Consultation on the future management of private water supply pipes

Date: 23 May 2013
Contents

Introduction ..........................................................................................................................1
Summary of issue ................................................................................................................1
What are private water supply pipes? ..................................................................................1
What is the problem?...........................................................................................................3
Options ..............................................................................................................................4
Impacts ..............................................................................................................................6
Next steps..........................................................................................................................10
How to respond................................................................................................................11
Annex A – Impact Assessment ..........................................................................................13
Annex B - Consultation questions......................................................................................16
Annex C –Consultee list.....................................................................................................17
Introduction

1. This consultation will run for 6 weeks from 23 May 2013 to 4 July 2013. This is a joint Defra and Welsh Government consultation and as such, relates to policy in England and Wales only.

Summary of issue

2. Private owners are generally currently responsible for the maintenance and upkeep of water supply pipes. In many cases these water supply pipes are not sufficiently maintained and repaired. This contributes to high levels of water leakage, with up to a quarter of total water leakage, some 770 mega litres per day\(^1\) (enough to fill 308 Olympic sized swimming pools), estimated to be lost through private water supply pipes. In addition, when water supply pipes are inadequately maintained, this can create an increased risk of failure for drinking water quality standards.

3. Evidence suggests that there is a general lack of public understanding over the ownership and responsibility for water supply pipes. Water supply companies\(^2\) repair policies for private water supply pipes vary from company to company, creating inconsistency and this add to public misunderstanding.

4. This public consultation seeks views and evidence to further enhance our impact assessment on the policy options regarding future management of water supply pipes.

5. Our proposal is to create a power which will allow future regulations to be made to transfer ownership of the portion of water supply pipes that are currently privately owned, to the water supply companies. If introduced, this could reduce leakage, protect water quality and help to ensure that our water supplies remain resilient and sustainable for the future.

What are private water supply pipes?

6. For the purpose of this consultation private water supply pipes are the service pipes which connect a property to the water mains and which are not in the ownership of the water supply companies. The private water supply pipe is generally the pipe that runs from the boundary of a property through to its emergence above ground in the property or in an external wall box of the building itself. This portion of pipe is normally owned by the property owner. We are proposing this section of pipe would be adopted by the water supply company who will become responsible for its maintenance. The rest of

\(^1\) Latest (2010/11) figures obtained from Ofwat.

\(^2\) Refers to Water and Sewerage Companies (WaSCs) and Water Only Companies (WoCs)
the service pipe (referred to as the communication pipe), is generally already owned by
the water supply company and connects to the privately owned water supply pipe at
the boundary of the property. In some cases, private water supply pipes can be shared
between properties.

![Diagram of water pipes](http://www.ofwat.gov.uk/consumerissues/rightsresponsibilities/supplypipes)

**Water mains:** these large water company pipes distribute water around the network. They
are often, but not always, laid under roads.

**Service pipes:** this a general name for the pipes leading between the mains and the
property, normally consisting of the communication pipe and the water supply pipe.

**Stop tap:** the main shutoff for water from the mains supply. Usually these valves exist in
pairs, one outside the property boundary and one inside the property boundary. Not all
properties will have their own stop-tap in the footpath but where one has been fitted, this is
normally the responsibility of the water supply company to maintain.

**Communication pipes:** these pipes carry water between the water mains and the
boundary of a property. If a company stop-tap has been fitted, this will normally mark the
division between pipework that is the responsibility of the company and the pipework that
is the responsibility of the property owner.

**Private water supply pipes:** are the service pipes which connect a property to the water
mains and which are not in the ownership of the water supply companies. The water
supply pipe is generally the pipe that runs from the boundary of a property through to its

[Diagram by Ofwat http://www.ofwat.gov.uk/consumerissues/rightsresponsibilities/supplypipes](http://www.ofwat.gov.uk/consumerissues/rightsresponsibilities/supplypipes)
emergence above ground in the property or in an external wall box of the property itself. This portion of pipe is normally owned by the property owner.\textsuperscript{4}

**What is the problem?**

7. Private owners are generally currently responsible for the maintenance and upkeep of water supply pipes. Because these pipes are out of sight, problems may not be apparent, which has meant that they have not been maintained. This can result in leakage and an increased risk that drinking water quality standards are not met.

