

# Information notice

IN 15/16 November 2015



This is a formal document that alerts our stakeholders to a change in the way that we regulate the water sector in England and Wales.

## Expectations for company charges schemes for 2016-17 and information for companies to include in non-household customers' bills

This information notice sets out:

- our expectations and requirements for charges schemes for 2016-17 from appointed monopoly water only and water and wastewater companies in England and Wales; and
- the standard information we are asking each monopoly company whose area is wholly or mainly in England to include on their bills and websites. This is to help raise awareness among eligible non-household customers that they may be able to choose their water and wastewater retail service supplier from April 2017.

### Background

Monopoly water companies have statutory powers to fix their charges and associated terms (such as times and methods of payment) in charges schemes made under section 143 of the Water Industry Act 1991 (WIA91). In the absence of any individual agreement, a charges scheme is the legal basis for customer charges.

Up until and including the 2015-16 charging year, section 143 of the WIA91 required charges schemes to be approved by us before they could take effect. Section 16 of the Water Act 2014 (WA14) has removed this requirement with effect from 1 November 2015. It has, instead, given us the power to issue charging rules with which charges

schemes must comply (section 143B of the WIA91). If we consider that a company's charges scheme does not comply with the rules or certain other requirements then we will have the power to issue a direction to the water company to ensure compliance. We can also take further enforcement action, such as imposing a financial penalty, if a company fails to comply with a direction.

We published '[Charges scheme rules issued by the Water Services Regulation Authority under sections 143\(6A\) and 143B of the Water Industry Act 1991](#)' (our 'charges schemes rules') in November 2015 following a statutory consultation on the draft rules. Water companies need to develop charges schemes for 2016-17 that comply with those rules. There are also already existing requirements

with which water companies have to comply. For example, appointment condition E prohibits undue preference, or undue discrimination, in the fixing of charges.

This notice must be read in conjunction with our charges scheme rules. We alerted stakeholders to the changes in '[IN15/15 Charges schemes from 2016-17 – moving from an approval process to a rules-based approach to regulating charges schemes](#)'.

The Water Act 2014 will allow eligible businesses and other non-household customers of monopoly companies whose area is wholly or mainly in England to choose their supplier of water and wastewater retail services from April 2017. Retail services include things like billing and customer services. Work to open the market is being delivered through '[Open Water](#)' – a programme of work that brings together the key organisations to deliver the market.

## **Charges scheme expectations**

Water companies must make sure that their charges schemes comply with all their legal obligations, including our charging rules. We need to know when companies are doing this so that we can, if necessary, intervene in a timely, proportionate and targeted way to protect the interests of customers.

## **Assurance and monitoring**

From 2016-17, our approach to regulation of charges schemes will be consistent with our trust in water strategy. We will focus on an approach which allows companies to innovate but allows us to intervene if needed.

We will seek assurance that charges schemes meet all the legal obligations. We will also monitor, under our [company monitoring framework](#), how water companies are providing their charges schemes assurances – this ex-post process will have no fixed timeline and any ensuing actions we take may cover several charging years.

## **Charges scheme assurance**

Water companies are responsible for their charges schemes and are accountable to their customers, and not to us, for the charging policies underpinning the charges schemes. But we have a role to ensure the legitimacy of those policies.

For this reason, we will continue with our current approach where we require water companies to provide to us with a statement to assure us that their charges schemes comply with all their relevant legal obligations. We will, in addition, require each company to publish its statement of assurance. We have set out in the annex to our charging scheme rules the items we expect water companies to provide assurance on, as a minimum. We may in any particular year and for any particular water company, require additional assurance or information to address, for example, specific issues that emerge from our monitoring. Where it appears to us that a water company's assurance statement is not robust enough, we may ask the water company in question to resubmit the assurance statement.

We may also ask for other information to be submitted with the assurance statement to give us an overview on how water companies' charges are impacting on household customers' bills.

