

Valuing Water



BALKANS JOINT CONFERENCE AND EXHIBITION
3-5 November 2021 Prishtina, Kosovo



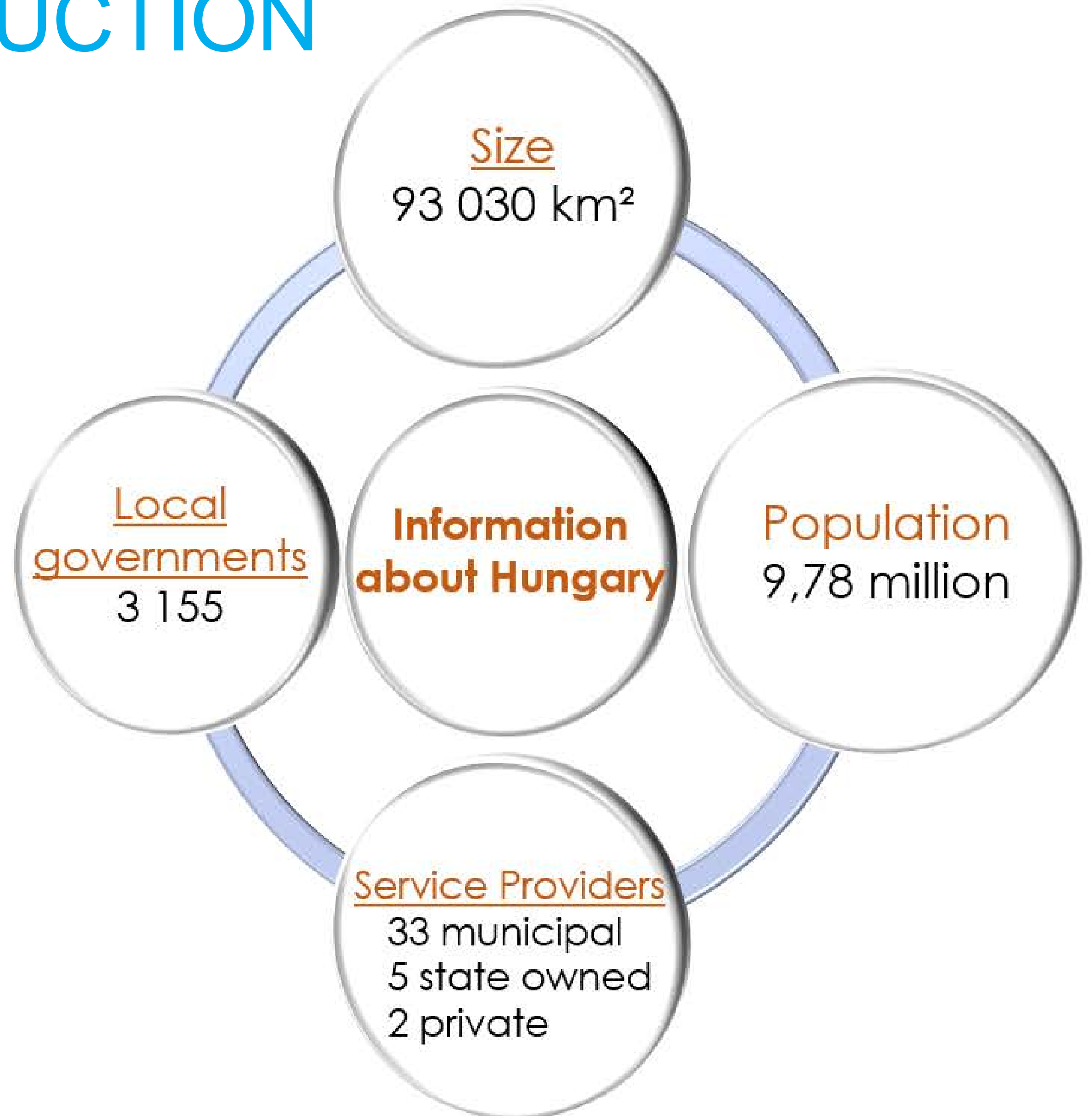
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OPERATIONAL LICENSING AS A TOOL FOR AGGREGATION IN HUNGARY

