

October 2021

# **Proposal to amend a Customer Protection Code (CP0011)– a consultation**

## Contents

1. About this document	2
2. Code governance arrangements and modification	4
3. Responding to this consultation	5
4. Background to the proposal	6
5. The proposal	7
6. Proposer's reasons for the proposed change	8
7. Clarification on the relevant legal framework	12
8. Proposed decision	17
9. Consultation questions	19
10. Conclusion and next steps	20

## 1. About this document

The [Customer Protection Code of Practice](#) (“**CPCoP**”) sets out the minimum standards that all Retailers must comply with in their dealings with Non-Household (**NHH**) Customers. Compliance is a requirement of Retailers’ licences which is ultimately enforceable by Ofwat.

This document sets out, for consultation, our proposed decision on a change to the CPCoP which was raised by Castle Water (“**the Proposer**”). It proposed an amendment to the CPCoP to protect Retailers from allegations that they are not treating customers fairly by charging them based on unmeasured (unmetered) tariffs (“**the Change Proposal**”).

For the purposes of this consultation, unmetered or unmeasured tariffs refers to tariffs which are determined either based on rateable value (**RV**) or on an assessed basis. However, the concerns highlighted by the Proposer appear to relate primarily to those tariffs based on RV.

We are proposing to reject the Change Proposal for the reasons set out in Chapter 8. In summary, however, this is mainly because we consider that the proposed change to the CPCoP would not add to the protections for customers which the CPCoP is intended to deliver. Rather, as proposed, the Change Proposal would simply seek to protect Retailers against claims of unfair charging by customers. This is not necessary. By charging a customer based on an unmeasured tariff and simply passing on the wholesale charge levied by the Wholesaler, the Retailer could not be deemed to be treating a customer unfairly, or of being dishonest, under the existing market rules as the Retailer has no control over the wholesale charge.

While we are proposing to reject the Change Proposal, this document provides clarification on the legal framework surrounding the ability of NHH customers to access:

- a) a metered supply; and
- b) an assessed charge rather than a charge based on RV.

This is because, in submitting the Change Proposal, there appears to be some misunderstandings or misinterpretations about what is, and is not, already possible under the existing legislation and market rules.

This clarification is set out in Chapter 7 and is intended to ensure that all market participants are clear about what is, and what is not, permissible under existing market rules. In particular, we highlight that our charging rules do not prescribe what unmetered tariff should be used (though of course, in setting those tariffs, Wholesalers must ensure

compliance with all the principles set out in the Wholesale Charging Rules). This means that, in contrast to the situation for household customers, there is nothing in those charging rules that prevents a Wholesaler from applying an assessed charge for NHH customers rather than a charge based on RV. It does not require a customer to have requested, and been denied, a metered supply.

As part of this consultation we are seeking views not only on our proposed decision to reject the Change Proposal but also on the policies and approaches which Wholesalers are adopting in relation to unmeasured charges, as well as any alternative steps that could be taken to help to address the concerns raised by the Proposer. Our consultation questions are set out in Chapter 9.

## 2. Code governance arrangements and modification

Where a CPCoP Change Proposal has been received by the Authority, the Authority will consider responses to any relevant consultation carried out.

The Authority will consider and evaluate each CPCoP Change Proposal to decide whether it agrees with the proposal, whether it wishes to propose amendments or whether it is required to seek further information before making a decision. In each case, it must have regard to whether or not its decision is consistent with its wider statutory duties.

This consultation on the proposed decision to reject the Change Proposal has been issued in accordance with section 5.2.2 of the CPCoP. After this consultation has concluded, responses will be considered and a final decision will be made as soon as reasonably practicable.

### Urgency of the proposal

Section 5.2.2 of the CPCoP provides that consultations under this section should generally be for a minimum of 28 calendar days, except in the case of urgency. In this instance, we shall be consulting on our proposed decision for the full 28 calendar days.

### 3. Responding to this consultation

We welcome your views on the questions detailed in section 7 of this document by **5pm on 25 November 2021**.

Please submit email responses to [CPCOPcodechange@ofwat.gov.uk](mailto:CPCOPcodechange@ofwat.gov.uk), with the subject '**CPCoP consultation – CP0011**'. We are currently unable to accept responses by post.