8. It is estimated that 23%, some 770 mega litres per day\textsuperscript{5} (enough to fill 308 Olympic sized swimming pools) of total leakage comes from these private water supply pipes. There is a general lack of public understanding over the ownership and responsibility for these pipes. Water supply companies have a variety of policies setting out how they address any leakage from private water supply pipes. Some companies may offer subsidised or free repairs, but not in all cases.

9. Failure to maintain these pipes can cause problems with water supply, including burst pipes, blockages, pressure losses, leakage and poor water quality (principally taste, discolouration and lead).

10. Customers are currently responsible for funding any repair work for water supply pipes. This may involve significant costs at the time of an incident, or the cost of insuring against incidents. A large proportion of customers are not aware that they have responsibility for the maintenance and repair of their water supply pipes and do not realise unless something goes wrong with them. Some, but not all, water supply companies voluntarily provide assistance and repairs. Although this is helpful at the time of an incident, the variance in water supply company practices adds to customer misunderstanding about means that customers are not always aware of their responsibilities.

11. The Consumer Council for Water’s Annual Tracking Survey 2008-2009 established that there was mixed understanding amongst customers about their responsibilities in relation to the ownership of private water supply pipes. Just over half (55%) were aware that it was their responsibility to maintain these pipes. A third (33%) mistakenly thought that the water supply company was responsible and 6% thought that it was the local council.

12. The UK and Welsh Governments recognise the water industry has a vital role in the transition to a greener economy, which needs a sustainable, resilient and affordable water supply. The water supply pipe is a critical component of the infrastructure but is essentially unmanaged because of customer misunderstanding over responsibilities, as

\textsuperscript{4} Definitions amended from those by CIWEM http://www.ciwem.org/policy-and-international/policy-position-statements/water-supply-pipes.aspx

\textsuperscript{5} Latest (2010/11) figures obtained from Ofwat.
well as costs. This has resulted in poor maintenance of these important assets. We therefore believe there is an argument for the transfer from private owners to water supply companies.

13. A lack of adequate investment in water supply pipes is not sustainable for the future of these assets across Wales and England. The aging pipework, if not maintained, will continue to deteriorate, potentially leading to increased levels of leakage and risks to drinking water quality.

Options

14. Following are three options for the future management of water supply pipes, along with their potential costs and benefits. At this enabling stage these are all non-monetised. The Impact Assessment at Annex A provides further detail.

Option 0: Do nothing

Private water supply pipes would remain under private ownership. Water supply company policies of repairing private pipes would continue to vary between companies and maintenance and repairs would continue on a report and repair basis. As water supply companies would not own or have responsibility for the asset, there would be no incentive for them to introduce leakage detection and repair policies beyond their current policies. In the case of some property owners, they would continue to pay insurance (approximately £35 per annum\(^6\)) for the repair of leaking pipes. The cost of a repair is currently typically in the region of £200-250\(^7\), replacement £850 and\(^8\) a more complicated repair can run into £1000s.

<table>
<thead>
<tr>
<th>Question 1 - Is option 0 a suitable and sustainable option for the future management of water supply pipes?</th>
</tr>
</thead>
</table>

Option 1: Voluntary Code of Practice for maintenance and repair

The UK and Welsh Governments would work with Ofwat (the economic regulator of the water and sewerage sectors in England and Wales), water supply companies and the Drinking Water Inspectorate\(^9\) to develop a voluntary Code of Practice to compliment their current private water supply pipe maintenance and repair policies.

There is no current evidence on the impact of this option. Water supply companies would need to confirm what would be deliverable beyond their current work programmes and report and repair policies, and whether there would be opportunities for a consistent approach to maintenance and repair between companies.

