



Llywodraeth Cymru
Welsh Government

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06 October 2015

Dear Ynon

Thank you for providing us with the opportunity to comment on your consultation on draft charges scheme rules and future plans. We have provided responses to your individual questions and provided some general comments. We apologise for providing the response after the consultation deadline.

Q1 Do you have any specific views on the draft rules for 2016-17 included in appendix 2? Are there any other rules that you consider should be included?

- Bill stability
 - Agree but would also like to see account taken of section 4.14 of the Welsh Government guidance. Charges schemes should ensure that, under existing charges, changes to individual bills should not diverge significantly from the average without changes in demand. We would like to an addition that undertakers should be encouraged to consult with customers and introduce any significant changes in a sensitive way For example, phasing in of any sudden large changes in charges, through the use of devices such as glide paths, can be useful in managing effects on customer bills and should be encouraged.
- Publication
 - There should be something specific for companies providing services in Wales on ensuring that schemes are published in Welsh to meet the Welsh Government's Welsh language standards (Dŵr Cymru Welsh Water, Severn Trent Water, Dee Valley Water, SSE Water).
 - Publication of charges should be transparent and fair. Welsh Government would expect all publications of charges schemes to be written in plain English/easy read to ensure that customers are able to understand their charges.
 - Accessibility to internet is still an issue, particular for some of the more vulnerable customer groups so we would like to see encouragement for water companies to not rely solely on website publication and social media.
- Principles for determining the amounts of charges



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- (14) relating to metered costs Welsh Government would like long term effects considered such as potential to reduce infrastructure costs over the long run taken into consideration (partially implied at point 13)
- (14) Welsh Government would like tariff structures designed to encourage more efficient water use, so would welcome the promotion of trial tariffs that go further than just the running costs of specific tariffs. For example, rising (fixed and amended) block tariffs, which charge more per volumetric unit of water for each subsequent block of water used, can mean a lower volumetric rate is charged for essential use and a higher volumetric rate is charged for discretionary use. Welsh Government would also like to see Ofwat encouraging water undertakers to actively encourage customers who would benefit from a meter to switch as soon as possible
- (17) Welsh Government would like to see Ofwat encouraging water undertakers to promote SuDS schemes by offering rebates and would like to see better collection of data on this encouraged as well.
- Unmetered charges
 - Welsh Government expects Ofwat to be sensitive to the possibility of unmetered charges continuing to increase in price as metering increases and to keep the costs of unmetered customers under review, potentially encouraging transitional tariffs to encourage unmetered customers onto meters if they become the more affordable option.
- Social Tariffs/ Concessionary charges
 - (23 ii and b) Welsh Government would also like to see a steer from Ofwat in relation to guidance on identification and engagement of eligible customers.
- Times and methods of payments
 - (24) Regarding times and methods of payment Welsh Government agree in principle but would like this to go further to encourage undertakers to target payment plans at struggling households and engage with them at the earliest opportunity so they are not falling into debt.
 - Welsh Government would like to see schemes promoted which won't incur an additional charge for vulnerable customers struggling to pay.
 - Ofwat should ensure that water undertakers are drawing attention to these schemes for the customers more in need of assistance.
- Non household default tariffs – In Ofwat's Final price control determination notice: policy chapter A6 – non-household, it was assumed that, in line with UK Government policy, non-household customers of companies operating wholly or mainly in England will have the ability to choose their retailer from 1 April 2017. It goes on to explain that the default tariffs that companies set will protect customers for the two years ahead of that market opening and provide a comparison point for customers once it is open so that they can clearly see whether they would be better off changing their supplier. It also explains that in line with Welsh Government policy, non-household customers of companies operating wholly or mainly in Wales using less than 50 Ml of water per year are not expected to be able to choose their supplier during the next five years. As such, Ofwat have taken a different approach to companies operating wholly or mainly in Wales to protect non-household customers who will not be able to take advantage of competition. In addition, an information notice (IN 14/01 – Adapted approach for default tariffs) stated “*We are setting default tariffs for customers in both England and Wales, but they will be applied in different ways. This is to reflect the different legal frameworks (because the Water Bill will give all non-household customers served by companies wholly or mainly in England the right to switch suppliers from 2017).*” We would like to see a more comprehensive explanation of how these default tariffs will be applied differently in relation to companies wholly or mainly in Wales or England, and what impact that might have on the regulatory

approach taken with regards to companies wholly or mainly in Wales and therefore their customers.

