

Affordable water: a consultation on the Government's proposals following the Walker Review of Charging

April 2011

Department for Environment, Food and Rural Affairs
Nobel House
17 Smith Square
London SW1P 3JR
Telephone 020 7238 6000
Website: www.defra.gov.uk

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Information about this publication and further copies are available from:

Water Charging and Economic Regulation Team
Defra
Area 2C
Ergon House
Horseferry Road
London SW1P 2AL

Email: walker.consultation@defra.gsi.gov.uk

This document is available on the Defra website:
www.defra.gov.uk/consult/water-affordability-1104/

Published by the Department for Environment, Food and Rural Affairs

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1. Introduction and background

Purpose of this consultation

1.1 Water is an essential of life and the Government is committed to fair and affordable water and sewerage services which incentivise environmentally responsible behaviour. This will be a key part of the Government's forthcoming Water White Paper which will show how the Government is taking forward the pledge made in the Coalition Statement to "*examine the conclusions of the Cave and Walker Reviews, and reform the water industry to ensure more efficient use of water and the protection of poorer households.*"

1.2 The Government's commitment was reiterated in the Budget¹ on 23 March. This said that "*the Government is committed to supporting households who face water affordability pressures and households in areas with particularly high water bills, such as the South West. The Government will consult shortly on proposals to address water affordability. This will include reforms to the existing WaterSure scheme, the approach to company social tariffs and options for additional government spending to provide further support*". This consultation delivers on this commitment.

1.3 The Walker Review examined the effectiveness and fairness of current and alternative methods of charging to ensure that England and Wales has a sustainable and fair system of charging in place. The Review's final report and recommendations² were published in December 2009 and the Government is grateful to Anna Walker for the thorough and collaborative approach that she took in preparing her final report. In response to this review, and ahead of the Water White Paper, we would like to consult on a number of proposals to improve water affordability.

1.4 The Walker Review found that the affordability of bills is an issue for some households across the country and is more acute where bills are high. A clear message was that affordability issues must be resolved. Some households face difficulties now and the problem is likely to grow as metering levels increase. The Government also recognises that water resources will come under increasing pressure in the future for several reasons, including population growth, increasing numbers of single person households and climate change. These factors will all impact on water affordability.

1.5 For this reason the Government believes that it is essential to have a robust framework in place to protect households from unaffordable bills before taking

¹ <http://www.hm-treasury.gov.uk/2011budget.htm>

² <http://www.defra.gov.uk/environment/quality/water/industry/walkerreview/documents/final-report.pdf>

decisions around metering policy. Consequently we are only consulting on water affordability options at this stage. The Water White Paper will set out the Government's response to the Walker Review, Martin Cave's Review of competition and innovation in water markets and the Government's review of Ofwat, and set out the Government's long-term approach to the sector.

Content of this consultation

1.6 The Government has now considered the recommendations made in the Walker Review on water affordability. On a number of issues, Anna Walker made recommendations that the Government should consider some key issues further ahead of consultation. In particular she recommended that the Government should consult further once it has taken a decision on who should pay for affordability measures. She also recommended that Ofwat should advise the Government on the possible options that she identified for addressing high bills in the South West.

1.7 Consequently this consultation invites views on possible changes to the current WaterSure tariff, invites views on what the Government's guidance to water companies on company social tariffs under Section 44 of the Flood and Water Management Act 2010 should cover, and invites views on measures and options to tackle the problem of high water bills in the South West taking account of the final advice we have received from Ofwat and which is being published alongside this consultation paper. A full impact assessment will be prepared for the proposals that are included in the Water White Paper.

1.8 The Government has pledged to look at options for additional Government spending to provide further support for households who face water affordability pressures and households in areas with particularly high water bills, such as the South West. However, given the pressure on public finances, the Government will need to balance available funding between options for funding WaterSure from public expenditure and options for providing greater support through public expenditure for low income households in the South West and all households in the South West. This consultation will help the Government to strike this balance.

1.9 The Walker Review made its recommendations jointly to Defra and Welsh Ministers. Whilst many of the pressures and challenges that the water sector faces are common to both England and Wales, water policy is devolved. The Welsh Assembly Government is consulting separately on the Walker recommendations in relation to Wales and it is for the Assembly Government to decide how to take these forward.

2. Responding to this consultation and next steps

How to contribute

2.1 Comments and views are welcome on all or any of the questions asked in this consultation and on our initial assessments of the impacts. A full list of the questions on which views are invited is attached at Annex A.