## Charges scheme monitoring

Assurance in itself does not necessarily guarantee that a water company will deliver all of what it has assured. Effective monitoring may reveal any such inconsistencies to us. In general, effective monitoring could be beneficial in the following ways.

- It can reveal whether water companies are delivering the assurances they have given on their charges scheme.
- Where we find that customers are suffering a continuing detriment, we can intervene in a timely manner.
- It can provide useful information to assist us develop further our charges scheme rules, which we are allowed to revise and re-issue from time to time.

Our approach to monitoring will be consistent with our wider strategy under our company monitoring framework – we will use published information where possible. But we reserve the option to ask for more specific information on charges scheme issues which we deem carry significant risks to customers or if we do not have confidence that a company is meeting its obligations.

Where evidence emerges that a company is not providing an assurance or may not be complying with a charging rule or another obligation we enforce, we will take appropriate action to protect customers. The action we will take would be targeted, proportionate and progressive in nature – where appropriate starting from informal action and culminating, if necessary, in more formal action.

## Information submissions for 2016-17

We require the following information from each of the largest monopoly companies for whom we have set full price limits:

### **A. An assurance statement from the Board of Directors about its charges scheme.**

This has to be published no later than the time the company publishes its charges scheme. A company can, if it wishes, publish its assurance statement in a standalone section in the opening pages of its charges scheme.

We have set out in section A1 in the annex to our charging scheme rules the list of items we expect water companies to provide assurance on, as a minimum. Companies should also provide assurance that they have informed us of any new special agreements they have entered into since 14 July 2014. For the avoidance of doubt, new special agreements include those whose terms have been renewed or revised since that date.

### **B. A statement of any significant changes**

In addition to the above, each water company, with the exception of Cholderton and District Water, should submit to us a statement of any significant changes it anticipates, including bill increases. We have set out in section A2 of the appendix to our charging scheme rules what we expect this statement to include.

In the same way as the assurance statement, we require this statement to be published as well. But this should be done at least three

weeks before the company publishes its charges scheme.

## C. Average bills information for household customers

This comprises data on household customer numbers and revenues resulting from the application of household tariffs. We have published a [template for companies to capture this information](#).

Since 2014-15, we have sent average bills information to Water UK for publication on its website. We will continue with this approach for 2016-17. We expect that Water UK will publish this information in early February once all the companies have published their charges schemes on their own websites.

### New appointees

The text in this section has been amended since first publication. Changes are marked in purple below.

We have set out in section A3 in the annex to our charging scheme rules what information each monopoly company appointed after 1989 ('new appointees') should send to us **and also publish**. This is a statement of Board assurance which should include confirmation and details of any expected significant changes to bills and charging policy. **To enable new appointees make this submission on time, we have requested all existing appointees with new appointees in their area to provide their charges scheme to the new appointees in time for the new appointees to make this submission. New appointees should make this submission to us no later than 22 February**

**2016, which is the deadline for them to publish their charges schemes.**

## Special agreement information capture system

Companies are allowed to set charges for water and sewerage services that they provide either in accordance with a charges scheme or on the basis of an agreement with the person to be charged. We refer to these agreements as 'special agreements'.

In October 2015 we published alongside '[IN 15/13: Publication of wholesale charges and provision of information on special agreement](#)', a template to capture information on special agreements. We have published alongside this information notice two updated versions of that template:

- [one for water and sewerage appointees](#); and
- [one for water only appointees](#).

Each template has two worksheets:

- one to capture details of special agreements, if any, between appointees and their customers; and
- one to capture details of bulk supply transactions, if any, between appointees.

Bulk supplies are the supply of water and/or sewerage services from one water company to another.

It is important that companies complete both Part A and Part B of each table in both worksheets.

## The Consumer Council for Water's role (CCWater)

CCWater is the independent representative of household and business water consumers in England and Wales.

As part of their assurance statement, we require companies to confirm that they have consulted CcWater on changes to their charges schemes.

We expect that CcWater will advise companies on:

- customer acceptability for both existing and new charges; and
- appropriate ways for companies to communicate and to implement the changes.

