



Parliamentary Briefing

The Water Bill: affordability and demand management amendment

December 2013

1. Summary

We welcome in the Bill:

- We welcome the transferring of responsibility for supply pipes from customers to water companies as this should drive down leakages.
- In the Secretary of State Rt Hon Owen Paterson MP speech during the 2nd Reading Debate, 'We need to increase the number of options that water companies can use to store and supply water to their customers ... particularly in water-stressed areas, may need more action to cut demand, including through greater water metering.'¹

To tackle the problems of customer water bill affordability, reform of the household charging system is needed. The Water Bill should include an amendment:

- to allow water companies, when supported by customers, to introduce water meters where there are clear social benefits in doing so (as part of a package including water efficiency measures and social tariffs that protect the most vulnerable).

2. Customers' water bills and affordability

Water charging in England and Wales was designed decades ago and urgently needs to be brought up to date. Many customers struggle to pay their water bills (2.6 million households spend more than 5% of their income on water²), current water consumption is unsustainable, wastage is high and our natural environment is under significant stress - all problems likely to be exacerbated by climate change and a rising population.

By 2015, half of the country will pay for the water via a meter³. The other half will continue to pay a flat rate based on the 1974 rateable value of their home – a charging system that is long out of date, does not reflect water use nor does it protect millions of families from unaffordable bills.

There is wide agreement that the most sustainable, affordable and fairest charging system for water is based on volume, with a choice of tariffs and support to encourage water

¹ <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm131125/debtext/131125-0002.htm#13112514000001>

² Ofwat. (2011) Affordable for all.

³ Ofwat. (2009) Final determination of water company prices 2010 – 2015.

efficiency, and provisions to support customers with affordability issues. The transition to this systems must be well-managed if it is not, the winners will continue to win, and the losers (low income households and the environment) will continue to loose. We simply cannot afford to turn a blind eye and carry on with business as usual.

In 2009, Defra commissioned an independent review by Anna Walker of the household water charging system⁴. The Walker Review concluded that the current mixed system of charging was unfair, not progressive and not fit to address affordability issues in the water sector.

The Walker Review found that the rateable value of a property bears no relation to customers' ability to pay their water bills: 40% of low-income households live in the top rateable value bands and therefore pay the highest water bills. As a result many lower income households are subsidising higher income households who live in properties with lower rateable values. Of the £600m in cross-subsidies under the rateable value system, only £180m is going in the right direction i.e. from more to less well-off customers.

After considering the evidence, the Walker Review recommended a widespread switchover to metered charging, considering it the fairest way to pay, and the only way to address the affordability problems inherent in the current system. In response to this, in 2012, the Efra Committee recommended that the *“Government set a clear and ambitious objective to increase levels of metering, taking account of Anna Walker’s recommendation that metering penetration reach 80% by 2020”*.⁵

A metered charging system, supported by social tariffs and water efficiency, will ensure that water is affordable through protecting vulnerable customers and keeping costs down for all customers in the long term – the Walker Review estimated that a strategic move to near-universal metering by 2020 could save customers £1.5 billion, compared to the ‘business as usual’ slow drift. (To put it into context, Defra’s impact assessment identified around £1.75 billion of benefits over 30 years as a result of the Bill’s upstream reforms.) Based on the latest draft Water Resource Management Plans, the proportion of metered households will be 80% by 2035. Intervention is needed if the benefits identified by the Walker Review are to be realised.

In 2011 a coalition of 15 organisations including Age UK, CIWEM and wildlife and environment groups wrote to Government and MPs urging them to ensure that water is affordable and sustainable – now and in the future – by setting out a strategy for the move towards universal metering, supported by social tariffs, transitional arrangements and water efficiency advice and equipment. This followed the publication of the ‘Fairness on Tap’ report.

