

# Benchmarking and price cap in Denmark

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# The Danish water- and wastewater sector

- Non-profit companies
- Since 2010 companies > 200.000 m<sup>3</sup> in addition regulated by price cap.

## Water

- Approx. 2500 companies, mainly small cooperatives.
- Approx. 100 larger companies serving cities and part of rural areas – primarily owned by municipalities.

## Wastewater

- 104 companies under price cap.
- Owned by municipalities.

Currently some consolidation of sector.



# DANVA Benchmarking

- Started with a pilot-study by DANVA and a group of companies in 2001
- Voluntary program targeting companies wanting to benchmark on a broad range of areas within water and wastewater:
  - Cost (operational and capital cost)
  - Service
  - Quality
  - Customer satisfaction
  - Environmental impact
- Objective: Support efficiency improvements in companies
- Confidential towards non-participants
- Public report for external stakeholders made every year since 2004
- International benchmarking - co-founder of EBC.



# Products

## Online data reporting system

- Updated data at all times
- Online quality control
- Data available for all participants.

## Key performance indicator reports

- Overview for management
- Details for specific areas

## Detailed benchmarking

- Small group of companies comparing figures and processes at a detailed level.
- E.g. subdivision of administrative cost.

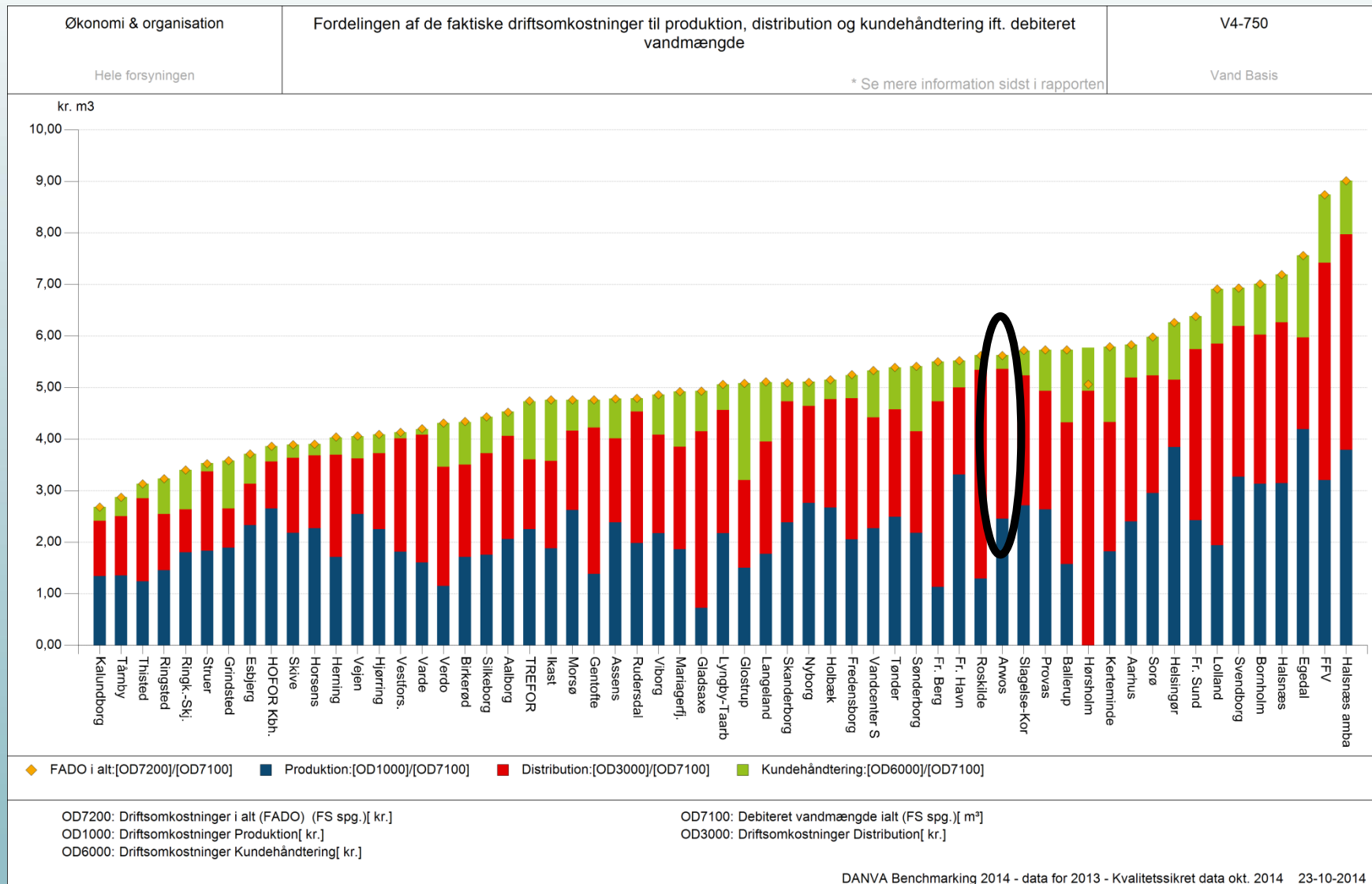
## IBEN – easy use of advanced benchmarking models