We intend to publish responses to this consultation on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk). Subject to the following, by providing a response to this consultation you are deemed to consent to its publication.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response, which we will consider when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our Privacy policy - Ofwat explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

## 4. Background to the proposal

On 4 June 2021, the Proposer submitted the Change Proposal to the Authority. The Proposer noted that it was doing so to raise concerns about the use of unmeasured (unmetered) tariffs in the business retail market and the extent to which charging on this basis is compatible with the requirements of Section 4.1.1 of the CPCoP which requires that:

*“Retailers shall be fair, transparent and honest; while putting the customer at the heart of their business;”*

In submitting its Change Proposal, the Proposer explained that a growing number of its customers consider that the use of unmeasured tariffs is unfair and/or dishonest as the tariffs bear no relation to actual usage and customers can, therefore, be subjected to grossly inflated charges relative to similar businesses who are on a metered supply. The Proposer believes that this situation has been further exacerbated by the Covid-19 lockdowns and other restrictions on business activity since early 2020, which the use of unmeasured tariffs fails to reflect. As a result, the Proposer noted that some of its customers have claimed that Retailers are in breach of the CPCoP and are unable to enforce these charges.

In submitting its proposal, the Proposer acknowledged that a change to the CPCoP may not be the most appropriate means of addressing issues arising from the use of unmeasured charges. While, in its view, the CPCoP Principles would be better served by direct action to address the root cause of the problem, it noted that this is currently outside the control of Retailers. Therefore, in the absence of an alternative long-term solution (the Proposer cited alternatives such as the adoption of integrated meters to ensure fully accurate charging, better retail tariff options and reduced leakage), the Proposer claimed that action is needed now to ameliorate the impact of these charges on customers.

## 5. The proposal

The Change Proposal is to include additional text in Section 4.1.1 of the CPCoP to the effect that Retailers should not be deemed to have breached the CPCoP where charges, which customers consider to be unfair, are a reasonable reflection of settlement charges between Wholesalers and Retailers calculated in the Central Market Operating System (**CMOS**), and which in turn are based on Wholesalers' Wholesale Tariff Documents.

The Proposer is seeking to amend Section 4.1.1 of the CPCoP to include the text highlighted below:

*“4.1.1 Retailers shall be fair, transparent and honest; while putting the customer at the heart of their business; **and in respect of charges to customers the meaning of ‘fair’ includes, without limitation, that charges reasonably reflect [the charges calculated by the Central Systems based on] the Wholesale Charges levied by the relevant Water Wholesaler.**”*

In addition, the Proposer is seeking to insert the following additional definitions in Section 1.1:

Central Systems - has the meaning given in the Wholesale-Retail Code;  
Water Wholesaler - has the meaning given in the Wholesale-Retail Code;  
Wholesale Charges - has the meaning given in the Wholesale-Retail Code;

This change, the Proposer noted, would enable Retailers to reply to representations from customers that unmeasured charges, based on RV, are unenforceable. It also noted, however, that this does not resolve the inherent tension between a tariff structure that customers believe to be unfair, and Ofwat's requirement that Retailers treat customers fairly.

## 6. Proposer's reasons for the proposed change

### Introduction

The majority of customers in the business retail market are charged for water and sewerage services on the basis of the amount of water they use<sup>1</sup>, and the amount of wastewater and trade effluent they discharge. Ideally, all customers would be charged in this way.

In those circumstances where a customer does not have a metered supply, the customer's bill may be determined in one of two ways:

- a) it may be determined based on a combination of a fixed standing charge and a charge related to the rateable value (**RV**) of the customer's property; or
- b) it may be **assessed** by the Wholesaler to reflect factors such as the customer's likely usage of services based on the nature of the business activity, the number of people it employs etc.

Wholesalers will set these charges to enable them to recover revenue equal to the cost of providing water and wastewater services to unmetered (unmeasured) customers as a whole. This cost figure may be calculated by Wholesalers, for example, by taking account of the difference between the volume of water they put into the system compared to actual consumption by metered customers, leakage, as well as network meters. However, as highlighted later in this document, different Wholesalers will have different mechanisms for working out exactly how to calculate and divide these costs between the different types of unmetered customers to ensure that sufficient revenue is recovered from these customers enable them to cover their costs.

In submitting its Change Proposal, and in highlighting issues around the use of unmeasured (unmetered) tariffs, the Proposer appears to be primarily referring to, and is concerned about, tariffs based on RV.

