

**Sefton Council: response to Ofwat consultation on charges scheme rules for 2016-17 and future developments:**

<p>Page 5, Paragraph 1</p>	<p>Ofwat has stated that: "From 1 November 2015 it will remove the requirement for the charges schemes of water companies to be approved by Ofwat and, instead, allows us to set charging rules which charges schemes must comply with."</p> <p>Our response: Charging rules must include provision to ensure that similar types of customers, such as schools in our case, do not pay far more in one region (United Utilities) when compared to other regions (such as the South East/Anglia Water). Currently, it is unfair that Ofwat will approve all the current charging schemes and only consider fairness <b>within</b> each region, with no regard to the unfairness that different styles on charging (especially for rainwater drainage) has on individual consumer bills and does not have the regulatory capacity to take this unfairness in to account.</p>
<p>Page 6, Paragraph 3</p>	<p>Ofwat has stated that: "On 9 July 2015 the UK Government published its draft guidance for consultation. In this consultation we demonstrate how our draft charges scheme rules have regard to the UK Government draft charging guidance. If the guidance changes from draft to final guidance, we will have to consider whether, having regard to the revised final guidance, it is appropriate to amend these rules."</p> <p>Our response: The draft guidance published by the UK Government recognises that organisations such as schools have been impacted unfairly by the introduction of site area charging for rainwater drainage when compared to other areas in England. Sefton Council, many of its schools and other Local Authorities and schools from across the North West responded to the consultation for this guidance and are hopeful our views have been recognised. This 4 week consultation was unfortunately timed over the school summer holiday period and our view is that many schools missed the opportunity to voice this concern. It is therefore, worth repeating for the purposes of your consultation that both the Defra guidance and your charging scheme rules should take in to account these disproportionate effects on schools water/sewerage bills.</p>
<p>Page 6 Paragraph 5</p>	<p>Ofwat has stated that: " Given that 2016-17 will be the first charging year that companies must comply with charging rules, and that our rules will be issued relatively late in 2015, we do not propose to introduce fundamental changes to our existing charging principles.".....</p> <p>Our response: The existing charging principles already have adequate scope for the unfair charges that schools in the North West experience to be addressed. However, Ofwat have determined this particular problem is to be owned by the water company. In our case, United Utilities has already made some allowances for other Local Authority assets such as parks &amp; cemeteries to benefit as an eligible community group for concessions. If United Utilities cannot take ownership of the issue of unfair charges for North West schools our view would be that changes to the existing charging principles would not be a fundamental change to accommodate fairer charges.</p>

<p>Page 7 Paragraph 1</p>	<p>Ofwat has stated that: "As well as setting out draft charges scheme rules, our consultation seeks to provide stakeholders with a clear understanding of the direction that we see charging rules developing in other areas. In the spring of 2016 we will consult on a separate set of rules about wholesale charges. We discuss some of the proposals and issues that we are considering in the context of wholesale charges in order to inform our consultation next year. Following our consultation next year, we will set rules about wholesale charges to be in place for the further market opening in April 2017."</p> <p>Our response: Sefton Council understands that it is unlikely that consumers will be able to purchase water/sewerage services from another provider, but the new provider would still have to reflect wholesale conditions of the regional water sewerage provider of our area. This means the impact of site area charging of our regions provider, United Utilities, will remain an unfair financial burden. We hope these impacts, if they remain, will be considered as Ofwat consult over the rules of the wholesale market.</p>
<p>Page 11 Sect 2.1.2 Paragraph 1</p>	<p>Ofwat has stated that: "..... companies have a licence condition requiring them to show no undue preference or discrimination to different groups of customers in setting their charges....."</p> <p>Our response: Sefton Council understands this requirement. However, companies do not recognise the overall discrimination that differences between other companies charging schemes create, such as those highlighted for surface water drainage. If a company does not need to show regard to such differences, the regulator and/or Government should recognise and address it.</p>
<p>Page 12 Sect 2.2.1 Paragraph 3</p>	<p>Ofwat has stated that: "... UK Government guidance takes the view that the introduction of area-based charging "should not have an unduly negative impact on organisations that provide a wider benefit to society"..."</p> <p>Our response: Sefton Council agrees strongly with this statement. Sefton Council also believes that since this guidance was published in 2010, Local Authority and school budgets have reduced significantly. Whilst school budgets have shrunk across the country, it is the North West region that has been exposed to the phasing in of site area charging. This has meant, according to the Department for Education Consistent Financial Reporting data that, on average, schools are paying on average three times the amount than schools in other areas. In 2013/14, the average charge for water services in the North West was £10,209 per school. In comparison, schools in the East of England paid on average just £2,945. Sefton Council believes that where site area charging has been introduced and is having this unreasonable negative impact, schools, with their wider benefit to society, should be considered better.</p>
<p>Page 12 Sect 2.2.1 Paragraph 4</p>	<p>Ofwat has stated that: "We are currently not minded to set a requirement for non-household area-based charging for 2016-17. ..."</p>

