

Online Workshop

Water and Sanitation Services Aggregation: From Expectations to Achievements in Selected Countries

15 September 2021

Joint online event organised by WAREG and the Florence School of Regulation's Water Area, hosted at the Robert Schuman Centre, European University Institute

Introduction

Network industries are characterized by increasing yields, and, as such, water and sanitation (WS) utilities that produce larger outputs have on average lower unit costs than utilities which produce smaller outputs. This relationship appears to be present in the WS sector around the globe and is one of the main arguments in favor of utility aggregation, defined as “the process by which two or more service providers consolidate some or all their activities under a shared organizational structure, whether it implies physical infrastructure interconnection or not” (World Bank, 2017). The expectation of cost savings from aggregation is supported by a large number of economic studies since the late 1960s, underlining the potential for economies of scale and scope.

Following these prescriptions, and in an attempt to increase WS services efficiency, many countries in Europe, Africa and Latin America have recently embarked on a reform path to aggregate their WS utilities. Did those aggregation reforms and processes always achieve the expected outcomes? If not, why didn't the awaited benefits materialize in practice? What are the actual achievements of these reforms? Furthermore, what could be the role of WS regulators in the design, the implementation and the monitoring of such reforms? These institutions routinely collect key data on utilities that can be of great relevance to inform the design of aggregation in terms of accurate scale and scope, taking into account the local context. Regulatory mechanisms can be used to incentivize aggregation processes implementation. Finally through the regular monitoring of performance indicators, regulators can also provide information on the recorded outcomes and benefits of aggregation. This regular monitoring is a crucial asset to facilitate accountability toward shareholders and customers as improvement can be steadily demonstrated over time.

Draft Programme

Welcome & Introduction

10:00 - 10:10 Introductory words by FSR and WAREG

Session 1 - Keynote speeches

10:10 - 10:20 *Keynote speech 1: From concepts to expected outcomes, what role can regulators play in aggregation reforms?*

Maria Salvetti | Florence School of Regulation, Schuman Centre, European University Institute

10:20 - 10:30 *Keynote speech 2: Performance consequences of water utility aggregation: the role of structure and behavior*

Michael Klien | Austrian Institute of Economic Research

10:30 - 10:40 Q&A Session

Session 2 - Aggregation case studies: from expectations to achievements, moderated by Rita Amaral | LIS-Water

10:40 - 10:50 *Romania*

Alexandra Lungu | Romanian National Regulator for Public Services

10:50 - 11:00 *Scotland*

Alan Sutherland | Water Industry Commission for Scotland

11:00 - 11:10 Discussion

Session 3 - Aggregation case studies: the perspective of the operator, moderated by Konstantinos Sideris, | Florence School of Regulation, EUI

11:10- 11:20 *Scottish Water: taking stock - nearly 20 years after the aggregation*

Barbara Barbarito | Scottish Water

11:20 - 11:30 *ALIA SpA: on the road to aggregation*

Alberto Irace | ALIA SpA

11:30 - 11:40 Brasov and Raja Constanta case studies

Teodor Popa | International Water Association

11.40 - 11.50 Discussion

Concluding remarks

11:50 - 12:00 **Andrea Guerrini** | ARERA and WAREG, and **Maria Salvetti** | Florence School of Regulation, European University Institute