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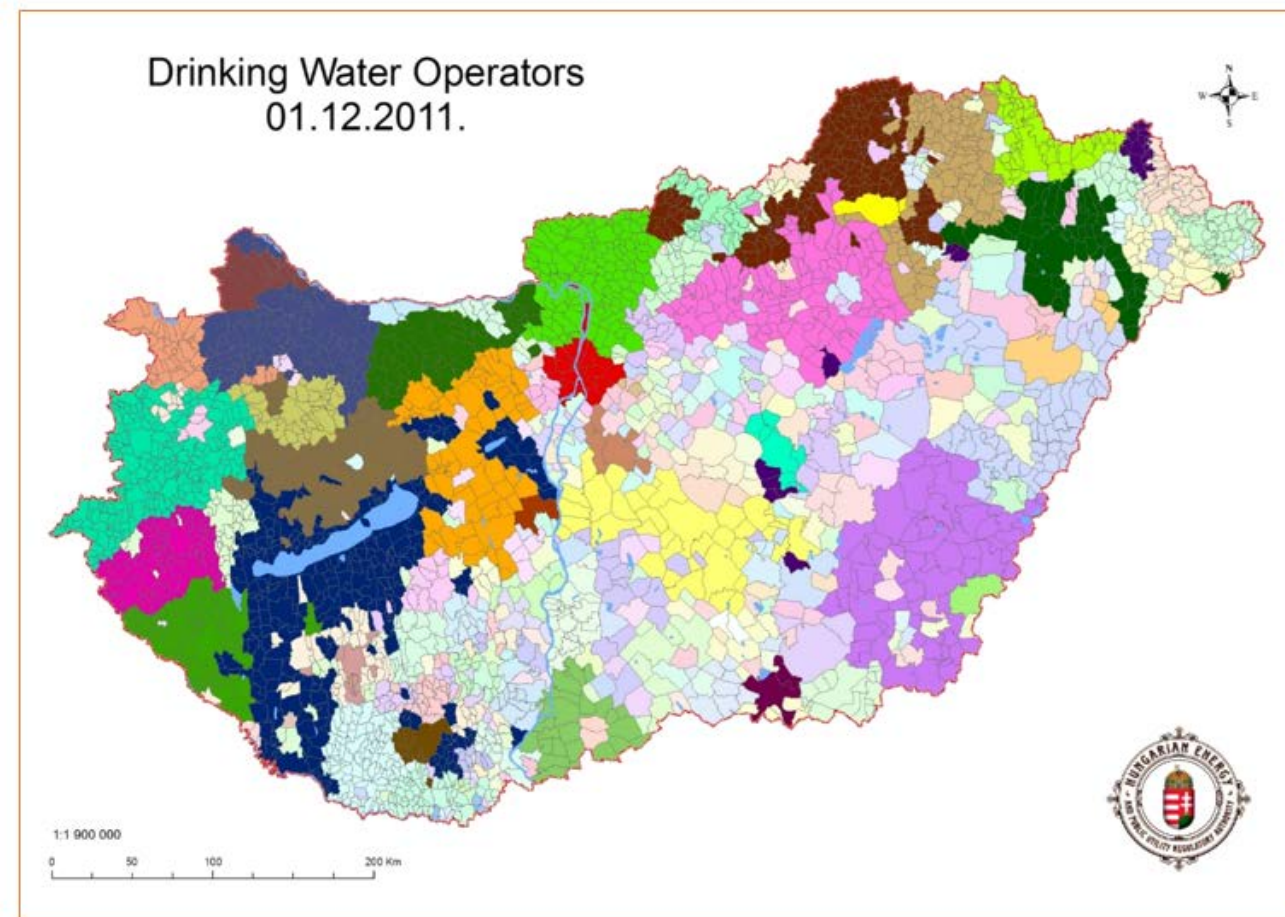
3 November 2021