	<p>Our response:</p> <p>If the decision to implement site area charging is to remain the discretion of the water company, it is likely that schools in the North West will continue to pay several times the amount that schools in other parts of the country pay. If this is to remain the case as Ofwat indicate and with further cuts to Local Authority and school budgets due, Sefton Council believes this unfair imbalance will continue. Sefton Council also believes that Ofwat's charging scheme rules should take this imbalance in to account to lessen the ensure the financial impact is minimised.</p>
<p>Section 2.4 Page 16 Paragraph 1 &amp; 2</p>	<p>Ofwat has stated that:</p> <p>"We have previously set expectations for companies to consult the Consumer Council for Water (CCWater), and to engage with their customers and their representative groups as appropriate. It is important that charges schemes are suitably transparent and customer-friendly.</p> <p>We will set a requirement for companies to consult with CCWater (rule 7). We would consider it good practice for a company to engage with its customer challenge group (CCG) and to be transparent about how it had reflected what its CCG and CCWater had said to it in reaching a final view of its charges scheme."</p> <p>Our response:</p> <p>Sefton Council (the customer) has tried to highlight and engage with the Consumer Council for Water and United Utilities regarding the unfair charges that Surface Water &amp; Highways Drainage has had. Sefton Council is unsure why CCWater cannot address this important issue and would simply state the site area charging is the most fair methodology for charging for rainwater drainage. Viewed in isolation, Sefton Council also believes site area charging is the fairest methodology. However, it is the fact that other areas do not use this methodology, or where they do, the charges are not as high. To be customer focused, CCWater must acknowledge the issue going forwards.</p>

**Q1 Do you have any specific views on the draft rules for 2016-17 included in appendix 2?**

Draft Rule 8

Water service charges for some customers, such as schools, experienced bill increased for rainwater drainage many times higher than 5% per year. Given this already apparent variance in charging across England, limiting bill increases in areas that currently do not have high charges due to site area charging will prolong this imbalance.

**Q1 Are there any other rules that you consider should be included?**

With particular consideration to rainwater drainage, there should be rules that address the wide variation in charging between water company regions. Either:

- Inclusion of known, affected, community based organisations such as schools in the concessionary scheme. This may provide some balance between region and 'cap' very high charges
- Some cross comparison between regions on charges to ensure a fairer balance

**Q2 How best can site area-based surface water drainage charges be adopted? And what lessons can be learned from how companies have moved to this basis so far?**

Site area charging is a fair methodology and should be adopted by all companies. When it is only adopted by some, some customers in these regions have seen their bills increase to much higher

levels than comparable customers elsewhere. In addition to this, for the 4 companies that have adopted site area charging, there should also be some consistency in the 'charge per square metre'. Whilst both United Utilities and Yorkshire Water have both adopted a site area charging methodology, there are significant differences in the charges. It is unfair that a site with a chargeable area of 12,000m<sup>2</sup> in the United Utilities region pays over £18,000, when it would only pay around £360 in the Yorkshire Water area.

**Q3 Do you agree with our proposed threshold for 'significant' bill increase? If not, is there evidence for a more suitable threshold? And how this can be assessed for different customer types?**

If the threshold for significant bill increase is set against current bills, then Sefton Council does not agree. That is because current bills are already much higher for customers such as schools. The threshold would only prolong this regional imbalance.

For community assets such as schools (or any other community or none-profit making organisation, there should be some national comparison, or index that ensures regional disparity for such bills is kept to a minimum.

**Q6 Do you agree with our current preference for companies to submit a statement of significant changes?**

Similar to Q3, changes against current customer bill levels where the bill is already much lower in a region compared to another could prevent existing charging differences being prolonged between regions. Broadly speaking, it is not fair to only consider increases from current billing levels when in some areas they are already many hundreds of percent higher.

<p>Section 4.1.6 Page 27 Paragraph 2</p>	<p>Ofwat has stated that:</p> <p>"...We also said that our preference is for some level of standardised wholesale charging methodology to be developed over time, but for us not to design and specify companies' tariffs."</p> <p>Our response: Sefton Council believes that current charging systems, especially for rainwater drainage, vary significantly already and result in huge differences in water sewerage bills for customers. Where companies are allowed to develop their own charging methodologies and use such differing techniques, there will always exist a possibility of regional differences.</p> <p>Sefton Council has mentioned earlier that current methodology differences means on average, schools pay around 3 times more in the United Utilities region when compared to the Anglian region. In addition to schools, it was projected under the United Utilities 'Parks &amp; cemeteries' project that these sites would be impacted far worse. In one case, one of our cemeteries would have paid <u>159 times</u> for its water service charging that if it had been in a different region.</p> <p>Sefton Council agrees strongly that there should be some level of standardisation for wholesale charging, but simply leaving the design to the companies will result in more unfairness. More unfairness as the water market opens up will inevitably leave to more complaint and failure of the water market including a poor market image.</p>
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**Q7 Do you have any specific views on the proposals included in chapter 4? Are there any other rules or issues that you consider should be consulted on next year?**

As indicated above, some community assets in the North West of England already experience far higher charges as a result of differing charging methodologies water companies have chosen to use. If Ofwat is to suggest some level of standardisation in the wholesale market, yet exclude itself from the design, it needs to be aware of the potential for huge differences individual customers pay. Sefton Council's view is that OFWAT should find ways to ensure regional differences on individual customers bills is kept to a minimum. This could include identifying affected community assets and ensuring their inclusion in a concessionary scheme. Or placing a capped level on charges.