



Review of the Water Resale Order

The Water Resale Order, which we issued in April 2001, describes how a maximum price should be worked out to make sure that those people who re-sell water that they themselves have bought from a water or sewerage company do not overcharge. Re-sellers include, for example, landlords and mobile-home park owners selling to their tenants and licensees. Re-sellers are allowed to charge a limited amount for their own administration costs on top of the price paid to the water company.

The Order has worked well but now we want to strengthen the protection it gives to customers. The Water Act 2003 gave us more powers to ensure that customers are not being overcharged. Your views will help us reach our decisions on how this should be done. We are asking you to spare a few minutes to answer some key questions and then return your response to us.

The information in this leaflet summarises the main issues and proposals which are contained in our 'Consultation paper on the review of the Water Resale Order'. We will consider including these in our updated Water Resale Order. Our full consultation paper contains more detailed discussions on our proposals. Please see our contact details below for how to obtain a copy.

Key issues for your comments

Providing information to customers

Until now, resale customers had no legal right to be told by the re-seller how their bill had been calculated, or to get information in support of the calculation. We know that some customers have found it difficult to get this information from the re-seller. It is important that re-sellers charge in a fair and transparent way. Parliament has now passed legislation which enables us to require re-sellers to explain to customers how their bill has been calculated and, if asked, provide

evidence to support the calculation. We propose that this information should be provided within four weeks of a request being made.

We propose that the actual words included in the revised Order should be kept general and not specify the exact information to be provided. This is because arrangements vary a lot from case to case and we do not want to restrict the provision of any relevant information. (See questions 1, 2, 3 and 4.)

Setting the maximum charge where information is not provided

We now have the power to limit what re-sellers can charge if they do not provide this information to customers. We believe there are two main options for how this could be done.

The first option would be to reduce the charges made by the re-seller by a specific amount such as twice the average base interest rate set by the Bank of England. This could work in one of two ways:

a). The current charges could be reduced by such an amount to act as an incentive on the re-seller to provide the information in the first place. However, in cases where there is significant overcharging, customers may still be paying too much even after taking into account this reduction.

b). If the re-seller is taken to court by the customer the civil courts could calculate the correct charge and reduce that by twice the interest rate set by the Bank of England.

The second option would be to set a fixed maximum price that the re-seller could charge. We believe that this should be set at a level which both protects customers and provides an incentive for re-sellers to provide the information in the first place. We propose setting this at a level that is half the average household water bill for the relevant local water company. This would probably be lower than the amount calculated under the first option. Details of average bills can be found in our 'Water and sewerage bills' leaflet. (See question 5.)

Recovering interest

Currently, customers who have been overcharged can recover the excess amount they have paid through the court system. We propose that they should also be paid interest on this for the period of time that they were overcharged. We believe that this interest should be set at twice the Bank of England's average base interest rate. (See question 6.)

Issues for unmeasured customers

Dividing the re-seller's bill

Most people who contact us do not have their own water meters and their bills are calculated using one of five methods which are set out in the Order and explained in our 'A guide to water resale' leaflet. The bill that the re-seller receives from the water company should be divided between customers according to one of the following:

- Number of purchasers.
- Number of people in each property.
- Rateable value of each property.
- Total floor space of each property.
- Number of bedrooms in each property.

We believe that this offers a reasonable choice of methods but that the re-seller should be able to combine two or more of them in calculating the bill for any individual customer, provided a clear explanation is given. (See question 7.)

Resale on mixed-use sites

Water may be re-sold to different types of customers on a single site, for example where customers live on a site which also includes businesses such as a launderette which may use large amounts of water. As the re-seller's bill will not always measure the consumption by domestic users separately from the businesses, it is difficult for them to charge the domestic customers only for the water they use. We cannot require the re-seller to install separate meters but welcome ideas on how to tackle this issue. (See question 8.)

Charges for unoccupied properties

We have received a number of queries about charges for periods when unmeasured customers are not actually occupying their home. Some people have argued that, in the absence of a water meter, it is not fair that they should pay for water when they are not living in their property. However, if charges were based on actual occupation there would be practical difficulties involved in calculating charges, such as the need for the re-seller to know when a customer was absent, for how long, and how this could be proved. (See question 9.)

Charges for the use of a hosepipe or sprinkler

Where unmeasured customers use hosepipes or sprinklers, the water used has to be paid for. We have considered whether only those purchasers using hosepipes or sprinklers should pay for this element, and if so, how this should be calculated. But higher charges for those using more water in this way could be difficult to apply in practice and other customers may use more water for other purposes. (See question 10.)

A copy of our detailed consultation – 'Consultation paper on the review of the Water Resale Order' – is available from us at the address below or by calling our library on 0121 625 1373. It can also be downloaded from our website at www.ofwat.gov.uk.

Review of the Water Resale Order Questionnaire

1. Should re-sellers have to tell customers how their bills have been calculated?

Yes No (please tick)

2. Do you agree that, if asked, the re-seller should provide documentary evidence to support their calculations of the customer's bill?

Yes No

3. Do you think that a four-week period in which the re-seller has to provide this information is:

About right? Too short? Too long?

4. Do you agree that the Order should not specify the exact information that should be provided to customers but should be kept general so that we do not restrict the provision of any relevant information?

Yes No

5. If the re-seller fails to provide evidence to show how the bill has been calculated the customer is entitled to a reduced bill. Should this be based on:

- option 1 – reducing the bill by a proportion equal to twice the Bank of England's average base interest rate; or
- option 2 – allowing the customer to pay the re-seller no more than half the local water company's average household bill?

Option 1 Option 2

6. If customers have been overcharged, should they be entitled to recover interest at twice the Bank of England's average base interest rate, in addition to the excess they have paid?

Yes No

7. Do you agree that combining two or more of the five methods of sharing bills between unmeasured customers could allow a fairer outcome for customers and should be allowed?

Yes No

8. Should maximum resale charges be set for domestic customers when water is sold on a mixed-use site, such as those with a laundrette?

Yes

No

If so, how should this be done? (please comment in the box below)

Is this an issue on your site?

Yes

No

9. Do you agree that it is reasonable that unmeasured customers should be charged for the period in which they have the **right** to occupy their home, rather than the period during which they are actually there?

Yes

No

(if 'No', please explain your preferred alternative below)

10. Should separate charges for using a hosepipe or sprinkler be permitted under the Order?

Yes

No

Are there any comments you wish to make on these proposals? If so please write below. You may continue on a separate sheet if you need.

Please tick whether you are a:

Customer **Re-seller** **Other** (please state) _____

Please provide us with your name and address.

Please return your responses and any other comments you may have on the Water Resale Order to:

Tracey Lopes
Consumer Affairs Division
Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA.

Or by e-mail to tracey.lopes@ofwat.gsi.gov.uk.

Replies should reach us by **19 July 2005**.

If you wish to receive a copy of our decision document please tick here

Responses will be placed in our library and made available to the public, unless you have clearly indicated that you do not want this to happen. In general, we will honour this request, but there may be circumstances in which, under the Freedom of Information Act, the public interest requires that all responses are made public.

If you do not wish your response to be placed in our library please tick here



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