

The following are excerpts from the All Party Parliamentary Water Group's report 'The Future of the Water Sector'

The extracts, made by Linda Gilroy MP, are relevant to South West affordability issues –

**Section 2 Paying for Water - Summary of Key Statements and Recommendations**

- The group believes that the key to this process is the phasing in of universal metering combined with a new tariff system. Metering can better inform customers and thus empower them, in particular vulnerable customers, to take greater control over their water consumption and allow them to budget and plan more effectively. It may also help charges to be spread in a fairer way, based on relative need and the ability to pay, rather than simply on usage. The group believes that universal metering in combination with an alternative tariff system would be a significant step towards increasing affordability in the sector.
- The group recognises the intense pressures on some households arising from what is an inherently unfair charging system. It therefore recommends the introduction of a fairer charging system to alleviate the most pressing needs. This requires urgent decisions about smart metering which will take time to be implemented.
- The group therefore acknowledges the Government's commitment in the Water Strategy to an independent review on water metering and charging. We note that the review will look at a wide range of issues affecting the development of universal metering, looking at the social, environmental and economic concerns.
- The group believes that the Government should explore further practicable ways to increase installations of meters, such as encouraging greater use of the powers companies have to install a meter when the occupancy of a property changes. The group understands that currently companies use this power differently and therefore believes that if the duty was carried out consistently, it could act as an important step towards universal metering.
- The group recommends that the Government uses its consultation on metering to look into contractualising the relationship between customers and providers to see if there are mutual benefits for both customers and providers.
- The group was very interested to hear of the work that the industry was carrying out on the trialling of different types of tariff structures, with the support of Ofwat and the group welcomes the research that is currently being undertaken within the sector by Water UK, Ofwat, CCWater and DEFRA to inform the government about the right tariffs needed to ensure fairer charging and working with government to implement them.

- **The group looks to the industry to come to a clear agreement on the standardisation of the technology which is required to progress the introduction of metering and it believes that the Intelligent Metering Initiative (IMI) could be an important vehicle to move these discussions further.**
- **The group believes that the current Vulnerable Groups Regulations are not working as an effective national tool to protect vulnerable water customers. The group recommends extending the Vulnerable Groups Regulations to cater for households who have high water needs arising from caring for an incontinent person. The group would like to see a more consistent national approach to aiding vulnerable customers through advice about energy efficiency associated with voluntary meter installation, based on best practice in the sector.**
- **The group suggests that the definition of customer service should be extended to include the most vulnerable customers and become part of the PR09 as a performance target as well as a means of pro-active assessment for the Vulnerable Groups Regulations.**
- **The group was interested to learn about the Water Direct scheme currently run by the Government and consider that this should be extended to a wider group of customers on low incomes who struggle to pay their water charges.**
- **The group also considers that DWP information could – without endangering privacy – be used more effectively to help households likely to meet difficulties in paying their water bills.**
- **The group would like the Government to consider the role that the tax and benefits system could play more generally in helping customers struggling to pay their water bills, as part of the current review into metering and charging, to ensure that any residual problems which cannot be addressed by appropriate tariffs can also be tackled to ensure that child and pensioner poverty be fully addressed.**
- **The group draws attention to the way in which council tax collection legislation allows different categories of people to be responsible for charges with a residual liability resting with landlords of properties. In this way water charges could be part of a tenant's deposit or rental payments.**

### **Section 3 Investment and Infrastructure**

#### **Summary of Key Statements and Recommendations**

- **The group recommends that a three-tier investment strategy should be developed with the Strategic Direction Statements and the 25-year water resources plans becoming a detailed and clear indicative strategy of the companies' long-term aims for their area. Within this framework there**

would be a ten-year CAPEX programme encapsulating the five yearly OPEX price fixing review within the overall framework of the Strategic Direction Statement capital programme.