\(^6\) Advertising information for two of the larger insurance companies offering this type of service indicate premiums between £35 to £43 pa. However, some policies may not cover external, privately owned pipes, further adding to the confusion for the customer.

\(^7\) The full Impact Assessment submitted to the Regulatory Policy Committee contains a figure of £500-900, as this was an earlier estimate of cost.

\(^8\) These are anecdotal estimates of cost.

\(^9\) The body that provides independent reassurance that public water supplies in England and Wales are safe and drinking water quality is acceptable to consumers.
This option is unlikely to provide long term resilience given that water supply companies would still not have the responsibility for the whole water supply pipe network.

**Non-monetised costs**

Water supply companies would be encouraged to take on responsibility and therefore the costs of water supply pipes. Uptake may differ between regions/water supply companies. Customer bills are likely to be affected, depending on the level of uptake.

**Non-monetised benefits**

Under a voluntary Code of Practice, private owners may no longer need to pay the upfront costs of insurance or maintenance for water supply pipes. This could include households and businesses.

<table>
<thead>
<tr>
<th>Question 2 - Have you any comments/evidence on Option 1?</th>
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</table>

**Option 2: Create a power to regulate**

This is our preferred option. However, a final decision has not been made and views from this consultation will inform the final decision.

Create a power to make regulations which require water supply companies to make a declaration of adoption in respect of certain water pipes, that is, to transfer ownership of the portion of water supply pipes that are currently privately owned, to the water supply companies. This would be implemented through secondary legislation i.e. not from this enabling primary legislation. This secondary legislation could relate to households only, or households and non-households.


**Non-monetised costs**

Key costs would be upfront capital expenditure and annual maintenance costs to be borne by water supply companies, with capital expenditure in particular being highly uncertain at this stage, depending on the condition of the transferred water supply pipes and the replacement policies of the water supply companies. Although treatment of these costs would ultimately be for Ofwat as an independent economic regulator, based on past experience they would be likely to be passed through to customers with due regard for cost efficiency. Liabilities and costs would be transferred and therefore offset from private owners.

There will be a potential impact due to reduced income, on insurance companies offering pipe maintenance and repair policies and on private repair businesses. This
could be offset by potential benefits of increased work to other repair contractors (linked to water supply companies) and financial services interests (e.g. banks and equity providers).

**Non-monetised benefits**

Private water supply pipe owners will no longer need to pay specific insurance or maintenance costs for this particular pipe. This could include both households and businesses.

The capital assets and efficient expenditure agreed by Ofwat may allow water supply companies to claim a rate of return on them.

There would be social benefits to all from water supply companies’ more efficient and long term strategic operation of assets, exploiting economies of scale, and better management of health and safety standards. The risk of tap water quality being affected by the state of the supply pipe would be reduced. Removal of liability, distress & sense of unfairness from private water supply pipe owners, in particular where there are shared water supply pipes. A possible long term reduction in the level of leakage could have social, environmental and financial advantages such as reducing the amount of water abstracted from the environment.

**Question 3 – Have you any overall comments/evidence on Option 2?**

**Question 4 - Are there any potential alternative options not included here? For example, could more stringent options be placed on private owners to improve the quality of their supply pipes, or is there anything beyond the current work programmes and report and repair policies of water supply companies that would be deliverable?**

**Question 5 - What is your preferred option?**

**Impacts**

15. The direct impact of our preferred option on business and customers would occur as a result of secondary implementing legislation, rather than the proposed enabling legislation.

16. **Water supply pipe management**

Transferring responsibility of water supply pipes to water supply companies could potentially improve maintenance and repair of these pipes in a more economical way, as well as facilitating an integrated, proactive and sustainable approach to network management. This could lead to a reduction in the level of leakage in the longer term,
which could have social, environmental and financial advantages such as reducing the amount of water abstracted from the environment.