- Making different companies more comparable
- Performance on various processes
- Is my company the right size
- Analyses of regulators assessment.

## Sector analyses

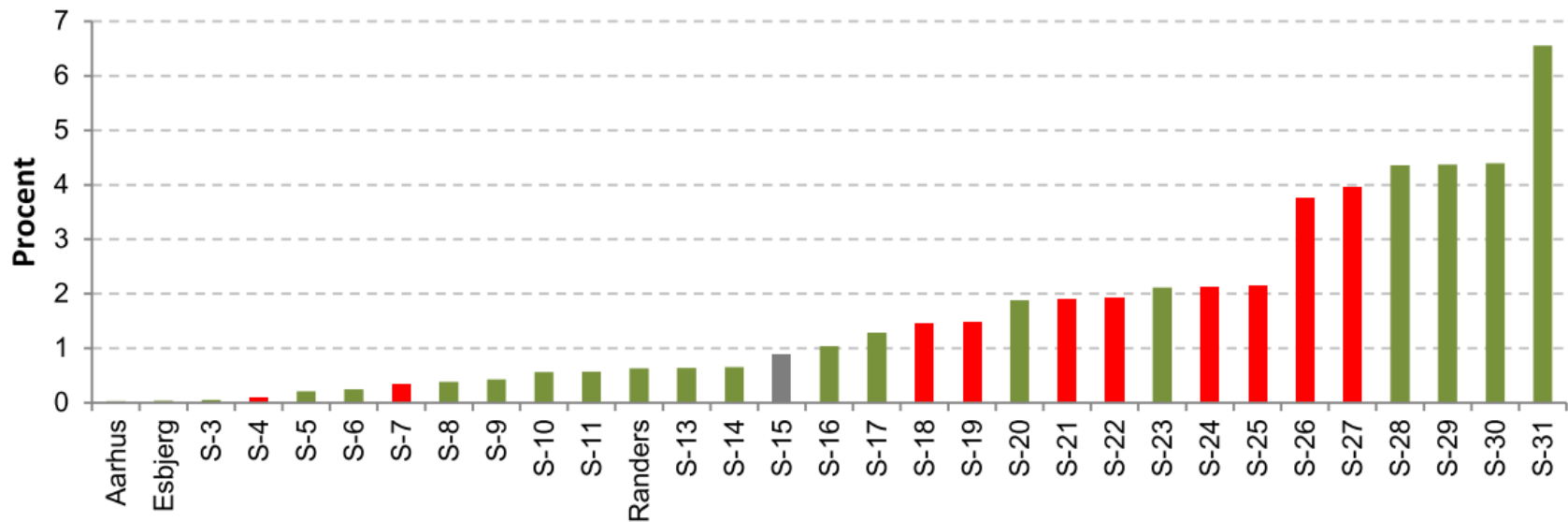
- Overview on specific issues
- Finding best practices/companies doing well