### Impact on Customers & Retailers

The Proposer noted that tariffs based on RV can often be many multiples of those for metered charges or for assessed charges for comparable customers. To support its claims, it gave an

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<sup>1</sup> Unmetered customers make up 9.1% (c.90,000 customers) of all customers in the market, and used c.270,000Ml in the period April 2020 – March 2021 per annum equating to around 0.9% of total market consumption.

example of an unmetered charity shop which is charged £16,000 per annum based on RV and contrasted this with a similar business on the same street, but with a metered supply, which is required to pay just £750 per annum.

The Proposer provided a further example to illustrate the potential scale of the differences that can exist even between unmetered customers depending on whether their charges are based on RV or are assessed. In the case of a small shop with three employees and a RV £2,000 the Proposer said that:

- if the customer is charged based on its RV, it will pay a fixed charge of £61.63 plus a RV charge of £1.3378 per £ of RV, giving rise to a total charge of £2,737.23
- if instead, the customer is charged on the basis of an assessed charge, the customer will pay a fixed charge of £44.71 plus a volumetric charge of £2.2781 per m<sup>3</sup> (at 45m<sup>3</sup> assessed usage), which would give rise to a total charge of £147.22

Across its customer base, the Proposer explained that it had over 24,000 customers on unmeasured tariffs and that, on average, the differential between those customers who are charged based on RV and those on assessed tariffs is in the order of £1,000. The Proposer claimed (albeit incorrectly for the reasons set out in Chapter 8) that as a result, these customers are being required to pay millions (c. £24 million) more every year compared to similar businesses<sup>2</sup>.

The Proposer pointed out that many of the affected customers are SMEs such as small shops and, in many cases, are also tenants. It claimed that, as tenants, these customers may not have the authority or means to have meters installed under their lease, and their landlords may have little or no incentive to do so. As a result, in the Proposer's view, it is the customers who are least able to pay bills who can be trapped on the highest tariffs.

In making its Change Proposal, the Proposer stressed the particular difficulties faced by tenants but also noted that the issue can affect customers where a number of businesses operate from a single site (e.g. a trading estate) but where the individual premises are not separately metered. The Proposer claimed that as the redevelopment of buildings can often lead to the separation of supplies, which may not be metered, the use of unmeasured charges is continuing to proliferate.

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<sup>2</sup> The Proposer also argued that the use of unmeasured tariffs can give rise to bill-shocks for customers and widen the differential between customers even further as the tariffs tend to increase when local authorities review rateable values.

In addition to paying charges which can be significantly higher than those paid by comparable businesses, the Proposer also pointed out that as the levels of unmeasured charges have not changed with reduced consumption (even though average bills have reduced significantly for that reason), this has increased the polarisation and unfairness of these charges. In its view, this disparity has been exacerbated by the Covid-19 pandemic as businesses are still subject to high unmeasured tariffs, despite the fact that actual consumption is likely to have fallen significantly as a result of reduced business activity.

Recognising the particular issues faced by its customers who are charged based on RV, the Proposer explained that it had been proactive in exploring options with these customers, both in terms of having a meter installed or in requesting a move to an assessed charge. It noted that in one case it had contacted the Wholesaler on the customer's behalf but that an application to move to assessed charges had been rejected by the Wholesaler and the customer's landlord had failed to respond to contacts from the customer regarding the installation of a meter.

More generally, the Proposer argued that assessed charges are not a complete solution as matters currently stand as individual requests have to be made of Wholesalers. In the Proposer's view it is not practicable to process all the candidate customers separately and on a timely basis; a customer-by-customer approach may lead to discrimination; and will need to overcome the test applied (explicitly or implicitly) by Wholesalers of the provision of a meter not being reasonably practicable.

## Code Principles

The Proposer submits that the Proposal, or an alternative measure(s) that Ofwat may adopt to mitigate the adverse effect on customers, is both justified and urgent, having regard to:

- Ofwat's primary statutory duty to further the consumer objective; that is, to protect the interests of consumers or descriptions of consumers [sections (2A) (a), (2B) and (2C) Water Industry Act 1991];
- the clear financial detriment already suffered and to be suffered by a significant number of customers; and
- the discrimination between groups of customers that is inherent in both Unmeasured tariffs (and Assessed tariffs as they are currently applied), which is undue in the sense both of quantum and in that they fail to afford comparable treatment to comparable customers.

