



## Parliamentary Briefing

# The Water Bill: water stress and metering

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March 2014

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### 1. Summary

We welcome the new emphasis on demand management in the Bill, encapsulated in the new Resilience Duty for Ofwat. This is to ensure that water companies undertake *“a range of measures to manage water resources in sustainable ways and reduce demand for water so as to reduce pressure on water resources”*.

However, outside of the new duty, a comprehensive strategy for demand management is still lacking in the Bill. Therefore we feel the Bill should be amended:

- **to allow water companies, when supported by customers, to introduce water meters where there are clear social and environmental benefits in doing so** (as part of a package including water efficiency measures and social tariffs that protect the most vulnerable).

This amendment is essential because the 2013 revisions to the Serious Water Stress designations (that limit the roll out of compulsory metering) significantly underplays – and has bizarrely downgraded - the extent of water stress in England and Wales.

### 2. Customers' water bills and affordability

Water charging in England and Wales urgently needs to be brought up to date. Thousands of customers struggle to pay their water bills, current water consumption is unsustainable, wastage is high and our natural environment is under significant stress – all problems that will be exacerbated by climate change and an increasing population.

By 2015 half of the country will be paying by water meter. The rest will be paying by the rateable value system, with charges based on 1974 rateable values that do not reflect current water use, do not incentivise people to save water and do not protect millions of low-income families from unaffordable bills. We simply cannot afford to turn a blind eye and carry on with business as usual.

In 2009 Defra commissioned an independent review by Anna Walker of the household water charging system.<sup>1</sup> The Walker Review concluded that the current mixed system of charging was unfair, not progressive and not fit to address affordability issues in the water sector.

After considering the evidence, the Walker Review recommended a widespread switchover to metered charging, considering it the fairest way to pay, and the only way to address the

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<sup>1</sup> Independent Review of Charging for Household Water and Sewerage Services, led by Anna Walker, 2009.

affordability problems inherent in the current system. In response to this, in 2012, the Efra Committee recommended that the “Government set a clear and ambitious objective to increase levels of metering, taking account of Anna Walker’s recommendation that metering penetration reach 80% by 2020.”<sup>2</sup>

### **a. Metering**

Under current legislation, water meters cannot be introduced on a universal-basis in large parts of the country, even when it is clear that they could go a long way to address affordability concerns. Water companies are only able to introduce domestic water meters universally on a compulsory basis where the Secretary of State has determined that either the whole or part of their area is an “area of serious water stress.”<sup>3</sup> To introduce metering, the water undertaker is also required to have planned for metering in its Water Resources Management Plan.<sup>4</sup>

Universal water metering has been successfully introduced in a number of areas in the UK with continued customer support, as well as reducing demand and helping identify leakage through the introduction of smart technology. To increase the uptake of water metering, water companies should be able to introduce universal metering if – after consultation with customers through the existing Water Resources Management Plan and Business Plan processes – it is found to be the most affordable option for customers overall.

To help address affordability in the water sector, the following amendment is needed:

- a. A new clause to remove the current restriction on universal metering in only water scarce areas, to enable affordability benefits to be realised everywhere.

This amendment would not force water companies to bring in water metering. It would simply allow them, in consultation with customers, to consider the wider social benefits water metering can bring across the country.

## **3. Serious Water Stress designations**

We supported a revision of the Water Stress designation, first produced in 2007, as the original tool was relatively blunt. We advocated inclusion of the impact of abstraction on the environment, the potential effects of climate change and acknowledgement of the temporal nature of water stress (i.e. stress occurring in certain times and certain places that would not otherwise show up on designations compiled using averages, such as the 2010 drought in NW England which resulted in low reservoir levels and hosepipe bans for six million customers).