INTRODUCTION

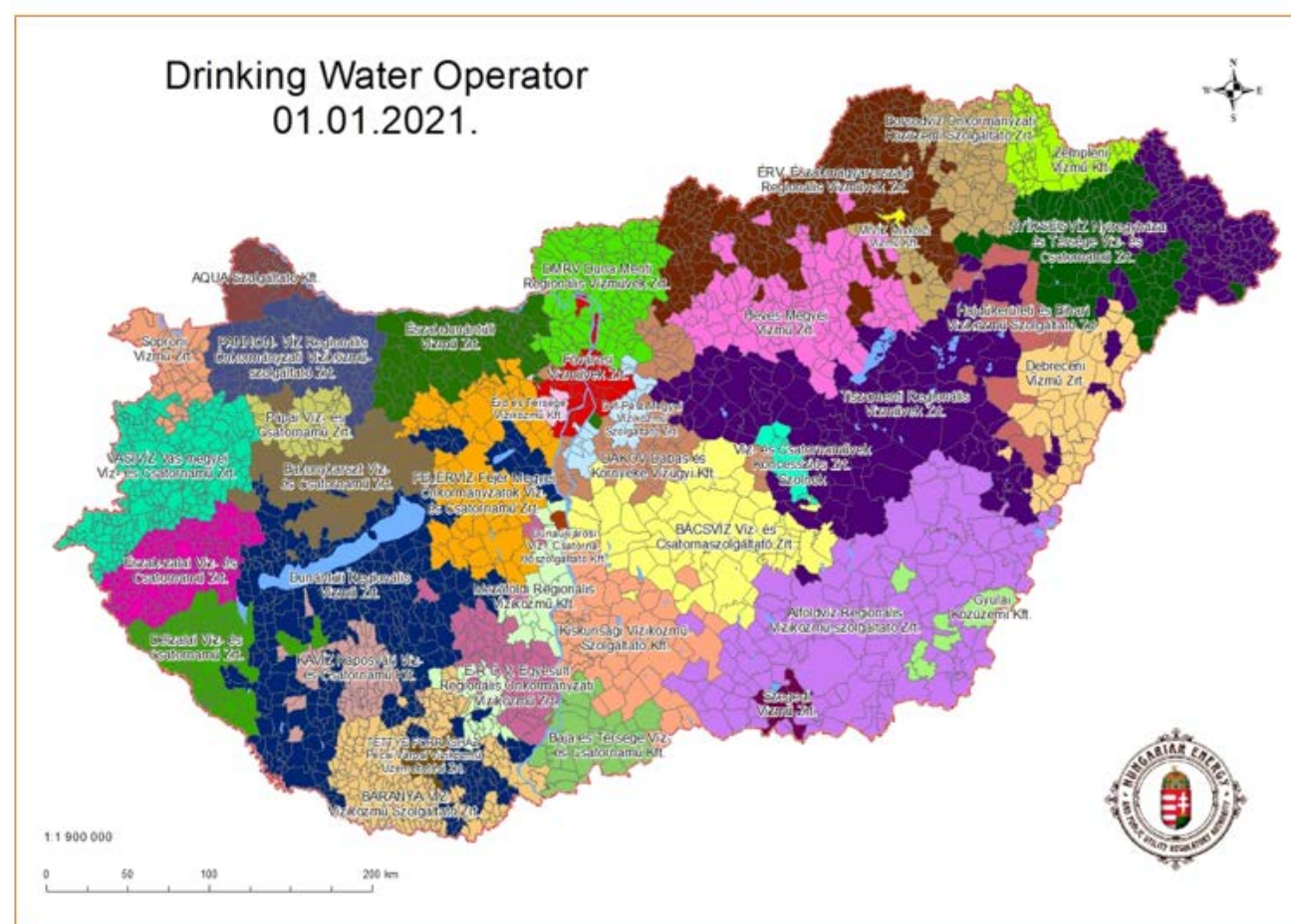


HISTORY

2011



2021



Fragmentation
Wave of privatization
in the 1990s
By 2010 more than
400 operators/service
providers