2.2 We would welcome responses from all interested parties including water companies, any companies considering market entry, regulators, academics, water customers and representative consumer groups, industry associations and trade bodies representing non-household customers and any other interested parties. A full list of consultees that have been invited to respond to this consultation, together with a copy of the consultation paper, is available via the Defra web site³.

2.3 The closing date for written responses to this consultation is 17 June 2011. This will enable the Government to take account of the responses received in drafting the Water White Paper and in preparing draft guidance on company social tariffs which the Government is aiming to consult on in the summer. Given the timetable for producing the Water White Paper and draft guidance on company social tariffs, we cannot guarantee that responses received after this date will be taken into account.

2.4 Responses should be sent to:

Consultation on Walker Review
Water Charging and Economic Regulation Team
Defra
Area 2C Ergon House
Horseferry Road
London
SW1P 2AL
Email: walker.consultation@defra.gsi.gov.uk
Telephone: 0207 238 5846

2.5 It would be helpful if email respondents would provide their name and/or the organisation they represent.

³ www.defra.gov.uk/consult/water-affordability-1104/

Confidentiality

2.6 In line with Defra's policy of openness, at the end of the consultation period copies of the responses we receive will be made publicly available through the Defra Information Resource Centre, Lower Ground Floor, Ergon House, 17 Smith Square, London SW1P 3JR. They may also be published in a summary of responses to this consultation.

2.7 **If you do not consent to this, you must clearly request that your response be treated as confidential.** Any confidentiality disclaimer generated by your IT system in email responses will not be treated as such a request. Respondents should also be aware that there may be circumstances in which Defra 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.

2.8 Copies of consultation responses to personal callers or in response to telephone or email requests will be supplied by the Defra Information Resource Centre (020 7238 6575, defra.library@defra.gsi.gov.uk). Wherever possible, personal callers should give the Centre 24 hours notice of their requirements. An administrative charge will be made to cover any photocopying and postage costs.

Code of practice on written consultations

2.9 This consultation is being undertaken in accordance with the Better Regulation Executive guidance on written consultation as set out at: <http://www.berr.gov.uk/files/file47158.pdf>.

2.10 If you have any comments or complaints about the consultation process, as opposed to comments about any of the issues in this consultation paper, please address them to:

Rhonda Marshall
Defra Consultation Co-ordinator
Area 7C, Nobel House
17 Smith Square
London SW1P 3JR
Email: consultation.coordinator@defra.gsi.gov.uk

Next steps

2.11 All the responses received by the deadline will be analysed and a summary of the responses received will be placed on the Defra web site when the Water White Paper is published.