**Question 6 - Have you any comments/evidence about the impacts of the options on management and repair of water supply pipes?**

**17. Affected groups**

The main groups that we anticipate would be affected by the options at the secondary legislation stage include: consumers, households, water supply companies, businesses, local authorities, housing associations, and other property owners such as Government, Non-Government Organisations and institutions, insurance companies, pipe repair businesses, Ofwat, the Environment Agency, Natural Resources Wales, the Drinking Water Inspectorate, consumer bodies (E.g. the Consumer Council for Water), and possibly property developers.

**Question 7 - Does this list of groups include everyone you think could be impacted by the options?**

**18. Customers and property owners**

The adoption of water supply pipes by water supply companies may have a variety of impacts on customers and property owners. For instance, customers would no longer face a bill of £200-250\(^{10}\) for repairs or £850 for replacement of their pipes (complicated repairs can run into £1000s) or need to purchase insurance costing approximately £35 per annum\(^{11}\). However, it is likely that water supply companies would transfer the additional costs they would face for repairs, across the generality of customers’ bills.

19. A UK Water Industry Research (UKWIR) report in 2009 estimated annualised costs from adoption of around £4/property/per annum in bill increases to the customer. However, different water catchment areas have different infrastructures, for instance rural/urban, age of the stock and different types of pipe material. It is therefore likely that any increase in water bills will vary from area to area.

20. With reference to paragraph 11, adoption is likely to provide a clearer understanding and reduce the variance of company policies towards current repair of water supply pipes.

\(^{10}\) The full Impact Assessment submitted to the Regulatory Policy Committee contains a figure of £500-900, as this was an earlier estimate of cost.

\(^{11}\) Advertising information for two of the larger insurance companies offering this type of service indicate premiums between £35 to £43 pa. However, some policies may not cover external, privately owned pipes, further adding to the confusion for the customer.
21. There would also be benefits to non-households from no longer being responsible for their property’s water supply pipes, which would also have an offsetting effect.\(^\text{12}\)

22. Other potential factors for customers and property owners include the impact on human rights given the interference with property rights (pipe ownership) and the implications for the existing works/entry powers (whether this implies an increase in instances where powers of entry are utilised for water supply companies to carry out repair work).

**Question 8 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on customers and property owners from the options?**

23. **Water supply companies**

Transfer of private water supply pipes may improve the water sector’s ability to deliver the resilient, sustainable and customer-focused services by delivering real benefits for customers through improved stewardship of the water supply infrastructure, exploiting economies of scale and helping spread the costs of this to improve affordability. It could provide the opportunity to introduce cost effective new innovative technologies, for example in respect of the development of pipe replacement techniques which in turn have a positive impact on water quality.

24. Ownership of water supply pipes by water supply companies could assist in long term accountability for drinking water quality compliance. It could also facilitate a long term strategy for the replacement of lead pipes using a risk based approach. Where customers are supportive, an economic and efficient replacement of lead piping could be effectively planned at an affordable pace to consumers. There is also likely to be improved operational performance, customer service and understanding of the network from the need to maintain records of the adopted pipe.

25. There would be costs imposed on water supply companies (transferred from private owners) due to maintenance/investment. The water supply pipes would be capital assets and could have some value, as they may allow water supply companies to claim a rate of return, if efficient investment is allowed by Ofwat, which would offset maintenance and investment costs.

**Question 9 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on water supply companies from the options?**

\(^{12}\) This draws on parallels with the transfer of private sewers impact assessment (http://www.ialibrary.bis.gov.uk/uploaded/Defra1333%20FINAL%20IA%20ZNC%20Transfer%20of%20Private%20Sewers.pdf)
26. Insurance industry

Adoption may have an impact, due to reduced income, on insurance companies who currently provide products to householders to cover risks to water supply pipes, sometimes in conjunction with water supply companies. This however may be offset by the water supply companies subsequently increasing their own business insurance to cover the additional assets, or requiring access to capital in the financial services sector more broadly defined.

