# Process of tariff setting (1)

- ENACTING. The WUT enacts the tariff (Management, Supervisory Board or Shareholder's meeting). It does not enter into force.
- CONSENT. Mayor issues consent or requires the revision. If no reply from mayor in 15 days – the consent is deemed to be issued.
- PUBLICATION. WUT to publicise tariff on it's web pages. Tariff enters into force.
- SUBMISSION. WUT to submit the tariff to CWS with forms to document the costs to be paid through the tariff

## Process of tariff setting (2)

- REVIEW. Checking the content and form of tariff order and supported documents. The supported documents are trusted to be truthfull
- ACTION. If :
- (a) tariff is over cost recovery principle (CRP) + reasonable margin – the CWS may suspend the tariff
- (b) tariff is under the CRP – the CWS may enact the provisional tariff
- (c) tariff is in accordance with CRP – the CWS shall not make any formal decision but make the note in it's record „found no elements if illegality”
- (d) mayor misuses the 15-days deadline to stall the consent – the CWS may issue an replacement consent.

The same procedure shall apply if the tariff is dicriminatory to certain users (holiday home owners etc) or does not contain the mandatory tariff for poor citizens etc.

# Water bill

- Water tariffs (local, to WUT, M&O) WS, WWC, WWT – base tariff, tariff for poor – fixed and variable component
- VAT on water tariffs (national tax)
- Development Fee (local fee, to WUT, reallocate to water supply and waste water development projects)
- Water Consumption Fee (national fee, to CW, reallocated to water supply development projects)
- Water Pollution Fee (national fee, to CW, reallocated to waste water development projects)
- (Bulk water tariff is out of „general” tariff)

# Two additional roles of CWS

- **DEVELOPMENT FEE REVIEW.** DF can be enacted by local govt. councils. If DF is under the needs to finance the local share in national component to finance EU projects the CWS may (a) extend the DF obligation payment to all local units (if 50% is already paying) and/or (b) equalize the DF in service area (if unequal in different local govt. units).
- **BULK WATER TARIFF REVIEW.** Contract to be entered between provider and recipient \* Subject to mandatory rule: „ the tariff cannot exceed the production costs + reasonable costs of delivery”
- If the tariff breaches the mandatory rule the CWS may issue the provisional replacement tariff until the decision of the court.

# Performance monitoring

- CWS to draft the Benchmarking Decree and to propose it to the Govt.
- Performance indicators and data to be submitted to MoAG (no organized evaluation, processing of data, or back up!)
- Water Act Ammendments of 2013. rule: „All WUTs to submit to audit”



# Successful initiatives and remaining challenges

- **2-3 examples of successful regulatory initiatives:** (1) The tariff is divided in fixed and variable component (100%). (2) The CRP is respected in 70 to 80%. (3) The tariff for poor is applied (100%).
- **Main 2-3 challenges to effective regulation:** (1) The strong political opinion against creating new bodies or agencies (2) Fragmented WUTs, many of them hardly expected to meet all legal requirements (CRP in first place)
- **Ongoing or planned regulatory initiatives or changes:** (1) Transforming the CWS into permanent body financed by WUTs (2) New benchmarking system to be put in place (3) New model of tariff setting