

# Water Service Industry

## 1. Background:

Increasing access to improved drinking water is one of the Sustainable Development Goals. According to the Demographic and Health Survey- 2016, Department of Census and Statistics, 90 percent of households have access to improved drinking<sup>1</sup> water. The balance, approximately 10 percent of the households used water from sources said to be unimproved. The main water service utility National Water Supply and Drainage Board (NWSDB) provides water service in authorized areas. During dry season the water levels in irrigation schemes go down which results seasonal water shortages. When water is limited in the source itself there are no options to provide continuous supply of water for the customers. The options such as sea water desalination may need consideration to reach continuous supply on sustainable basis.

Water Service includes provision of pipe borne water supply from a public water supply system in any urban or rural area including the provision of water through water bowser and includes public sewerage services. Water Services do not include irrigation water and bottled water. There is no intention to discuss on irrigation and bottled water related issues during this consultation, because the Public Utilities Commission of Sri Lanka does not have a mandate to work on those areas. In case of sanitation, only sewerage service comes under the purview of Water Service.

Government expects to introduce a regulatory framework into the Water Service industry. A regulatory framework is necessary to protect consumer interest and attract more investment into the Water Service industry by introducing regulatory fundamentals of consistency, transparency, prudence in water sector decisions. This is because the pipe network of a water supply system displays the features of natural monopoly whereby it is less costly for a single provider to supply services. As a result, customers are unable to choose between competing water suppliers. In such circumstances, unless there is regulation, the service provider will be tending to charge higher prices for providing services at low quality. Thus, economic and technical regulation is necessary to safeguard consumer interests.

## 2 The Objective of the Consultation:

The objective of this consultation is to create a discussion on burning issues in the Water Service industry which will provide the platform for the designing of an appropriate regulatory framework. For the purpose of understanding “Regulation” can thus be defined for this purpose as a set of functions that consist of ensuring that water and sewerage service providers comply with rules and regulations mainly on tariff and quality standards. The objective of the modern day regulation is to incentivize operators to perform innovatively which is contrary to the Command and Control Regulations. The Regulator as well as the operator, both are bound to implement policy decisions set by the Ministry of City Planning and Water Supply.

In view of streamline the discussion; three areas have been identified for the general public to give comments. The public comments on identified areas will provide evidence to design the appropriate

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<sup>1</sup> Improved source of drinking water include piped water, public taps, tube wells, protected wells, semi protected wells, rural water supply projects, bottled water. Because the quality of bottled water is unknown, households that use bottled water for drinking are classified as using an improved source only if their water source for cooking and hand washing comes from an improved source.

regulatory framework, regulatory tools and policy advice to the Government. Hence, specific, progressive comments are invited on following areas:

### **2.1 Access and Adequacy of Water Services**

Access to water and sanitation is crucial for enhancing the livability of Sri Lankans who live in both urban and rural areas.

- Issues relating to obtaining the required amount of water for your domestic or industrial purposes and solutions if any,
- Issues you encounter with Water Supply due to seasonality and availability of the water in water source and solutions, if any
- Access to a sewage system which is currently limited only to city limits. Importance of having a sewage system extending into sub-urban areas where most people live.

### **2.3 Water Quality and Service Quality**

In regulation, price and product & service quality go hand in hand. Because, when the revenue is approved by the regulator, there is a possibility that the operators maintain their profit margins at the expense of product and service quality. Hence price and product/service quality at the consumer end is the core activities in regulation.

- If there is a formal water supply provided by a formal supplier i.e. NWSDB what are the issues that you encounter with regard to the water quality and service quality?
- What is your general perception on chlorination of water for disinfection?
- Have you ever made any complains to your formal service provider on issues relating to water quality or service quality? If yes, do you satisfied with the redress you received from service provider?

### **2.4 Affordability and Willingness to Pay:**

As utility consumers, the true cost of services needs to be borne by the consumers. Vulnerable consumers need to be protected through Social Safety Nets which ensure the minimum water requirements. If there are several service providers in the market, price will be determined by the Market. However when there is only one service provider, the price to be charged by the service provider may need scrutiny from an independent party who will ensure that consumer is paying “no more than cost as well as no less than the cost”.

- As a percentage of income, how much you are willing to pay for water and sewerage service with reasonable quality?
- Do you see a role to be played by an independent regulator in case of approving water and sewer rates to be paid by the consumer?
- Do you agree with the concept that true cost of utility services is to be borne by the respective utility customers and not by the all citizens of the country who pay taxes to the Government?
- Effectiveness of the effort that you made to conserve water to minimize the water bill. Using quality water fittings even at a higher price, obtain service of recognized/licensed plumber when installing your water system etc.