# DANVA Benchmarking – graphics:



# Losses on unpaid bills

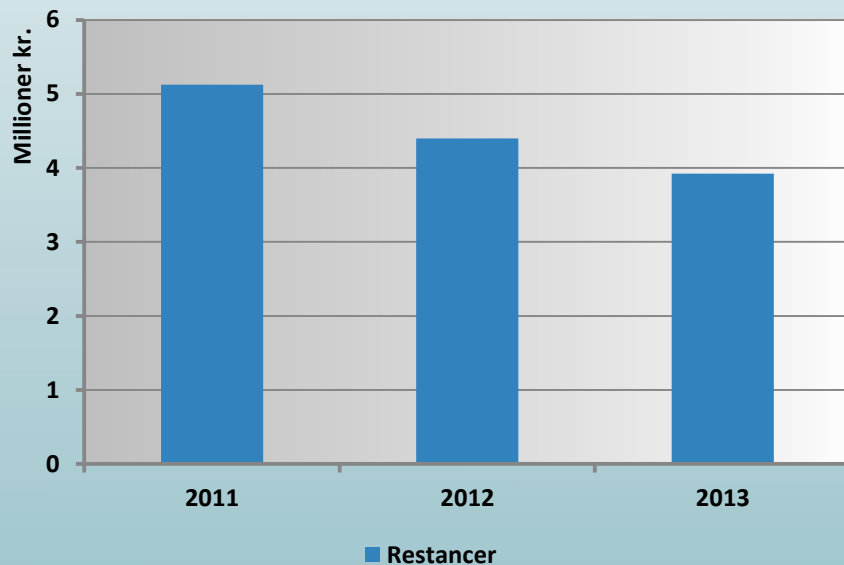
Panel A - Spildevandsselskaber



- Danish water companies loose € 13 mill. each year
- If they all were closing for the water in case of unpaid bills losses would be cut to € 8 mill.
- If they all were applying an active policy against unpaid bills losses could best case be minimized to € 0.5 mill.

# Development in unpaid bills

## Water



## Wastewater

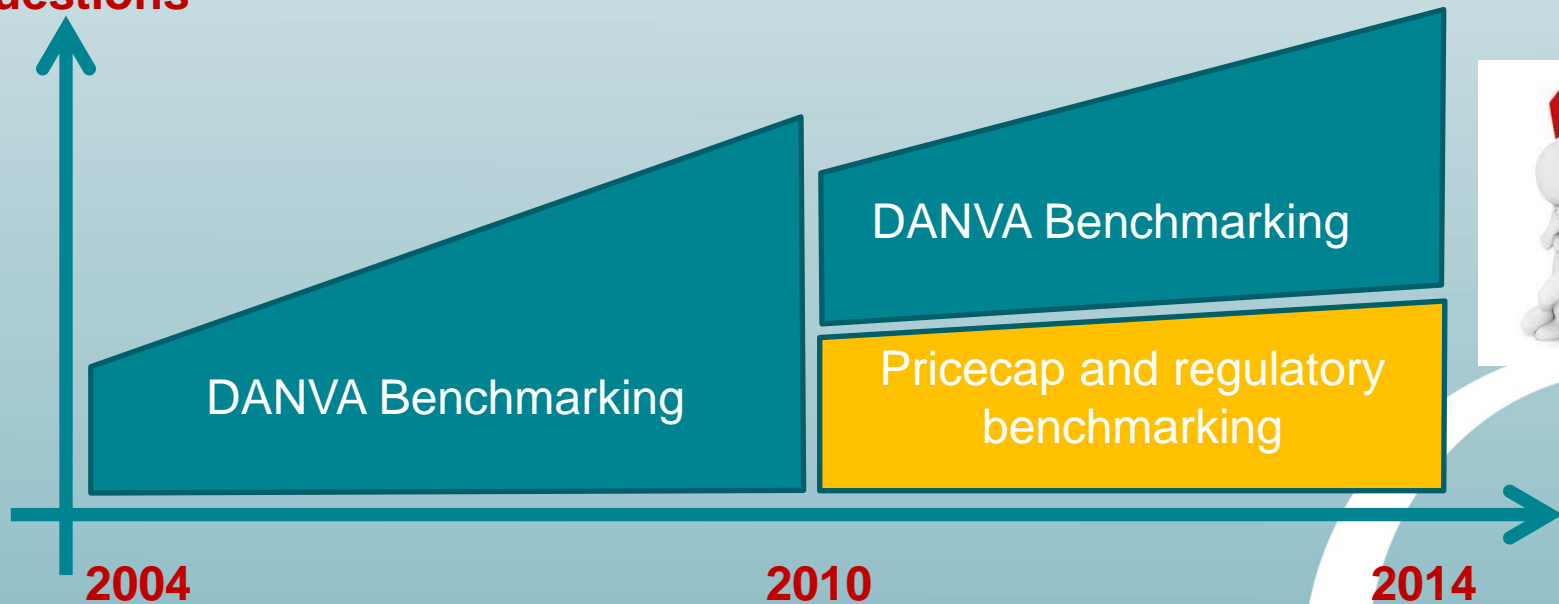


- Sludge for use in agriculture, 2013
- Sickness absence, 2014
- Investment strategies, 2014
- Next: financial strategies, 2015

# DANVA Benchmarking

- 1999: First start of DANVA Benchmarking – developed by the utilities
- 2004: DANVA Benchmarking on-line
- 2010: Pricecap and regulatory benchmarking

Number of questions





# Water sector reform

- Municipal utilities separated from general public administration into public owned companies 1st of January 2010.

