

**Waterwise response to
Ofwat consultation paper**

“Future strategy for customer charges for water and sewerage services”

March 2008

Waterwise very much welcomes the importance attached to water efficiency, and the role of metering in reducing demand, in this consultation paper – Ofwat places this squarely in the centre of sustainable development. We agree with Ofwat and the government that metering is the most sustainable way to pay for water: it also enables companies to better plan the supply-demand balance, which is crucial in the face of increasing incidences of droughts and floods

We fully support the revised principles (including incentives, simplicity and transparency) and strategic themes (including the encouragement of innovative tariffs) outlined in the consultation paper.

More specifically:

Billing

We agree that there is a need for better billing. Some companies are already making moves to display clearer water consumption information on domestic bills: for example, using litres rather than cubic metres, and including graphs to compare household use with previous use by the same household, and with comparable households in the same area. We think all companies should do this.

Metering

We are very pleased at Ofwat’s clear statement of support for the need for increased metering, and of associated measures to protect vulnerable groups. Waterwise supports the recent government commitment to full metering in water-stressed areas by 2030, and would like to see a further commitment to full metering across England and Wales by 2020.

We fully support the weight attached in the consultation paper to the associated benefits of increased metering on climate change mitigation and adaptation, through water efficiency: both in water use within the home, the carbon cost of heating water for use within the home, and pumping and treatment carbon costs.

There is clear evidence that the current system of piecemeal moves to metering has impacts both on low-income groups and on the cost of meter installation which would be eased by a wholesale move to metering, and we support Ofwat’s stated strategy of supporting more rapid progress towards high levels of meter penetration. We agree

that it is essential that companies use to the full the new powers to compulsorily meter in water-stressed areas, as soon as possible, and would eventually like to such an approach extended beyond those areas currently classified as water-stressed.

We agree with the government that metering can be a powerful tool in behavior change, and welcome the recent government statement in its draft Social and Environmental guidance that it expects Ofwat to take into account its wider benefits including those that are not directly “monetisable”, including social benefits such as fairness of charging, alongside environmental.

Tariffs

We agree with Ofwat that companies should use pricing signals to help manage the demand for water, and very much welcome the new revenue-corrected price cap which Ofwat is introducing for PR09 to remove short-term disincentives to supply less water. We welcome the emphasis in the consultation paper on seasonal, rising block and other innovative tariffs. Companies could be encouraged to share the results of robust early tariff trials through the use of their inclusion in a “demonstration activity” category in the mechanisms to meet the mandatory water efficiency targets Ofwat is developing for PR09 - similar to the Ofgem allowance in energy suppliers’ energy efficiency targets.