Question 10 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on insurance companies from the options?

27. Retail competition

The preferred option may have implications for the competitive market for water services and advice provided in the future to non-household customers in England and eligible non-household customers in Wales\textsuperscript{13}. The draft Water Bill includes provisions to extend retail competition to all non-household customers in England. Ofwat is consulting as part of the price review on what services should be included as part of the package of retail services provided by incumbent water companies. It is possible that identifying leaks and repairing private water supply pipes might be a feature of the evolving market where new entrant water supply licensees would carry out these functions on behalf of their customers. However, this will be dependent on whether new entrants are willing and able to provide such a service and whether customers will want to include pipe repair services as part of their arrangements with new entrants. For example, this could be a particularly challenging activity for new entrants that have a small number of customers across England and Wales.

It is our initial view that if a transfer was to take place new entrants would have a role in identifying any on-site leaks and their contracts would include arrangements for making contact with the water supply companies to request repairs to the water supply pipes.

Question 11 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on businesses offering water services/advice in England from the options?

29. Pipe repair businesses

Adoption could impact on pipe repair businesses through a potential reduction in use of these services by private users. However, if on adoption, water supply companies introduced new/additional maintenance and repair programmes, it is likely there could

\textsuperscript{13} Customers in the areas served by water companies wholly or mainly in Wales may switch their water supplier if they use 50 megalitres or more water a year. Currently in areas of water companies wholly or mainly in England a non-household customer must use 5 megalitres or more a year. The Water Bill will remove the threshold requirement in the areas of water companies wholly or mainly in England so that all non-household customers may switch their supplier.
be a long term increase in demand for pipe repair services. Pipe repairs inside properties would still be required privately.

**Question 12 - Have you any comments/evidence, both monetised and non monetised, on the potential impact on pipe repair businesses from the options?**

30. House builders/property developers
There is no current evidence to suggest there would need to be any changes to current building standards or practice on pipe laying, materials and water pipe fittings.

**Question 13 - Have you any comments/evidence, both monetised and non monetised, on the potential impact on house builders/property developers from the options?**

31. Other sectors

**Question 14 - Have you any comments/evidence, both monetised and non monetised, on the potential impact on other business/sectors from the options?**

**Question 15 - Would there be significant impact on business/non-household premises from the options?**

**Next steps**

32. If, following analysis of the responses to this consultation, it is decided that our preferred option of adoption of water supply pipes is the best option, we would look to introduce primary legislation as soon as Parliamentary time allows. The option would require further development of the Impact Assessment for secondary implementing legislation. Further analysis of the risks and benefits around the chosen option for future management of water supply pipes would take place before any implementation. Evidence gathered as part of this consultation would be able to help inform that assessment. A consultation would be held about the secondary legislation.

33. If our preferred option is taken forward, implementation of secondary legislation would be most practical if aligned with economic regulation timescales so that the costs and investment needed from water supply companies can be reflected in business plans in time for PR19 (Price Review 2019)\(^{14}\).

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\(^{14}\) One of OFWAT’s primary duties is to make sure that the companies are able to carry out and finance their functions under the Water Industry Act 1991. They set price limits that allow each company to do this, while protecting the interests of customers. The price limits are reviewed every five years.
How to respond

34. Please send responses by **4 July 2013** to:

   Email: watersupplypipes@defra.gsi.gov.uk

   **Or by post to:**
   
   Water Efficiency Team
   
   Area 3D
   
   Nobel House
   
   17 Smith Square
   
   London
   
   SW1P 3JR

35. If your comments are specifically in relation to or have implications for Wales, please also copy your response to:

   Email: Water@wales.gsi.gov.uk

   **Or by post to:**
   
   Olwen Minney
   
   Water Branch
   
   Energy, Water and Flood Division
   
   Cathays Park
   
   Cardiff
   
   CF10 4NH

36. The questions asked throughout this document are listed at Annex B. When responding, please state whether you are responding as a private individual or on behalf of an organisation or company. You do not need to answer every question to submit a response.