- **Prices and debt levels have risen and there are particular affordability problems in areas like the South West. There is a need for long-term stability with a strong customer focus, including the need for Ofwat and the government to consider the reviews of charging and metering and how they can be used to address these issues in PR09. \*\***(see section from report below)
- The group is interested in suggestions that there must be greater emphasis within the regulatory system on ensuring the environmental sustainability of new infrastructure and capital investment projects. This could include environmental appraisals of new projects, which would look at their long-term risks and uncertainties, to ensure that the sector takes the right direction over longer periods.
- The group believes that the regulatory system should be reviewed in order to ensure that it provides the right incentives for sustainable development in the sector, particularly in relation to carbon savings.
- The group recommends that if companies can demonstrate greater environmental benefits of a particular project to Ofwat, for example energy efficiency in water treatment, it should be given favourable consideration by Ofwat.
- The group would like to see the development of a more formal, even legalised relationship to ensure greater clarity, transparency and accountability between water and sewerage companies and developers.
- The group recommends that water companies become a statutory consultee for applications for large scale housing developments.
- The group would like to see a greater commitment to water efficiency in building regulations and the Code for Sustainable Homes, together with the promotion of water neutrality as a concept for all new homes.
- The group hopes that the Government's new eco-towns fully consider the issue of water efficiency and that the Government is stringent in requiring high water efficiency standards. We also hope that the Government will ensure that planned developments in the Thames Gateway are exemplars of good design and energy efficiency.
- The group believes that more can be done in terms of encouraging the development of water harvesting and recycling technologies, in addition to incentives for customers who choose to make investments in water recycling technology.
- The group was interested to hear suggestions that customers should be offered VAT reductions on water efficient products and believes that the

*possibility of customer incentives to encourage them to use more water-efficient products should be explored further. This – as with use of VAT differentiation for energy efficiency – would require EU level agreement.*

- *We would like the Government to urgently look at prohibiting the use of water fittings which are not water efficient, such as single flush toilets.*

\*\*The group has heard evidence from various participants in the inquiry, including Water UK, that consideration of social and affordability issues had lagged behind consideration of environmental issues in previous price reviews. The Government's Water Strategy recognises that that this is causing tensions. In particular, the Water Strategy recognises the impact of rising debt on all bills and the need for a review of charging and metering. **Prices and debt levels have risen and there are particular affordability problems in areas like the South West. There is a need for long-term stability with a strong customer focus, including the need for Ofwat and the Government to consider the reviews of charging and metering and how they can be used to address these issues in PR09.** The resolution of the impact of high infrastructure costs, and hence high charges, on customers in areas of lower population, like in the South West Water company area, has generated a debate on how this is best resolved. Although the group has not come to a conclusion on this at this stage, we believe that the measures set out above will help to ameliorate some of the impact of high water rates on particularly vulnerable groups. This issue was not addressed by the Government's Water Strategy and we would like to see further work done on this and how customers can be engaged in the process.

## **Section 5 The Regulatory Framework**

## Summary of Key Statements and Recommendations

- **The Group would like to see further measures to ensure that all water companies are fully transparent and accountable in their financial dealings with their customers – irrespective of their ownership structure. In particular, the group would want to ensure that customers had appropriate access to financial and regulatory information about the company. We hope that this can be considered as part of the Government's charging and metering review.**
- **The mutual style model embodied to a certain extent in Dwr Cymru could potentially offer a number of significant advantages, not least independence from mainstream government, and the ability to manage their financial affairs in the best interests of their customers in a way that can effectively act as a surrogate for competition at the individual supply level.**
- **The group welcomes the Government's announcement that there will be an independent review on competition in the water and sewerage sector and looks forward to its findings.**
- **In light of these considerations the group is not convinced that a full case has been made for expanding competition to domestic users. It therefore waits for the case to be made, believing that full competition in the sector will not be as straight forward as in other utility sectors. The group believes that if there is a case for competition it is more likely to exist on the disposal/sewerage side than the supply side of the business.**
- *The group would like to see a similar approach to that in the energy sector to incentivising innovation. The group believes that the sector must look to try and establish a common understanding of what kind of innovation is expected in the water sector which would also serve to reduce the risk levels of innovating.*
- *The group was particularly interested in suggestions of greater allowances for capital market competition. We understand the concerns Ofwat has regarding comparator competition and the need to protect consumers from growing monopolies.*
- **The group believes that it is necessary to make sure that customers are more fully consulted about future changes so that they play an active role in how the regulatory system proceeds.**
- *The group believes that Ofwat could play an important role in assessing and enforcing the level of quality of customer services amongst companies and think that this is an important issue to explore further.*
- **The group would like to explore the possibility of strengthening CCWater's role in representing consumer interests in the Price Review.**

- *The group understands and welcomes that Ofwat is currently looking at possible changes to the Overall Performance Assessment (OPA) to take into account consumer views.*
- *The group would like the Government to look at how local authorities can have a meaningful role in the development and determination of the Price Review.*