We are extremely concerned that despite the number of significant droughts and new climate change models highlighting the likelihood of increasing water stress since the maps were first produced in 2007, the new revisions in 2013<sup>5</sup> downgraded the extent of risk of Serious Water Stress to just 1/3 of water companies. The final revisions are a significant step down from the version that was published for consultation in 2012<sup>6</sup>, and we do not feel that these

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<sup>2</sup> Environment, Food and Rural Affairs Committee, Second Report – Water White Paper, 2012.

<sup>3</sup> Section 144B Water Industry Act 1999 restricts water undertakers from charging by volume (e.g. metering) except in certain circumstances, which are prescribed in the Water Industry (Prescribed Conditions) Regulations 1999 and Water Industry (Prescribed Conditions) (Amendment) Regulations 2007.

<sup>4</sup> such plans required by Section 37B(8)(a) of the Water Industry Act 1991.

<sup>5</sup> Environment Agency and Natural Resources Wales. 2013. Water Stressed Areas Final Classification [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/244333/water-stressed-classification-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244333/water-stressed-classification-2013.pdf)

<sup>6</sup> Environment Agency. 2012. Improving the classification of water stressed areas: a consultation <file:///C:/Users/RONeill/Downloads/Water%20stress%20consultation%20document%202012%20November%20final.pdf>

revisions have been made on the basis of good scientific evidence. Three water companies (Cambridge, Portsmouth and Sembcorp Bournemouth) have been downgraded from the ‘Serious’ Water Stress assessment they had in 2007 to ‘Not Serious’ in 2013. And a further three (Bristol, South Staffordshire and Wessex) have been downgraded from ‘Serious’ in the 2012 draft designation to ‘Not Serious’ in 2013.

This review has effectively limited the extent of demand management that can be rolled out across England and Wales - in spite of statements from the Government and the scientific and social evidence that shows that effective demand management is needed more than ever.

**Table showing Water Stress designations by the Environment Agency.**

‘S’ is ‘Serious’. Water company names in **bold** show those downgraded.

	2013 Final	2012 draft	2007
Affinity Water (formerly Veolia Water Central)	S	S	S
Affinity Water (formerly Veolia Water East)	S	S	S
Affinity Water (formerly Veolia Water South East)	S	S	S
Anglian Water	S	S	S
<b>Bristol Water</b>	Not S	S	Not S
<b>Cambridge Water</b>	Not S	S	S
Cholderton & District Water	Not S	Not S	Not S
Dee Valley Water	Not S	Not S	N/A
Dwy Cymru	Not S	Not S	N/A
Essex & Suffolk Water	S	S	S
Northumbrian Water	Not S	Not S	Not S
<b>Portsmouth Water</b>	Not S	S	S
<b>Sembcorp Bournemouth Water</b>	Not S	Not S	S
Severn Trent Water	Not S	S	Not S
South East Water	S	S	S
<b>South Staffordshire Water</b>	Not S	S	Not S
South West Water	Not S	Not S	Not S
Southern Water	S	S	S
Sutton & East Surrey Water	S	S	S
Thames Water	S	S	S
United Utilities	Not S	Not S	Not S
Veolia Water Projects	Not S	Not S	Not S
<b>Wessex Water</b>	Not S	S	Not S
Yorkshire Water	Not S	Not S	Not S

The resulting designations effectively prevent the widespread introduction of metering – which the Committee on Climate Change Adaptation Sub Committee’s recommended as one of the ‘low regret strategies’ needed to manage water resources in the face of large climate change uncertainty<sup>7</sup>.

<sup>7</sup> <http://www.theccc.org.uk/publication/climate-change-is-the-uk-preparing-for-flooding-and-water-scarcity-3rd-progress-report-2012/>

**Portsmouth Water: a case study.** Portsmouth Water is a small company surrounded on all sides by companies that are in Serious Water Stress. We feel that, to all intents and purposes, Portsmouth Water is in Serious Water Stress – it shares catchments with other companies which are, and it has a number of over-abstractions that it needs to address. However its designation has been downgraded. (There is no specific rationale for Portsmouth Water, but the Environment Agency’s new methodology does not sufficiently reflect the impact of ground water abstractions (on which Portsmouth Water relies); includes unscientific and illogical ‘overrides’ to ignore the impact of abstractions when the Environment Agency has agreed a need to reduce them; gives too much attention to moderate climate change and low water consumption scenarios, meaning that the designations are not appropriate for the more testing future we may face.)