### Information for eligible customers about the new non-household retail market

The Water Act 2014 will allow eligible non-household customers of monopoly companies whose area is wholly or mainly in England to choose their supplier of water and wastewater retail services from April 2017. A key part of an effective market is customers being aware of and feeling empowered to exercise their choice.

In order to help raise customer awareness of the new retail market, we request that each company whose area is wholly or mainly in England includes the information in Box A in a prominent place:

- on the bills of all their non-household customers for 2016-17; and

- in their information for non-household customers on their website from 1 April 2016.

This is the minimum we are asking companies to do. It is for each company to decide how else they will raise customer awareness. They can, for example, seek to work with customer representative bodies – who may also be able to assist them in tailoring that information and help with wider efforts to alert customers. This would play an important part of the sector securing the trust and confidence of customers in the new market.

#### Box A

##### **Text of message for companies whose areas are wholly or mainly in England to include in their bills and website information for non-household customers**

##### **Are you ready to switch from April 2017?**

If you buy water and wastewater services for a business, charity, public sector or not-for-profit organisation you may be able to choose your supplier from April 2017. To learn how this could help you get a better deal, better service, save money or save water, speak to us or visit [www.open-water.org.uk](http://www.open-water.org.uk).

The inclusion of the message –and the work that companies have done more broadly on raising customer awareness of market opening to create a level playing field – will inform our letters of assurance after April 2016 to the Department for Environment, Food and Rural Affairs (Defra) on progress. These letters form part of the [overall assurance framework](#) for opening the new market.

In developing their customer awareness information, companies should make sure it:

- does not conflict with their competition law obligations; and
- supports a level playing field.

## Submissions

Companies should send their statements of Board assurance, the statements of significant bill increases and average bills information to:

[FinanceAndGovernance@ofwat.gsi.gov.uk](mailto:FinanceAndGovernance@ofwat.gsi.gov.uk)

## Next steps

The key deadlines for the 2016-17 charges scheme information submission are set out below.

This timetable has been amended since first publication. Changes are marked in purple below.

### Timetable

By 11 January 2016 – water companies submit ~~statement of Board assurance~~, statement of significant changes and average bills information to Ofwat.

~~By 15 January 2016 – water companies with new appointees in their area provide a final charges scheme to the new appointees.~~

~~22 January 2016 – new appointees submit their statement of Board assurance.~~

By 1 February 2016 – water companies publish charges schemes and statement of Board assurance. ~~But any water companies that wish to include statement of Board assurance in the other submission they have to make to us by 11 January can do so.~~

Early February 2016 - Water UK publishes household average bills information.

~~By 22 February 2016 – new appointees publish charges schemes and submit statement of Board assurance.~~

End February 2016 - as set out in IN 15/13, water companies and new appointees submit special agreement information.

By 31 March 2016 – Ofwat publishes special agreement register for 2016-17.

From 1 April 2016 – Charges schemes apply. Companies include retail market opening message in non-household customer bills and on their websites.

## Enquiries

If you have any enquiries about the content of this notice, please email

[FinanceAndGovernance@ofwat.gsi.gov.uk](mailto:FinanceAndGovernance@ofwat.gsi.gov.uk).

## More information

[Special agreement and bulk supply information for 2016-17 – template for existing water and wastewater appointees and new appointees](#), November 2015

[Special agreement and bulk supply information for 2016-17 – template for existing water only appointees](#), November 2015

[Household average bill information for 2016-17 – template for company submission](#), November 2015

[IN15/15 Charges schemes from 2016-17 – moving from an approval process to a rules-based approach to regulating charges schemes](#), November 2015

[Charges scheme rules issued by the Water Services Regulation Authority under sections 143\(6A\) and 143B of the Water Industry Act 1991](#), November 2015

[IN 15/13: Publication of wholesale charges and provision of information on special agreement](#), October 2015

[Information and assurance](#) webpages and [monitoring and assuring delivery](#) report

[Open Water](#) website and [assurance framework](#) webpage.

[Consumer Council for Water](#) website

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Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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