The Proposer claims that its Change Proposal is consistent with the Code Principles in so far as it:

- facilitates Retailers' being fair, transparent and honest with customers by enabling them to explain that the Code regards Unmeasured charges as compatible with the Code requirement as it stands;
- enables Retailers to provide appropriate and timely information to NHH customers. Customers can then seek such alternatives as are available to the basis of their charging; and
- helps to ensure that information provided to NHH customers (including via the Code) is complete, accurate and not misleading.

## 7. Clarification on the relevant legal framework

### Introduction

In this section, we set out the factors that we have taken into account when considering whether to accept or reject the Change Proposal and in particular, we have sought to provide greater clarity on the relevant legal framework around access to a metered supply and also access to an assessed charge. This is because, in submitting the Change Proposal, there appears to be some misunderstandings or misinterpretations about what is, and is not, already possible under the existing legislation and market rules.

As indicated earlier, the majority of customers in the business retail market are charged for water and sewerage services on the basis of the amount of water they use, and the amount of wastewater and trade effluent they discharge. Ofwat considers that, ideally, all customers would be charged in this way. It is recognised, however, that that this may not be possible for a number of reasons.

In some instances, a customer may be unwilling to have a meter installed due to concerns about the potential cost implications – both in terms of the cost of installation (where the Wholesaler charges) and also for ongoing costs<sup>3</sup>. In other instances, the customer may be unable to have a meter installed because it is physically or economically unviable for the Wholesaler to do so. It may also be, as the Proposer noted, that some customers who lease their properties, may feel that they do not have the necessary authority to request a meter and their landlord may not have the same incentive to do so.

The Proposer has put forward evidence that it considers illustrates the potential impact of the use of unmeasured charges on a number of its customers, and in particular on customers who lease their properties. However, whilst acknowledging the issues raised by the Proposer, we note that in some instances, the characterisation of the situation in relation to customers' ability to request a metered supply or the ability of customers to access assessed charges is not correct.

It is also clear that the policies and approach being applied across the market can vary significantly. In the following sections, therefore, we seek to clarify the position to ensure

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<sup>3</sup> This is a particular issue for some household customers who are charged based on rateable value. Although meter installation is free, some customers may be concerned that they will end up with higher annual bills. To address this, during the 12 months after meter installation, these customers are given the option to revert to the being billed based on rateable value if they find that they are better off being billed on that basis.

that all parties understand what is, and what is not, possible under existing legislation and market rules.

In doing so, there are essentially two elements that need to be considered;

- the right of a business customer to be charged by volume (i.e. the right to have a metered supply) and, where it is not possible to have a metered supply,
- the right to be charged on the basis of an assessed charge rather than RV.

## Background and legal framework for the use of unmetered charges

The use of unmeasured charges has been a feature of the water sector since its privatisation in 1989. As the majority of properties did not have a water meter at that time, and as a RV system was being used to raise revenue for local authorities (which also included water rates), the decision was taken to also base water charges in the post privatisation period on the RV of individual properties. This included both household and non-household (**NHH**) properties<sup>4</sup>.

The use of RV for determining water charges has continued since then because no alternative system was considered to deliver a significant enough benefit to justify the expense of changing. However, it was also recognised that over time more and more properties would have the option to choose to have a meter installed<sup>5</sup> which would also mean that the need for a change in the approach to RV charging would continue to reduce.

The decision on using RV as a means of setting charges was taken by Government at the time of privatisation. Ofwat did not, and does not, have a role in setting a property's RV for the purposes of determining an unmeasured charge nor in resolving any complaints or disputes about the fairness of a property's RV.

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<sup>4</sup> Unmetered customers' charges are based on the rateable value of the property under the 1973 Valuation Act. The [Valuation Office Agency](#) gives all non-households in England and Wales a rateable value. The rateable value is a professional assessment of the annual rental value of a property on a specific date. The values are updated every five years.

For household customers, the Government froze RV in 1990 after introducing council tax.

<sup>5</sup> In water stressed areas, Wholesalers have the legal right to insist on the installation of meters.

If a customer is unhappy with a charge which is based on RV, the only option available to them under existing legislation is to request a switch to a water meter<sup>6</sup>. The water company can refuse to install a water meter at a household customer's property if it is not practical or is too expensive for it to fit one, but if this is the case, it must instead offer the customer an assessed charge as an alternative to a RV charge.

It is important to note that for household customers, the legislation is clear that the water company cannot offer the customer an assessed charge unless he/she has first applied for, and been refused, a meter.