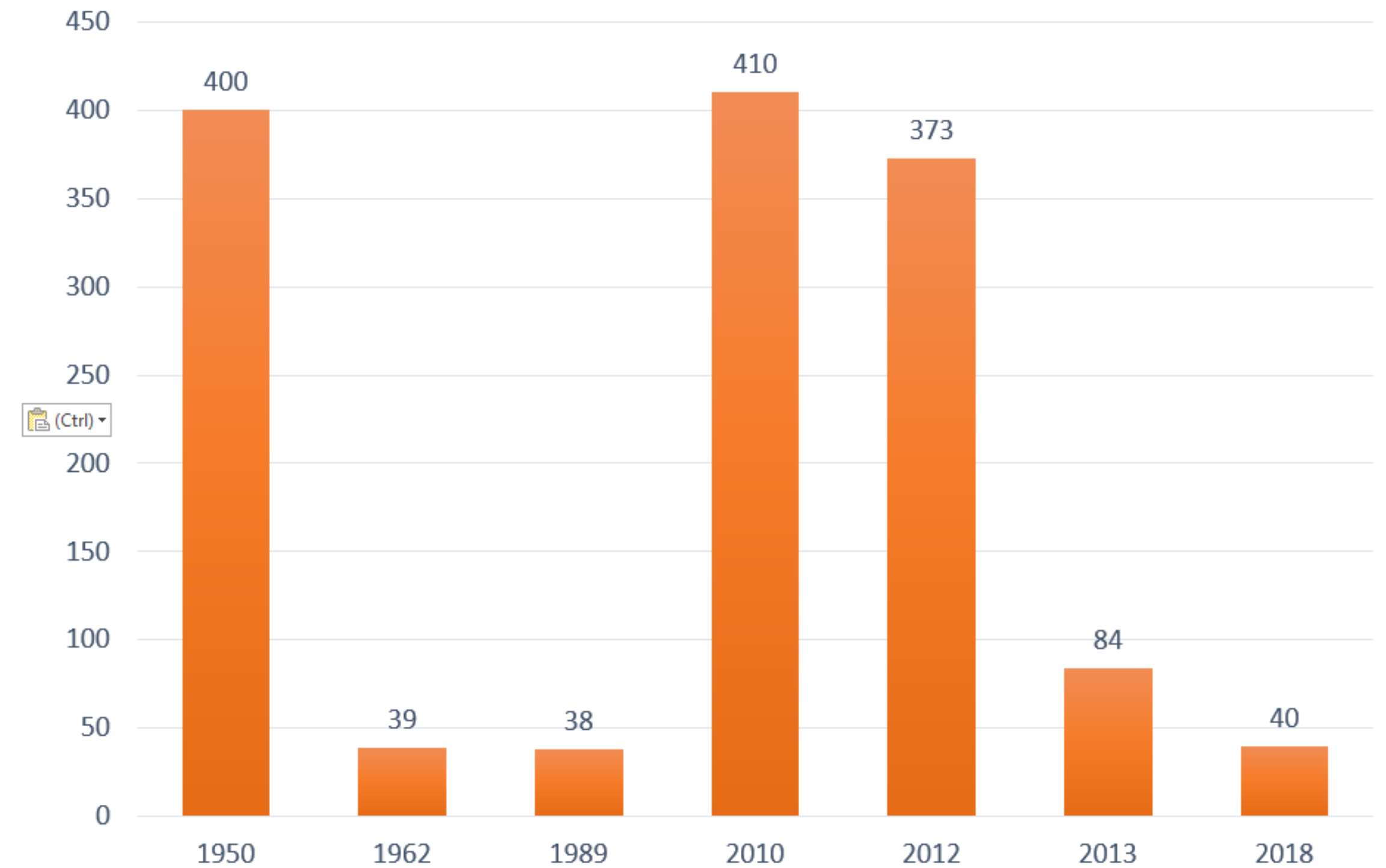


POLITICAL WILL



New Act on Water Utility Supply

Number of Service Providers from 1950



LICENSING CONDITIONS

GENERAL CONDITIONS

Since July 2016 there are two types of licences:

- a. **Licence for service provision**: a general licence which verifies that the service provider is eligible for water services
 - adequate company form,
 - the company fulfils the **special technical, economic, environmental and legal conditions**,
 - the company is able to provide services for a long-term,
 - there are no bankruptcy or insolvency issues.