3. Water affordability

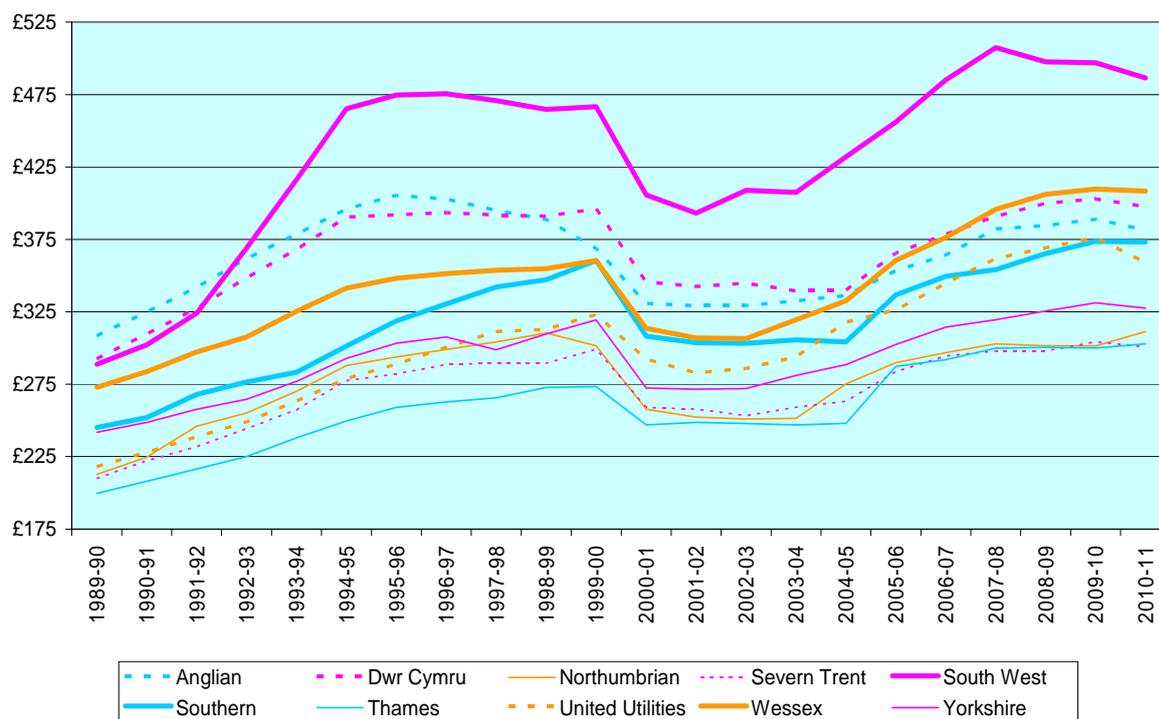
Introduction

3.1 The Government recognises that water is essential to life and that everybody should have access to an affordable water supply and sanitation service. This chapter invites views on a number of proposals to provide greater assistance to vulnerable and low income households through improvements to the current WaterSure scheme and through company social tariffs. Water affordability in relation to the South West is considered in detail in the next chapter.

Current situation

3.2 The average household water and sewerage bill in England and Wales in 2010/11 is £339. Average bills range from £301 for customers of Severn Trent Water and £303 for customers of Thames Water up to £486 for customers of South West Water. Figure 1 shows how bills have increased since privatisation of the water industry in 1989.

Figure 1: Average water and sewerage bills since privatisation (source: Ofwat)



3.3 The variation in bills reflects the costs of providing water and sewerage services in an environmentally sustainable way, which varies across the country. Since privatisation, average water and sewerage bills have increased in real terms by 44 per cent. This has funded over £85 billion of investment in the water and

sewerage sector. Under Ofwat's 2009 review of water price limits (PR09), average household water and sewerage bills will fall by 1 per cent (around £3) before inflation between 2010 and 2015.

3.4 Water bills also depend on whether households are metered or unmetered. Currently 40 per cent of homes in England and Wales are metered. Metered bills are, on average, lower than unmetered bills. This reflects lower average water use by metered households. It is important to note that the differences between metered and unmeasured bills could be the result of different customer groups who use water in different ways. In particular, it is relatively low users who are most likely to benefit from the switch to a meter and are therefore disproportionately represented in the metered group. Unmeasured bills can be significantly higher than average bills where the level of metering in a company area is already high, notably in the South West.

3.5 Companies have a statutory duty to supply water and sewerage services and the disconnection of household customers is prohibited under the Water Industry Act 1999. This means that no household is denied water because they cannot afford to pay their bill thereby avoiding the social or health problems that could arise from disconnection. However, the problem of bad debt has increased since the ban on disconnection was introduced and now adds £14 to the annual water bills of households that do pay their bills.

3.6 The Government will not reverse the ban on disconnection. Nor will we allow water companies to use reduced flow devices (sometimes known as "trickle valves") which, in the Government's view, are tantamount to disconnection and could result in the same social and health problems that would arise from disconnection. However, the Government's Water White Paper will set out proposals to help water companies tackle the problem of bad debt. We also hope to consult in the summer on regulations to implement Section 45 of the Flood and Water Management Act 2010 to allow for a named person to be liable for paying water bills in the case of non-owner occupiers of properties. This will help to tackle the problem of bad debt.

3.7 Customer research undertaken jointly by Ofwat, Defra, the Assembly Government, the Environment Agency, the Drinking Water Inspectorate, Natural England, the Consumer Council for Water and Water UK as part of Ofwat's 2009 Review of Water Price Limits⁴ found that the majority of customers in England and Wales (85 per cent) did not find it difficult to pay their bills on time. However, it found that 11 per cent of households usually paid on time but it can be difficult. Research undertaken by Ofwat and the Consumer Council for Water into household customers' views on competition⁵ found that 25 per cent of respondents thought that

⁴ http://www.ofwat.gov.uk/pricereview/pr09phase3/pap_rsh_pr09quantrshsumm.pdf

⁵ www.ccwater.org.uk/upload/pdf/r7508_final_report.pdf

their water and sewerage charges were not affordable. This figure was higher among low income households with 36 per cent in the lowest socio-economic group stating that their charges were not affordable.

3.8 Ofwat's latest analysis using an indicative indicator of the risk of water affordability problems (bills as a proportion of disposable income) found that 23 per cent of households in England and Wales currently spend more than 3 per cent of their income (after housing costs) on water and sewerage bills and 11 per cent currently spend more than 5 per cent. Again low income households are more likely to experience affordability issues with 64 per cent of households in the bottom three deciles spending more than 3 per cent of their income on water and sewerage bills.