## Price cap with efficiency targets

- Average operational cost 2003-05 + inflation – general efficiency demand – individual efficiency demand.

## Regulatory benchmarking

- Development of regulatory benchmarking model started in autumn 2009.
- First benchmarking results for regulation in summer 2011
- Revised benchmarking model in 2012 and 2014
- Currently review of water sector reform act

# Regulators model - water

Cost driver	Drillings	Waterworks	Mains	Booster stations	Pipes	Customers
Unit	m3	m3	Km	Number	Number	Number
Detailed drivers	Water	No treatment	Countrys ide + towns	0-50 m3/h	Countrys ide + towns	Water gauges
		Normal treatment	City and inner city	1-100 m3/h		
		Expanded treatment		101-200 m3/h		
				201-600 m3/h		
				601-max m3/h		

# Pricecap // performance benchmarking

## DANVA:

The economic regulation of the water sector should be

- simple
- transparent
- involve the water companies' board of management

The regulation should make use of the knowledge and expertise that exist in the water companies and their boards, to ensure continuous efficiency improvement in the sector.

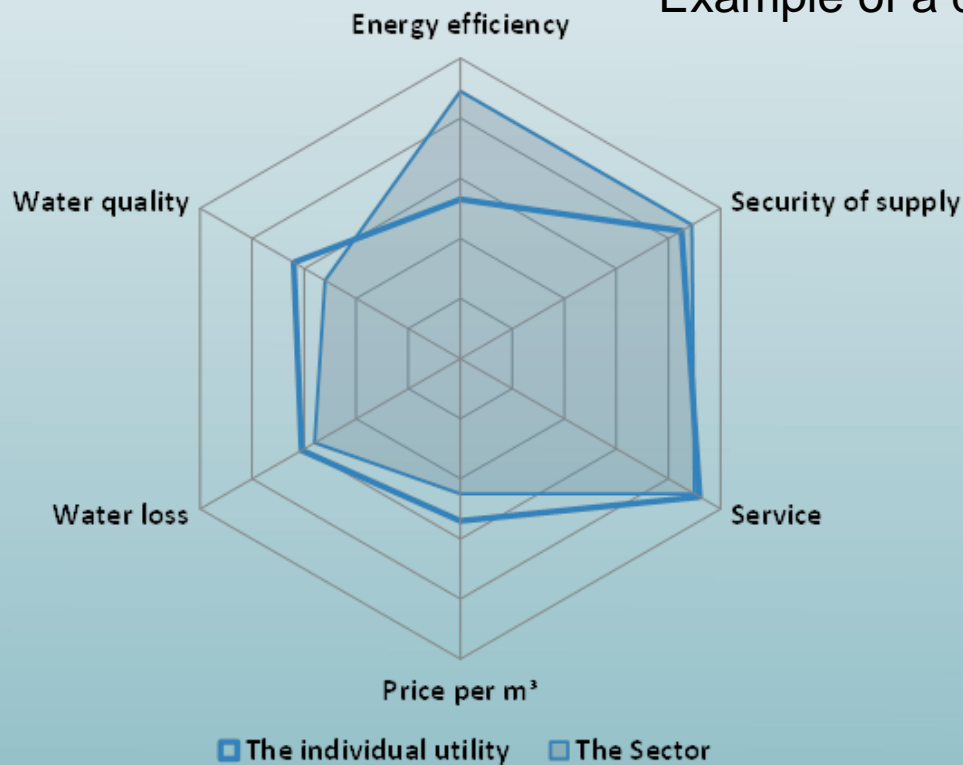
# Pricecap // performance benchmarking

## DANVA:

- The economic regulation with pricecap has proven to be far too bureaucratic without giving precise or appropriate framework conditions for the individual water company.
- The pricecap should be replaced by a model where the responsibility of the company economy is fully placed in the companies' boards and managements
- All water companies should perform a transparent performance-benchmarking