As explained in the following section, however, **the situation is different for NHH customers, both in terms of the right to have a meter installed and, where this is not possible, the right to be charged on the basis of an assessed charge rather than RV.**

## The right to be charged by volume

Under section 144A of the Water Industry Act 1991 (**WIA91**), household customers have a statutory right to elect to be charged by volume, and the Wholesaler (who directly supplies household customers) must bear the costs of installing and connecting a meter, under section 148 WIA91. If the water company is unable to meet this request, the household customer has a right to be given an assessed charge as an alternative to a RV charge.

This statutory right does not extend to NHH customers (unless they have their home in the business premises in question), and there are no equivalent provisions conferring the right to be charged by meter on NHH customers.

There is, however, nothing in the legal framework to prevent any owner or occupier of a NHH premises from requesting that they be charged by volume and a meter installed (although it is recognised that the terms of a tenant's lease may impose restrictions on alterations to the property which could curtail a tenant from making that request). In addition, a Wholesaler also has discretion on whether to charge for the installation of a meter at a NHH customer's premises.

Section 209A of WIA91 provides that tenancy agreements cannot restrict tenants' rights under section 144A to elect to be charged by reference to volume (i.e. the right to require a meter to be installed), where the tenancy is fixed for at least six months. It is important to

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<sup>6</sup> In the case of household customers, the customer is entitled to have a water meter installed free of charge subject to survey by the water company. Once the meter has been put in, the household customer then has 12 months in which to decide whether to stick with metered charges or go back to paying charges based on the property's rateable value.

note that section 209A does not create a new right to give a measured charge notice (i.e. demand to be charged by reference to volume), it simply makes explicit that the existing right at section 144A cannot be excluded by any express or implied term in any tenancy (provided that the tenancy is not for a fixed term of less than six months). However, as highlighted above, the existing right under section 144A applies only where water is supplied by a water undertaker to premises in which, or in any part of which, a person has his home (s144A(1)).

This means that other than in cases where there is mixed use of the premises, then there is no statutory right for NHH customers to request meters be installed to enable them to be charged by reference to volume. At the same time, however, this also means that there is nothing preventing Wholesalers from offering this service voluntarily – as some Wholesalers may already be doing.

## The right to an assessed charge

As indicated above, where a household customer has requested to be charged on the basis of volume and where the water company has determined that it is not possible to do so, the water company must offer to move that customer onto an assessed charge rather than a charge based on RV.

**We understand that at least some Wholesalers have assumed that the situation is the same in relation to NHH customers and, therefore, will only provide a NHH customer with an assessed charge where that customer has requested and been refused a metered supply. This assumption is incorrect.**

Our charging rules do not prescribe what unmetered tariff should be used. Section 19 of our Wholesale Charging Rules<sup>7</sup> states that

*"No Unmetered Wholesale Charges may be imposed unless the basis on which those charges are fixed or determined is clear and, in the case of Rateable Value Charges, it is clear: (a) which Rating Valuation List charges are fixed or determined by reference to; and (b) if the undertaker uses a different value or other amount to that specified in such a list, the methodology or other basis on which that different value or other amount is calculated".*

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<sup>7</sup> [Wholesale-Charging-Rules-issued-by-OFWAT-under-sections-66E-and-117I-of-the-Water-Industries-Act-1991.pdf](#)

**This means that, in contrast to the situation for household customers, there is nothing in the charging rules that prevents a Wholesaler from applying an assessed charge for NHH customers. It does not require a customer to have requested, and been denied, a metered supply.**

It is also important to stress however, that the Wholesale Charging Rules provide (at Rule 19) that Wholesale Charges (whether assessed or charging by reference to RV) must be determined in accordance with the principle that those charges should reflect

- (a) fairness and affordability;
- (b) environmental protection;
- (c) stability and predictability; and
- (d) transparency and customer-focused service.

Wholesalers are responsible for working out how to apply charges which best reflect all of those principles and ensure compliance with the Wholesale Charging Rules, including charging by reference to RV.

## 8. Proposed decision

We have given consideration to the arguments put forward by the Proposer and the evidence provided in the context of the relevant legal framework.

We consider that the proposed change to the CPCoP would not add to the protections for customers which the CPCoP is intended to deliver.

Rather, as proposed, the Change Proposal would simply seek to protect Retailers against claims of unfair charging by customers. This is not necessary. By charging a customer based on an unmeasured tariff and simply passing on the wholesale charge levied by the Wholesaler, the Retailer could not be deemed to be treating a customer unfairly, or of being dishonest, under the existing market rules, as the Retailer has no control over the wholesale charge.