- Section A2 on significant bill increases
 - Welsh Government would like Ofwat to ensure water companies can evidence that consultation with vulnerable customers likely to be affected by bill increases have been undertaken.

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?

- (page 12 section 2.2.1 Surface water drainage) The Welsh Government understand that stability and predictability in bills can be particularly important for both business and other non household customers who have to plan carefully for future costs. Changes to individual bills should not diverge significantly from the average without changes in demand. Phasing in of any significant changes in charges should be considered. Relevant undertakers should be encouraged to consult customers and introduce changes to charges in a sensitive way.

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?

No comment.

Q4 Do you agree with our current preference of companies publishing their Board’s assurance statements?

This proposal ties in with Ofwat’s vision to build trust and confidence in the UK water industry and we support this approach.

Q5 Do you consider that the Board’s assurance statement should cover anything else than what we propose above?

No comment.

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

Yes, this approach fits with the drive for transparency across the industry. We would suggest that the statement should also include a brief explanation / justification of any changes that result in a significant bill increase.

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?

- Needs to specify wholly or mainly in England rather than “English water companies”.
- This section appears to very focused around instructions to companies wholly or mainly in England, without differentiating what the water companies operating wholly or mainly in Wales need to do (or are not required to do) – this needs to be clarified to avoid confusion.
- We have some concerns about the developer charging rules being developed this year prior to any guidance issued by Welsh Government. We would expect Ofwat to consult Welsh Government on a time line for this to ensure they take account of our guidance.

- Please also note due to National Assembly for Wales's elections in 2016, the Welsh Government will be in purdah between March and June officials will not be able to respond to any consultations put forward during this period.

Q8 Would it be practicable and/or desirable to include all non-primary charges in the wholesale charges scheme?

The information provided on charges should be sufficient to allow non-household customers to understand how their overall charge has been arrived at and to be able to consider options to improve efficiency of their water use and reduce the cost of their bill in the future. Charges should be communicated in such a way that non-household customers can have a reasonable idea of what their bill will be ahead of receiving it.

Q9 Do you have any specific views on the requirement to publish final wholesale charges for non-household customers no later than the first week of January?

No comment.

Q10 Do you agree with our outline proposal that indicative wholesale charges be published in July and October?

No comment.

General comments on the guidance

- The Consultation document wording is very focused around what the UK Government is doing and their principles; we would expect the guidance to be structured to reflect both the UK and Welsh Government's guidance.
- Welsh Government's guidance consultation was issued on 24 August and we have engaged extensively with Ofwat throughout the development of this guidance. We would, therefore, like to see more Welsh Government policy reflected within the final document.
- Page 11 (2.21) Fairness: Welsh Government is concerned that by Ofwat's intention to "retain the current requirements through the charging rules" there isn't scope to review cost of services such as metering and unmetered customers. Our concern is that as metering increases the burden of cost continues to fall on the unmetered customers; we would like Ofwat to keep this in review to ensure that it doesn't lead to affordability issues for those who are not on a water meter.
- Page 12 2.2 (Environmental considerations and metering): Welsh Government would like to see this section going a little further and encouraging trial tariffs (such as block or seasonal) as well as adding in a caveat about encouraging the production of social tariffs for those on a meter who are vulnerable or struggling affordability wise.
- We want Ofwat to ensure that water undertakers have consulted with potentially affected customers before any changes to charging schemes occur.

Yours sincerely

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