37. We will consider all responses received by the closing date.

38. The UK and Welsh Governments will publish a response within 12 weeks of the closing date of the consultation. This may include copies of the responses we receive, unless you have specifically requested that we keep your response confidential. Please indicate in your response if you want us to treat it as confidential.

39. Respondents should also be aware that there may be circumstances in which Defra and the Welsh Government will be required to communicate information to third parties
on request, in order to comply with its obligations under the Freedom of Information Act 2000.

40. This consultation complies with HM Government’s Consultation Principles.
### Annex A – Impact Assessment

<table>
<thead>
<tr>
<th>Title:</th>
<th>Transfer of private water supply pipes to Water and Sewerage Company ownership</th>
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<tbody>
<tr>
<td>IA No:</td>
<td>Defra 1502</td>
</tr>
<tr>
<td>Lead department or agency:</td>
<td>Defra</td>
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<tr>
<td>Other departments or agencies:</td>
<td>Welsh Government</td>
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<thead>
<tr>
<th>Impact Assessment (IA)</th>
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<tbody>
<tr>
<td>Date:</td>
</tr>
<tr>
<td>Stage:</td>
</tr>
<tr>
<td>Source of intervention:</td>
</tr>
<tr>
<td>Type of measure:</td>
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**Summary: Intervention and Options**

<table>
<thead>
<tr>
<th>Cost of Preferred (or more likely) Option</th>
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<tbody>
<tr>
<td><strong>Total Net Present Value</strong></td>
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<tr>
<td>£m</td>
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**What is the problem under consideration? Why is government intervention necessary?**

In many cases water supply pipes do not have sufficient maintenance and repair. This can cause high levels of leakage (up to a quarter of total leakage); a general lack of public understanding over ownership and responsibility and an increased risk of failure for drinking water quality standards. We believe intervention is necessary due to these market failures and because water supply companies are regulated regional monopolies with little consistency in applying repair policies for private water supply pipes across the network.

**What are the policy objectives and the intended effects?**

The transfer of privately owned water supply pipes to the water companies (adoption) would provide improved opportunities for innovation and allow the engineering and management of the whole of the service pipe to be addressed and help facilitate an integrated and sustainable approach for the whole network. There is likely to be: improved operational performance, improved customer service and potentially positive impact on households, improved understanding of the network from the need to maintain records of the adopted pipe improvements to management of drinking water quality (replacement of lead pipes), and possible reduction in water pipe leakage.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

**Option 0 – Do nothing:** Private supply pipes would remain under private ownership. Current water supply company’s policy of repairing private pipes will remain variable across the network and maintenance and repairs continue on a report and repair basis. No potential improvement in leakage and water quality.

**Option 1:** Engage with Ofwat and water supply companies to develop a voluntary code of practice to provide a consistent approach to the maintenance and repair of private supply pipes.

**Option 2:** To create a power (through primary legislation) to make Regulations which compel water supply companies to make a declaration of adoption in respect of certain water pipes. This would then allow for secondary implementing legislation at a later stage from which any impacts (and hence a fully costed IA) would flow.

Our preferred option is Option 2.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** 06/2020

| Does implementation go beyond minimum EU requirements? | N/A |
| Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base. | Micro | ≤ 20 | Small | Medium | Large |
|------------------------------------------|-------|-------|-------|-------|-------|-------|
| What is the CO₂ equivalent change in greenhouse gas emissions? (Million tonnes CO₂ equivalent) | Traded | Non-traded |
Description: Voluntary Code of Practice

FULL ECONOMIC ASSESSMENT

<table>
<thead>
<tr>
<th>Price Base Year</th>
<th>PV Base Year</th>
<th>Net Benefit (Present Value (PV)) (£m)</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td>Low: Optional</td>
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### COSTS (£m)