For more information: http://assets.wwf.org.uk/downloads/fairness_on_tap.pdf

2.1 Metering

As currently legislated for, water meters cannot be introduced on a universal basis in large parts of the country, even when it is clear that they could go a long way to address affordability concerns. Except for domestic premises with certain high water use demands, water companies are only able to introduce domestic water meters on a compulsory basis where the Secretary of State has determined that either the whole or part of their area is an

⁴ Independent Review of Charging for Household Water and Sewerage Services, led by Anna Walker, 2009.

⁵ Environment, Food and Rural Affairs Committee, Second Report – Water White Paper, 2012.

“area of serious water-stress”⁶. To introduce metering, the water undertaker is also required to have planned for metering in its Water Resources Management Plan⁷.

3. Amendment

To increase the uptake of universal metering, water companies should be able to introduce universal metering if, after consultation with customers through the existing Water Resources Management Plan and Business Plan processes, it is found to be the most affordable option for customers overall (as well as being the best option for water resources management).

1. To help address affordability in the water sector, the following amendment is needed:
 - a. A new clause to remove the current restriction on compulsory metering to only water scarce areas, to enable affordability benefits to be realised everywhere.
 - b. This amendment would not force water companies to bring in water metering. It would simply allow them, in consultation with customers, to consider the wider social benefits water metering can bring in all parts of the country.

⁶ Section 144B Water Industry Act 1999 restricts water undertakers from charging by volume (e.g. metering) except in certain circumstances, which are prescribed in the Water Industry (Prescribed Conditions) Regulations 1999 and Water Industry (Prescribed Conditions) (Amendment) Regulations 2007

⁷ such plans required by Section 37B(8)(a) of the Water Industry Act 1991

Amendment 1: A new clause to remove the restriction on compulsory metering to only water scarce areas, to enable wider affordability benefits to be realised

Insert new clause to Chapter 3:

In Section 144B of the Water Industry Act 1991, insert a new subsection 1A such that Section 144B then reads:

Restriction on undertakers' power to require fixing of charges by reference to volume

(1) Subsection (2) below applies where—

(a) water is supplied to any premises in which, or in any part of which, a person has his home,

(b) charges in respect of those premises have previously been fixed without reference to volume, and

(c) such conditions as may be prescribed are satisfied in relation to the premises

(1A) Subsection 2 below shall not apply where the water undertaker considers that the fixing of charges by reference to volume is required to allow it to meet its duties under section

37(1)(a) (providing supplies of water) or section 93A (duty to promote the efficient use of water) and that measures for fixing of charges by reference to volume have been included in both the water undertaker's draft water resources management plan as set out in section 37B and any such plan published as set out in section 37B(8)(a).

(2) Where this subsection applies, a relevant undertaker may not by virtue of any charges scheme under section 143 above begin to fix the charges in respect of those premises by reference to volume unless either—

(a) the consumer—

(i) has given the undertaker a measured charges notice under section 144A above which has not been revoked under that section, or

(ii) has consented to the charges in respect of the premises being so fixed and has not revoked that consent under section 144A, or

(b) there has been a change in the occupation of the premises and no charges have yet been demanded from the person who has become the consumer.

(3) A change in the persons occupying any premises does not constitute a change in the occupation of the premises for the purposes of subsection (2)(b) above if any person who was in occupation of the premises before the change remains in occupation after the change.

(4) Where a consumer gives consent for the purposes of subsection (2)(a)(ii) above in relation to premises in which, or in any part of which, a person has his home, he shall be treated for the purposes of subsections (5) to (8) of section 144A above as having given a measured charges notice under that section.

Contact	Dominic Gogol; Public Affairs Adviser; WWF-UK Rob Cunningham; Head of Water Policy; RSPB Martin Salter; National Campaigns Coordinator; Angling Trust
Email/Tel	Dgogol@wwf.org.uk ; 07771 818704 Rob.cunningham@rspb.org.uk ; 07884 087962 martinreadingwest@googlemail.com ; 07976 946033
Date	4 December 2013

Download Briefings at: wwwf.org.uk/parliamentary