While the Proposer argued that its Change Proposal would facilitate Retailers being fair, transparent and honest with customers by enabling them to explain that the level of unmeasured charges passed on by Retailers is compatible with the CPCoP requirement as it stands, there is nothing to prevent Retailers from doing this already – without the need for a Code change.

**However, as we have set out above, we consider that the market rules also provide Wholesalers with greater flexibility - both in terms of accepting a request to install a meter and also in relation to the provision of an assessed charge.**

We are therefore proposing to reject the Change Proposal to the CPCoP.

In submitting its Change Proposal, the Proposer acknowledged that its proposed change to the CPCoP may not be the most appropriate way of addressing its concerns about the use of unmeasured tariffs. It suggested instead that Ofwat might want to exercise its powers under sections 66E / 117I (WIA91) to require Wholesalers to amend their Wholesale Charges so as to eliminate or phase out Unmeasured tariffs; and in relation to Assessed tariffs, to require the adoption of an arrangement such as exists in Scotland, whereby Retailers can submit a single reassessment form to Scottish Water for SPIDs on a rateable value tariff which Scottish Water checks to see if a meter can be installed and if not, the customer is moved to an assessed charge.

While changes to legislation or Ofwat mandating a standard approach may provide a means of addressing certain aspects of the issues highlighted by the Proposer, given the timescales and resources that this could involve, both for Ofwat and market participants, and the

variations in approach across the sector, a more pragmatic approach may be appropriate and deliver swifter benefits to customers.

As a first step, the clarification we have provided in this document on the legal framework surrounding the ability of NHH customers to access a metered supply and an assessed charge should help to ensure that market participants are clear about what is, and what is not, permissible under existing legislation and market rules.

While ideally all NHH customers would have access to a metered supply, given the flexibility that charging rules permit, we would expect market participants to act in the best interests of NHH customers who remain on an unmetered supply. This may mean that wherever possible, those unmetered NHH customers who wish to do so, are able to request a move from a RV charge to an assessed charge. Wholesalers should seek to facilitate this change.

In doing so, however, it is important to recognise that there may be knock-on impacts across the sector as all changes to unmeasured tariffs are expected to be net zero in terms of revenue. This is because water companies will typically calculate their assessed charges based on the average consumption of water by unmeasured customers as a whole (taking account of, for example, the difference between the volume of water put into the system compared to consumption by metered customers and leakage as well as their network meters). Charges are then set to recover revenue equal to the costs of providing that amount of water from these unmeasured customers as a whole. While different wholesalers will have different mechanisms for working out exactly how to calculate and divide these costs between the different types of unmetered customers, it does mean that while some unmeasured customers who use less than the average consumption may be paying more at the moment, other unmeasured customers who use more than the average consumption may be paying less. This also means that if some customers move from a charge based on RV to an assessed charge and in doing so end up with a lower bill, others may end up facing higher charges as the water company still has the same overall costs to recover given that the overall amount of water being consumed by unmeasured customers remains unchanged and the water company's revenue cap remains unchanged.

Given the variations in approach that appear to exist across the sector, and in particular the different methodologies used by Wholesalers to calculate assessed charges for unmetered customers, we believe it would be useful if the issues raised by the Proposer were considered by the Retailer Wholesaler Group (RWG) Wholesale Tariff Structure Simplification Sub-Group.

While we have set out our preferred approach in this document, we are nevertheless interested in stakeholders' views on alternative ways of addressing the issues identified by the Proposer.

## 9. Consultation questions

The questions we would welcome responses on in relation to our proposed decision to reject this Change Proposal are detailed below. Where appropriate, answers should be supported with evidence.

1. What are your views on our proposal to reject the Change Proposal?
2. We would welcome views and information from Wholesalers on their current policies and approaches where customers request either a metered supply or to move from an RV to an assessed charge, and any plans Wholesalers may have to amend their current approach.
3. We would welcome views on any other alternative approaches that could potentially help to address the concerns raised by the Proposer.

## 10. Conclusion and next steps

The consultation on the Change Proposal will close at **5pm on 25 November, 2021.**

Following the closure of this consultation, we will consider responses prior to issuing our final decision. See section 3 of this document for details about how to respond to this consultation.

We will endeavour to make the decision on the Change Proposal as soon as practicable following closure of this consultation.

**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
We regulate the water sector in England and Wales.**

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