3.9 For low-income households receiving benefits, the present basic rate of each means-tested benefit is intended to cover all normal household expenditure, including utility bills. The benefits system is now being radically simplified and from October 2013 the current range of working-age means-tested benefits and Tax Credits will all be replaced by a single Universal Credit, comprising a basic allowance plus additional amounts for children, disability, housing and caring responsibilities.

3.10 For low income metered customers with a high essential use of water, support is currently provided through the Government's national WaterSure tariff. WaterSure is prescribed through the Water Industry (Charges) (Vulnerable Groups) Regulations 1999. It caps the bills of metered households in receipt of a qualifying means-tested benefit or tax credit⁶ at the average bill for their company's operating area where the household either has three or more children living at home under the age of 19 or somebody in the household has a medical condition which necessitates a high essential use of water. The cost is met by other water customers at the company-specific level who, in essence, cross-subsidise qualifying households.

3.11 This year some 31,200 households are benefitting from WaterSure. This is up from 28,879 households in 2008/09 and up from 16,212 in 2006/07 and reflects the efforts made by water companies, the Consumer Council for Water, Ofwat and others to raise awareness of the scheme and simplify the application process to encourage take-up. Around 40 per cent of WaterSure recipients qualify for medical reasons and 60 per cent qualify by having three or more children. However, WaterSure is only available to households that are metered. Rateable value charging provides a cross-subsidy for some low income households although, as

⁶ Income Support, Income Related Employment and Support Allowance, Income-based Job Seeker's Allowance, Pension Credit (guaranteed element), Working Tax Credit (with an income of less than £16,040), Housing Benefit, Council Tax Benefit (not single person discount), Child Tax Credit (other than just the family element).

noted in the Walker Review, this cross-subsidy is not well targeted towards households on low incomes.

3.12 In addition, Ofwat allows companies to introduce targeted tariffs which are cost-neutral or are beneficial to the customer base as a whole (for example, where these can help to tackle the problem of bad debt). A number of companies have brought forward these win-win tariffs.

Which households have affordability problems

3.13 The Walker Review found that households that struggle with their water bills also tend to struggle to make ends meet more generally. It also found that households with children are most likely to have affordability problems, particularly in any transition to widespread metering. More detailed analysis by Ofwat⁷, as recommended in the Walker Review, has found that the picture around water affordability is extremely complex and varies, amongst other things, within household types and regions, and depending on the scope for benefitting from opting for a water meter. Ofwat's analysis has concluded that affordability problems can be the result of:

- Low incomes: across England and Wales, lone parents followed by working-age adults living alone and single pensioners are the most likely to be at risk of having affordability problems (as a percentage of each household type). However, in terms of numbers of households, single pensioners followed by working-age adults living alone, followed by couples with children, form the bulk of all households with affordability problems in England and Wales. Households with children, in particular lone parents, are more likely to have problems in areas with high levels of metering. Receipt of benefits and tax credits are not a helpful guide to those with affordability issues. Ofwat found that approximately six in ten households with affordability issues were not in receipt of benefits or tax credits.
- High bills because of high cost location: Average water bills in the South West Water region are 44 per cent higher than the average bill for England and Wales. This is because of the relatively high cost of providing water and sewerage services in the South West (and is discussed further in Chapter 6).
- High unmeasured bills because of high metering levels: Ofwat ensures that charges are balanced so that metered and unmetered customers pay the same, on average, per unit of water. But as more households with low occupancy and low water consumption and a high RV opt for water meters the cross-subsidy

⁷ See http://www.ofwat.gov.uk/future/customers/metering/prs_web1104afford

inherent in rateable value charging is unwound. The bills of those households that continue to pay an unmeasured charge therefore tend to increase. Some customers with affordability problems, notably working age adults living alone and single pensioners, can reduce affordability problems by switching to a meter, particularly in areas with high levels of metering.

- High metered bills because of high consumption: some households face high bills because they use a lot of water. This could be a high discretionary use of water or a high essential use of water. WaterSure caps the bill of qualifying households to ensure that these households do not cut back on their essential use of water because of concerns over the potential size of their water bill. However, households on the WaterSure tariff can still face difficulty paying their capped bill and households who do not qualify for WaterSure may also face water affordability problems.
- Difficulty managing and paying bills: a lack of provision or take-up of suitable payment methods and frequencies, together with inaccurate and/or infrequent bills can create particular problems for households on tight budgets. As part of its Third Party Deductions Scheme, the Department for Work and Pensions can deduct a weekly amount from benefits to meet the cost of water bills and pay it directly to the company. However, this is a temporary money management scheme only for customers with water debt and in receipt of certain benefits. It is not related to affordability itself. The unpredictable nature of metered bills can also add to difficulties in managing and paying bills. Ofwat will consider options for improving the management and payment of bills as part of its wider work on examining water affordability.