We feel it is inappropriate that Portsmouth Water can no longer consider compulsory metering given that:

- Metering is supported by its customers. Portsmouth Water’s Business Plan<sup>8</sup> says *"A majority of customers surveyed were in favour of increasing the number of properties with a water meter.... "We are the only Water Company in the South East whose catchments are not classified as under serious water stress. This means that we are not allowed to compulsory meter customers"*.
- There are ongoing discussions about building a new reservoir.
- Portsmouth is well placed to trade with other companies in SE England, many of which have deficits in their Water Resource Management Plan. One of the main outcomes of the Water Bill will be measures to encourage trading of bulk supplies (making water company boundaries of Water Stress even more redundant).

#### **4. Amendment**

In light of the concerns highlighted above, we believe that the revised Water Stress designations are not fit for purpose. This, coupled with the urgent need to bring water charging in England and Wales up to date to ensure that it is fair, socially progressive and fully addresses water poverty, leads us to believe that an amendment to the Water Bill is needed.

Water companies should be able to introduce universal metering if, after consultation with customers through the existing Water Resources Management Plan and Business Plan processes, it is found to be the most affordable option for customers overall as well as being the best option for water resources management. This will be consistent with the new Resilience Duty for Ofwat.

The Bill should be amended with a new clause to remove the current restriction on compulsory metering to areas in Serious Water Stress. This amendment would not force water companies to bring in water metering. It would simply allow them, in consultation with customers, to consider the wider social and environmental benefits water metering can bring in all parts of the country.

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<sup>8</sup> Portsmouth Water. 2013. Business Plan 2015 to 2020.

**Amendment: A new clause to remove the restriction on compulsory metering to only water scarce areas, to enable wider affordability benefits to be realised**

Insert new clause to Chapter 3:

In Section 144B of the Water Industry Act 1991, insert a new subsection 1A such that Section 144B then reads:

Restriction on undertakers' power to require fixing of charges by reference to volume

(1) Subsection (2) below applies where—

(a) water is supplied to any premises in which, or in any part of which, a person has his home,

(b) charges in respect of those premises have previously been fixed without reference to volume, and

(c) such conditions as may be prescribed are satisfied in relation to the premises

(1A) Subsection 2 below shall not apply where the water undertaker considers that the fixing of charges by reference to volume is required to allow it to meet its duties under section

37(1)(a) (providing supplies of water) or section 93A (duty to promote the efficient use of water) and that measures for fixing of charges by reference to volume have been included in both the water undertaker's draft water resources management plan as set out in section 37B and any such plan published as set out in section 37B(8)(a).

(2) Where this subsection applies, a relevant undertaker may not by virtue of any charges scheme under section 143 above begin to fix the charges in respect of those premises by reference to volume unless either—

(a) the consumer—

(i) has given the undertaker a measured charges notice under section 144A above which has not been revoked under that section, or

(ii) has consented to the charges in respect of the premises being so fixed and has not revoked that consent under section 144A, or

(b) there has been a change in the occupation of the premises and no charges have yet been demanded from the person who has become the consumer.

(3) A change in the persons occupying any premises does not constitute a change in the occupation of the premises for the purposes of subsection (2)(b) above if any person who was in occupation of the premises before the change remains in occupation after the change.

(4) Where a consumer gives consent for the purposes of subsection (2)(a)(ii) above in relation to premises in which, or in any part of which, a person has his home, he shall be treated for the purposes of subsections (5) to (8) of section 144A above as having given a measured charges notice under that section.

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