<table>
<thead>
<tr>
<th>Total Transition (Constant Price)</th>
<th>Average Annual (excl. Transition) (Constant Price)</th>
<th>Total Cost (Present Value)</th>
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<tbody>
<tr>
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<tr>
<td>High Optional</td>
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<tr>
<td>Best Estimate</td>
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</tbody>
</table>

Description and scale of key monetised costs by ‘main affected groups’

Other key non-monetised costs by ‘main affected groups’

Water supply companies would be encouraged to take a consistent approach on the repair and maintenance of supply pipes and therefore costs of supply pipes, which would indirectly impact consumers’ water bills. This option is unlikely to provide long term resilience, given that water supply companies would still not have the responsibility for the whole pipe network. There may be inconsistencies of approach between regions/water supply companies.

### BENEFITS (£m)

<table>
<thead>
<tr>
<th>Total Transition (Constant Price)</th>
<th>Average Annual (excl. Transition) (Constant Price)</th>
<th>Total Benefit (Present Value)</th>
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</thead>
<tbody>
<tr>
<td>Low Optional</td>
<td>Optional</td>
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<tr>
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Description and scale of key monetised benefits by ‘main affected groups’

Other key non-monetised benefits by ‘main affected groups’

Where water supply companies have taken on responsibility, private owners will no longer have to pay the upfront costs of insurance or maintenance/repair of supply pipes. This can include households and businesses.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

During consultation we will discuss with water supply companies to see what would be deliverable beyond their current work programmes and report and repair policies.

BUSINESS ASSESSMENT (Option 1)

<table>
<thead>
<tr>
<th>Direct impact on business (Equivalent Annual) (£m):</th>
<th>In scope of OIOO?</th>
<th>Measure qualifies as</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs:</td>
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<td>NA</td>
</tr>
<tr>
<td>Benefits:</td>
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<td></td>
</tr>
<tr>
<td>Net:</td>
<td></td>
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</tbody>
</table>
Summary: Analysis & Evidence

**Policy Option 2**

**Description:** Create a power to regulate

**FULL ECONOMIC ASSESSMENT**

<table>
<thead>
<tr>
<th>Price Base Year</th>
<th>PV Base Year</th>
<th>Time Period Years</th>
<th>Net Benefit (Present Value (PV)) (£m)</th>
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<td>Low: Optional&lt;br&gt;High: Optional&lt;br&gt;Best Estimate:</td>
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**COSTS (£m)**

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<thead>
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<th></th>
<th>Total Transition (Constant Price)</th>
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<td>High</td>
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<tr>
<td>Best Estimate</td>
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</table>

**Description and scale of key monetised costs by ‘main affected groups’**

**Other key non-monetised costs by ‘main affected groups’**

Water supply companies would take responsibility for upfront capital expenditure (capex) and annual costs of maintenance. Costs would be passed through to customers under Ofwat’s regulatory mechanisms.

There will be a potential impact on insurance companies offering pipe maintenance and repair policies, and on private repair businesses.

**BENEFITS (£m)**

<table>
<thead>
<tr>
<th></th>
<th>Total Transition (Constant Price)</th>
<th>Average Annual (excl. Transition) (Constant Price)</th>
<th>Total Benefit (Present Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>High</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Best Estimate</td>
<td>[Blank]</td>
<td>[Blank]</td>
<td>[Blank]</td>
</tr>
</tbody>
</table>

**Description and scale of key monetised benefits by ‘main affected groups’**

**Other key non-monetised benefits by ‘main affected groups’**

Private supply pipe owners would no longer need to pay insurance/maintenance costs. This includes both households and businesses. The capital assets would allow water supply companies to claim a rate of return from any capex work. Social benefits arise from water supply companies’ more efficient and long term strategic operation of assets & drinking water quality management, especially surrounding lead. Removal of liability, distress & sense of unfairness from private supply pipe owners.