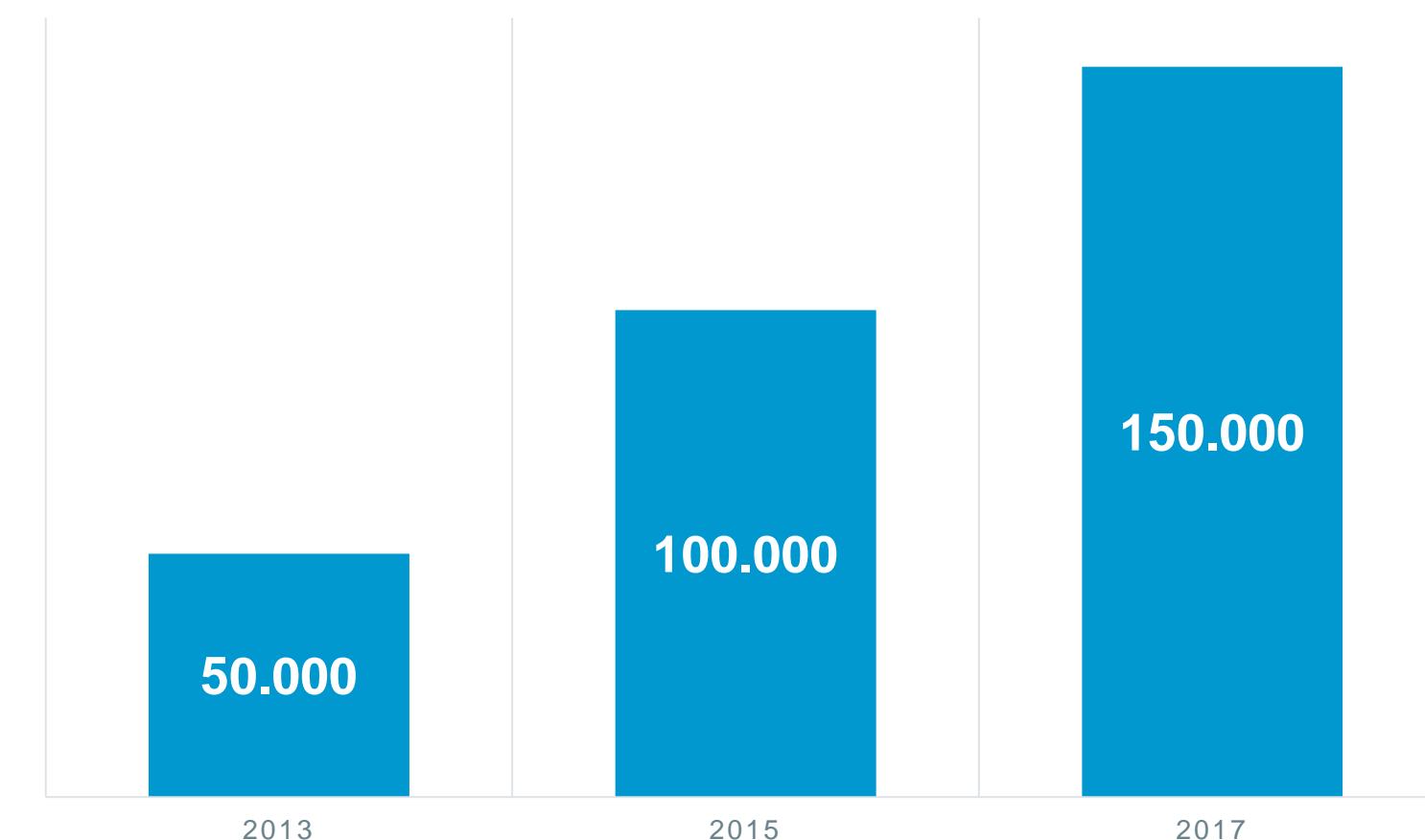
- b. **Licence for operation**: the company has the right and obligation to provide services for the area of supply
 - adequate type of operational agreement for the supply area, water sector and water utility system,
 - 3 types: asset management, concession, operating and leasing agreement.

CONSUMER EQUIVALENT

The rules of consumer equivalent:

- 1 consumer equivalent = 1 household's access to drinking water and/or to wastewater, BUT
- both residential and non-residential consumers are taken into consideration, AND
- a certain development quota for non-residential consumers is also part of the calculation.

THE MINIMUM NUMBER OF CONSUMERS (EQUIVALENT) AS A LICENSING CONDITION



LICENSING CONDITIONS

SPECIAL CONDITIONS I

1. Economic indicators:

- equity ratio (capitalization),
- rate of indebtedness,
- financial liquidity.

2. Technical capacity:

- possession or ownership of the necessary number of technical assets and adequate technology,
- standby and emergency assets, troubleshooting and safety devices,
- supervisory and process control solutions.

3. Organizational and logistical ability:

- organizational structure (regional operation),
- internal rules of activities and the division of tasks and competencies,
- economic and technical administration,
- internal and external communication,
- 24 hour call-center,
- standby and on-call coordination.

SPECIAL CONDITIONS II

4. Human resources:

- the CEO and his/her deputies must have at least 5-year experience in the water sector and have the necessary qualifications (economic, legal, other),
- The CTO must have at least 2-year experience in the water sector and have the necessary qualifications
- full-time employees in key positions:
 - water engineer,
 - technically competent person in water and wastewater management,
 - chemist or chemical engineer,
 - mechanical engineer,
 - electrical engineer,
 - environmental engineer,
 - biologist or bioengineer (wastewater),
 - hydrogeologist (water).

5. Geological conditions: disconnected areas and the 40 km rule

6. Detailed rules of outsourcing

THE RESULT OF AGGREGATION

THEN

- Chaos in tariffs and tariff setting methods (lack of uniform principles)
- Lack of development (aging of infrastructure)
- Cross-financing
- Lack of responsible management
- Lack of regulation and supervision
- Ownership issues

NOW

- Frozen tariffs and central price regulation
- The implementation of the WFD
- Lack of development (aging of infrastructure)
- Prohibition of cross-financing
- Obligation of licences for operation
- Setting up a regulatory agency
- Settled ownership issues



THANK YOU FOR YOUR ATTENTION!

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