

## TS2A: Gather operators' tariff revenues, costs, and consumer willingness and ability to pay

REGULATORY FUNCTION: TARIFF SETTING		TS2A
<b>OBJECTIVE TS2</b> Compliance with approved tariffs and performance is monitored through financial and operational information received from operators	<b>ACTION CARD TS2A</b>  <b>GATHER INFORMATION ON OPERATORS' TARIFF REVENUES, COSTS AND CONSUMER WILLINGNESS AND ABILITY TO PAY</b>	
<b>COST:</b> Medium <b>FREQUENCY:</b> Regular <b>TARGET GROUPS:</b> Regulators, service operators, consumers, civil society		
<b>DESCRIPTION</b> Irrespective of the tariffication model, regulators regularly collect information about tariff revenues, operator costs, and when possible, consumer willingness and ability to pay. This information is used when adjusting future service prices. Rather than gathering it through random checks which require more resources, regulators establish and promote transparent procedures for operators to share relevant operational costs and revenue data, information, and forecasts of future economic and financial scenarios. Such procedures should be templated, and in most cases presented through interactive digital platforms which are more convenient for operators, encouraging them to regularly provide the required information.		
<b>EXPECTED OUTCOMES</b> <ul style="list-style-type: none"> <li>• Regularly updated information on the operators' economic status and forecasts is publicly available.</li> <li>• Consumers are informed about the tariff structure and required adjustments.</li> <li>• Information about consumers' financial capacity to purchase alternative or upgraded services is analysed and shared.</li> </ul>		
<b>EXAMPLE 1: KENYA</b> In <b>Kenya</b> , the national regulator WASREB specify the following within its service provision agreements. <ul style="list-style-type: none"> <li>• The provider shall maintain a dedicated bank revenue account for tariff revenues collected from customers, and this revenue shall not be mixed with revenue from other sources.</li> <li>• The provider shall use the tariff revenue solely for the purposes of providing services, maintaining facilities and meeting any debt service obligations on loans taken for providing services, but may also use it to finance renewal and development according to expansion of service area as agreed with the water service board.</li> <li>• From the revenue account, the first payments shall be a regulatory levy, the licensee administration fee, and the service provider income which shall be adequate to enable the provider meet its own annual expenses approved in the annual budget.</li> <li>• This revenue account shall be operated with the approval and guidance of the regulatory board as regards priority of outgoings.</li> </ul>		
<b>EXAMPLE 2: ARGENTINA</b> The binding instrument (Federal Planning, Public Investment and Services Ministry [MPFIPyS] Resolution No. 170/10) stipulates that the concessionaire is to keep a record of asset, accounting, economic, commercial and contractual information. Resolution 153/22-APN-SOP#MOP established that concessionaire billing must indicate the amount resulting from the difference between tariff revenue and service provision costs, thereby specifying, for the purpose of user information, when billing revenue is insufficient to cover total costs and these must be partially subsidized. This information is determined on the basis of tariff revenue accrued in 2021, along with the operational expenses registered for the same year, including allowances for bad debts, and investment in improvements and maintenance.		

**EXAMPLE 3: PERU**

Legislative Decree 1280/2016 stipulates that public utility providers must implement a cost and revenue registry system for regulatory purposes, with the aim of differentiating revenue obtained from service provision and revenue obtained from budget transfers from other public entities, co-financing or any other type of State subsidy.

Likewise, La Libertad Regional Government issued Regional Management Resolution No. 005-2020-GRLL - GRR/GRVCS approving the updated 2018-2021 Regional Sanitation Plan with a view to 2025 for the same region, requiring indicators to include an assessment of consumer Willingness to Pay for sanitation services as a proportion of the lesser amount between the ability to pay and the efficient fee or tariff.

**LINKS**

Kenya: WASREB SPA: <https://wasreb.go.ke/service-provision-agreements/>

Argentina: AySA tariff system: <https://www.argentina.gob.ar/argentina.gob.ar/eras/institucional/informacion-tecnica/regimen-tarifario-eras>

Peru: Legislative Decree 1280/2016 and La Libertad Regional Government Resolution

<https://www.sunass.gob.pe/wp-content/uploads/2020/09/D.LEg-1280.pdf>

<https://www.regionlalibertad.gob.pe/transparencia/normatividad-regional/resoluciones-gerenciales-otras-gerencias/gerencia-regional-de-vivienda-const-y-saneamiento/gerencia-regional-de-vivienda-const-y-san-2020/13520-rgr-n-005-2020-grll-ggr-grvcs/file>

**INTERNAL CAPACITIES NEEDED AND THE ROLE OF PARTNERS**

Depending how large the regulatory area is, this action entails the collection and processing of significant amounts of information, data, and consumer feedback on service provision. It is therefore easier to conduct it online, for which regulators require strong IT skills. These should be sustained by appropriate financial, analytical and procurement abilities. The role of partners should be to share their related skills, notably sector ministries and research institutions. Regulators' staff must be trained on how to manage the online platform and how to use the information received.