

## PRESS RELEASE

### **The CNMC publishes a study on how to improve the regulation on urban water and wastewater services**

- Efficient water management is essential in our country, given the scarcity of this natural resource.
- The presence of market failures requires public administrations to be involved in these services.
- Since 2007, urban water leakages amount to 25% every year.
- The CNMC analysis proposes solutions to enhance efficiency in the provision of urban water services.

**Madrid, 6<sup>th</sup> March 2020-** The CNMC (National Commission on Markets and Competition) has published a market study on urban water and wastewater services ([E/CNMC/07/19](#))

Urban water and wastewater services are essential for life and for the development of economic activities. As a result, their efficient and sustainable management is essential for the general well-being, especially when water is as scarce a resource as it is in Spain.

The CNMC report notes that nationally, since 2007, the percentage of unregistered water (URW)\* has fluctuated around 25%. Most of this corresponds to real losses (16.34% in 2016) that take place in the distribution network; in other words, to water leaks and breaks in the distribution network and connections.

The CNMC believes that the preparation of the [Green Paper on Water Governance in Spain](#) by the Ministry for the Ecological Transition and the Demographic Challenge offers an opportunity to assess the reforms needed to ensure the efficient and sustainable provision of water and wastewater services in cities.

### **Room for improvement**

The CNMC study identifies several areas where these services could be provided more efficiently:

- The dearth of information available prevents having an accurate picture of this sector. More information would lead to public tenders for urban water services being better designed, executed and monitored.

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- Provision of services to several municipalities: although there are already many municipalities that have joined together to provide water and wastewater services, in many cases, these groupings are likely to be insufficient. International experience shows that services can be provided at a lower cost if their scale is increased. Given the small size of most Spanish municipalities, it may be necessary to continue expanding the scale of the service so that it is provided jointly to several population centres.
- The non-recovery of costs related to water services: this has important implications to the sustainability of the service and creates production and consumption inefficiencies.
- The inadequate and inefficient design of tariffs, which does not take into account the economic characteristics of these services or of a resource as scarce as water. The regulation of the urban water cycle gives rise to a huge variety in terms of who provides the service, and who sets prices and oversees them, and how. This translates into a large disparity in the design of tariffs that, in general, does not incentivise desirable behaviours, such as saving water.
- The absence of instruments that facilitate what is known as “yardstick competition”, which would allow consumers to know which operator is performing better thanks to the publication of rankings. These measurement systems exist in neighbouring countries, such as England, Germany and Portugal, and increase competitive pressure on monopoly operators.
- Activities such as the installation, maintenance and reading of water meters leave room for more competition.

As a result, the CNMC is making a series of recommendations to improve how **urban water and wastewater services** work:

- Systematically collect and publish information on the urban water cycle.
- Restructure the organisation of urban water and wastewater services as required to make them more efficient.
- Use benchmarking tools to let citizens know which operator is more efficient, which should translate into a better service.

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- Develop a common reference methodology to design efficient and pro-competitive rates.
- Eliminate unjustified barriers to competition in the markets for installing, maintaining and reading water meters.
- Review the governance of the urban water cycle by taking advantage of the fact that the Ministry for the Ecological Transition and the Demographic Challenge is preparing the Green Paper on Water Governance.

The CNMC is the independent regulatory body of the markets that guarantees and promotes the existence of effective competition for the benefit of consumers and users. This Study was carried out in exercise of the powers stipulated in Article 5.1.h) of Law 3/2013 of 4 June, which created the CNMC.

[\(E/CNMC/07/19\)](#)

\*The difference between the volume of water supplied to the network and the volume of water registered and distributed is the volume of unregistered water (URW).

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