**Key assumptions/sensitivities/risks**

Discount 3.5

We will seek evidence on costs and benefits during the consultation process. This option is to create a power which would allow for secondary implementing legislation at a later stage. The costs and benefits would be realised as a result of this secondary legislation (which would involve a further, more worked up, impact assessment) but we describe likely effects above.

**BUSINESS ASSESSMENT (Option 2)**

<table>
<thead>
<tr>
<th>Direct impact on business (Equivalent Annual) £m:</th>
<th>In scope of OIOO?</th>
<th>Measure qualifies as</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs:</td>
<td>YES</td>
<td>IN</td>
</tr>
<tr>
<td>Benefits:</td>
<td>[Blank]</td>
<td>[Blank]</td>
</tr>
<tr>
<td>Net:</td>
<td>[Blank]</td>
<td>[Blank]</td>
</tr>
</tbody>
</table>
Annex B - Consultation questions

Question 1 - Is option 0 a suitable and sustainable option for future management of water supply pipes?

Question 2 - Have you any overall comments/evidence on Option 1?

Question 3 – Have you any overall comments/evidence on Option 2?

Question 4 - Are there any potential alternative options not included here? For example, could more stringent options be placed on private owners to improve the quality of their supply pipes, or is there anything beyond the current work programmes and report and repair policies of water supply companies that would be deliverable?

Question 5 - What is your preferred option?

Question 6 - Have you any comments/evidence about the impacts of the options on management and repair of water supply pipes?

Question 7 - Does this list of groups include everyone you think could be impacted by the options?

Question 8 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on customers and property owners from the options?

Question 9 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on water supply companies from the options?

Question 10 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on insurance companies from the options?

Question 11 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on businesses offering water services/advice from the options?

Question 12 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on pipe repair businesses from the options?

Question 13 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on house builders/property developers from the options?

Question 14 - Have you any comments/evidence, both monetised and non-monetised, on the potential impact on other business/sectors from the options?

Question 15 - Would there be significant impact on business/non-household premises from the options?
Annex C – Consultee list

Government agencies:

- Ofwat
- Environment Agency
- Natural Resources Wales
- Drinking Water Inspectorate
- Natural England
- Local Authorities Coordinators of Regulatory Services (LACORs)
- WRAP
- Welsh Local Government Association
- One Voice Wales

Water industry organisations:

- Chartered Institution of Water and Environmental Management (CIWEM)
- British Water
- Institute of Water
- Society of British Water and Wastewater Industries
- UK Water Industry Research
- Pipeline Industries Guild

Water companies:

- Water UK
- Affinity Water Limited
- Albion Water
- Anglian Water Group
- Bristol Water plc
- Cambridge Water plc
- Cholderton and District Water Company
- Dee Valley Water plc
- Dŵr Cymru Welsh Water
- Island Water Authorities
- Northumbrian Water Group plc
- Portsmouth Water Ltd
- Sembcorp Bournemouth Water
- Severn Trent plc
- South East Water Ltd
- South Staffordshire Water plc
- South West Water Ltd
- Southern Water
- Sutton and East Surrey Water plc
- Thames Water Ltd
- United Utilities
- Wessex Water Services Ltd
- Yorkshire Water Services Ltd

**Consumer groups:**
- Consumer Council for Water
- Which?
- National Consumer Federation

**Insurance sector:**
- Association of British Insurers (ABI)
- British Insurance Brokers Association (BIBA)
- British Gas
- AA
- Homeseerve
- Aviva

**Plumbing sector:**
- Chartered Institute of Plumbing and Heating Engineering (CIPHE)
- Association of Plumbing and Heating Contractors (APHC)
- Plumbing and Heating Industry Alliance

**Property Developers & Agents:**
- British Holiday & Home Parks Association
- British Property Federation
- Construction Products Association
- Home Builders Federation Ltd
- National Housing Federation
- National Landlords Association
- National House Building Council

**NGOs**
- Waterwise
- Energy Saving Trust
- Blueprint for Water