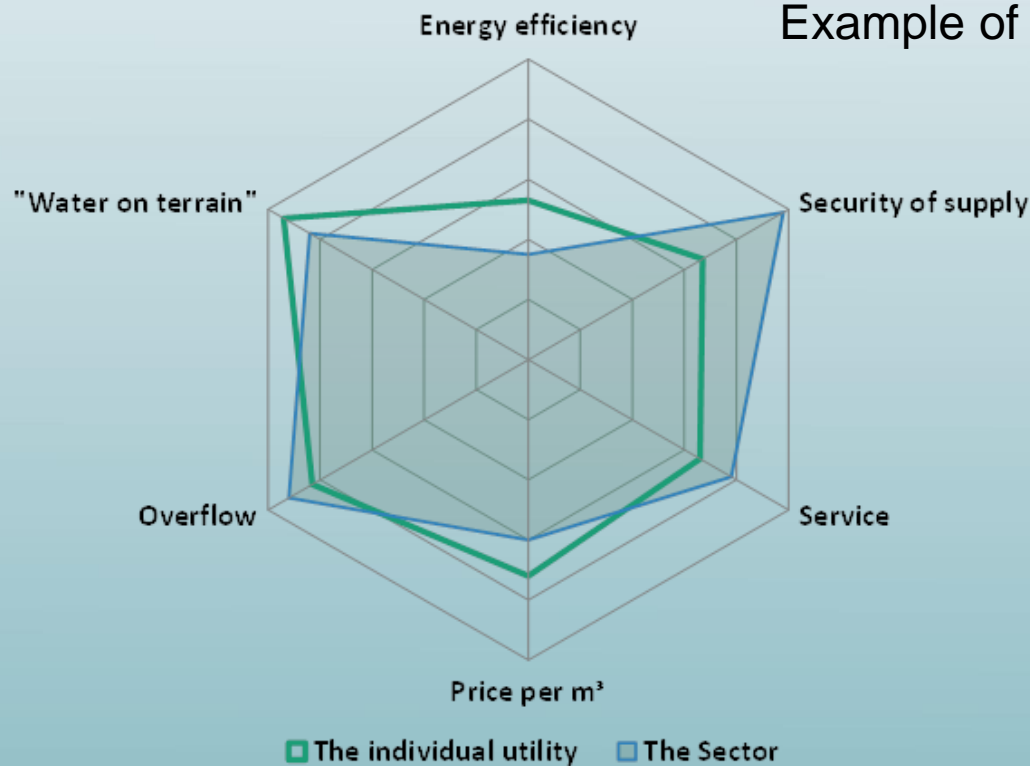
# Performance benchmarking – for example:

Example of a drinking water company

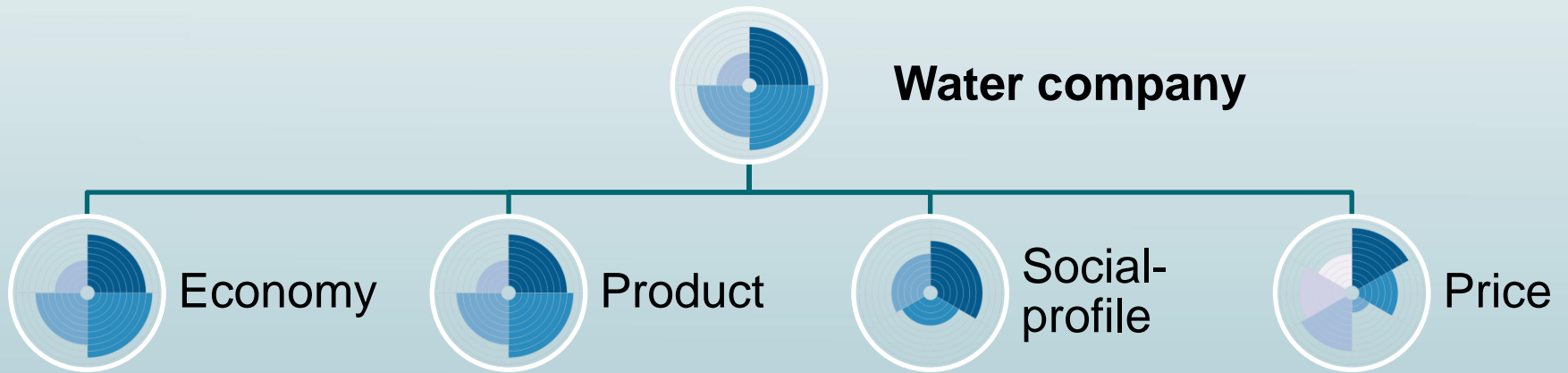


# Performance benchmarking – for example:

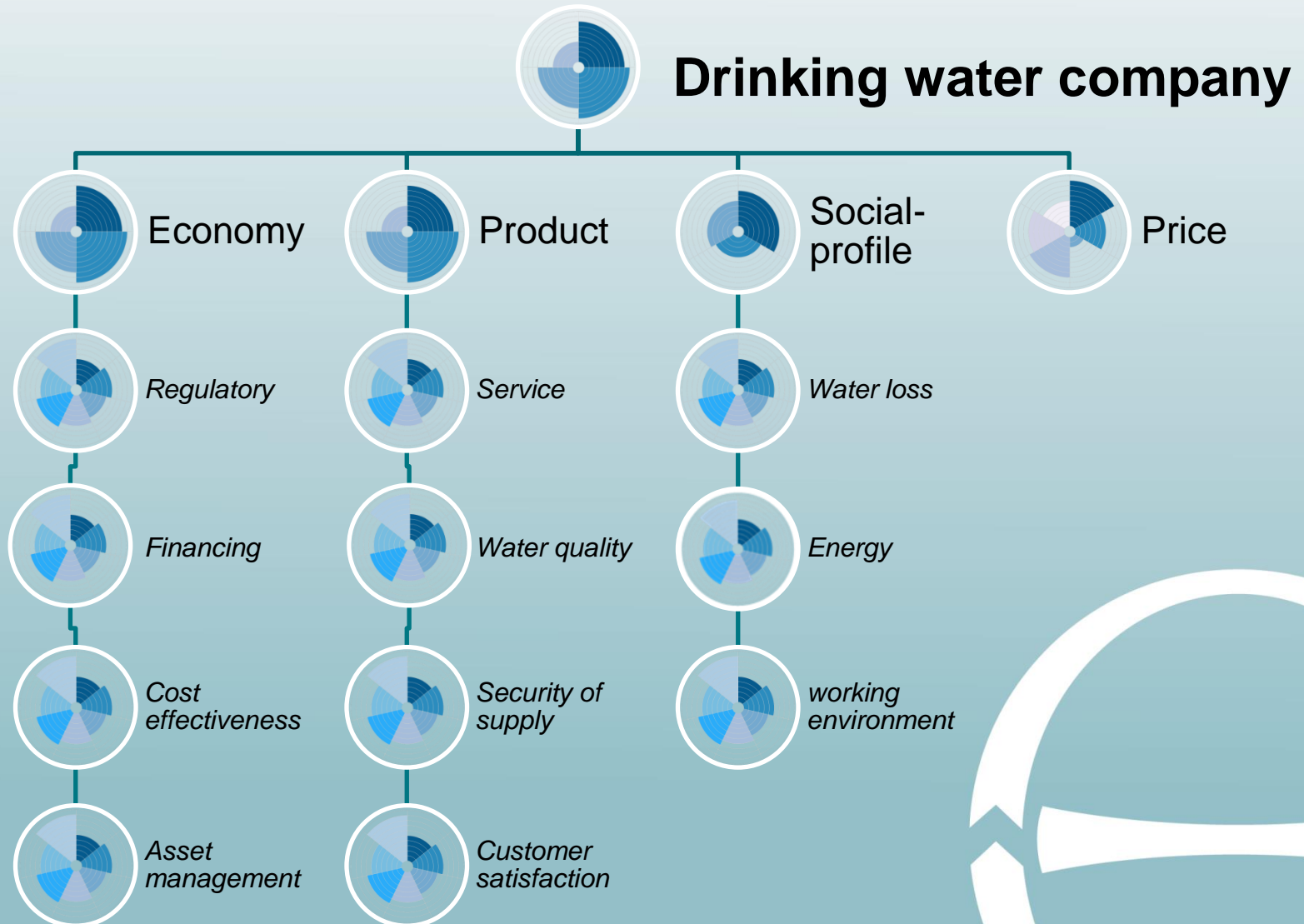
Example of a wastewater company



# Benchmarking - instead of a central regulation?



# Benchmarking - instead of a central regulation?





# ● Transparency - Water tariffs in Europe

<http://www.danva.dk/Presse/Tal-og-analyser/Vandpris-i-Europa.aspx>