Paying for affordability measures

3.14 Box 1 sets out the affordability recommendations in the Walker Review. The Review recommended that a new, more closely targeted package of assistance should be put in place to ensure that water is affordable for all. This includes changes to WaterSure together with new support for metered households in receipt of means tested benefits or for households with children. Anna Walker recommended that the Government should consult further on measures to improve water affordability once it has taken a decision over who should pay for these.

3.15 In practice there are only two options for who should pay for affordability measures. These are the Government (which means the taxpayer) or the water customer – either the household and/or non-household customer. Currently the cost of the benefits system is met by the Government. WaterSure is funded by water customers at the company-specific level (with about 30 per cent of the cost estimated to be met by non-households customers based on their share of the volume of water supplied).

Box 1: The Walker recommendations on affordability

Recommendation 51: WaterSure

- The current WaterSure scheme should be refined to include low-income metered customers with medical conditions only. This will require a change to the Vulnerable Groups Regulations.
- WaterSure recipients' bills should be capped at a level at least as low as the national average metered bill, the regional average metered bill, or their actual metered charges, whichever is the lowest.
- Companies and healthcare professionals should increase awareness of the WaterSure scheme to improve uptake levels.
- The Department of Health should review the provision of medical certificates with the British Medical Association with a view to agreeing free certificates for WaterSure applicants. Primary Care Trusts should also be encouraged to reimburse costs of certificates as part of the patient's healthcare package.

Recommendation 52: Discounted bill for low-income metered households

- Low-income metered households and those on assessed charges in receipt of certain means-tested benefits and tax credits should be eligible for a 20 per cent discount on their volumetric bill.

Recommendation 53: Discounted tariff for low-income metered households with children

- In the absence of a wider scheme to help low-income customers, a volumetric discount tariff should be offered to metered and assessed-charge customers in receipt of means-tested benefits and tax credits with one or more children. Households should receive a discount equivalent to 50 litres per child per day.

Recommendation 54: Water efficiency and benefit entitlement check programme

- Targeted water efficiency measures and benefit entitlement check programmes should be introduced where possible as part of existing programmes such as Warm Front, the Home Energy Efficiency Scheme in Wales and the Decent Homes initiative. In all water company areas, Ofwat and the company should look at the potential for a targeted scheme for low income priority customers, similar to WaterCare in the South West, with the costs allowable within the regulatory framework. High water cost areas, and in particular the South West Water region, should be prioritised for targeting.

Recommendation 55. Government and Ofwat:

- Government should consult further once they have taken a decision on who should pay for affordability measures.
- Ofwat should track the affordability problems facing the water industry and should then take appropriate action and/or provide advice to the UK Government and Welsh Assembly Government, to ensure that water and sewerage services remain affordable over both the medium and longer term. Ofwat should report on the position on affordability in an Annual Report on affordability and debt.

3.16 Research undertaken by the Consumer Council for Water in 2006/07⁸ around customers' willingness to cross-subsidise other customers with affordability concerns found that customers consistently opposed extension of cross-subsidy to low income groups with few exceptions. Follow up research carried out in 2007⁹ found that 69 per cent thought it was reasonable that households currently pay about an extra £1 per year in their bill to provide assistance under the WaterSure scheme.

⁸ http://www.ccwater.org.uk/upload/pdf/CWRD_907_full_version.pdf

⁹ http://www.ccwater.org.uk/upload/pdf/Charging_Final_Report.pdf

3.17 The Government is minded to improve the support provided through WaterSure to qualifying households, and would like to invite views on the option of meeting the cost of WaterSure in the future through public expenditure (rather than continue to require the cost to be met by water customers at the company-specific level). Any proposals for new company social tariffs to supplement the support offered through WaterSure will be funded by customers at the company-specific level (as required under Section 44 of the Flood and Water Management Act 2010).

Assistance for households with medical conditions

3.18 The Walker Review recommended that WaterSure should be retained only for households with qualifying medical conditions with a new tariff put in place for low income metered households. The Government agrees that a cap on the bills of qualifying households with medical conditions, rather than a volumetric discount, is appropriate given that these households can have a very high essential use of water. WaterSure needs to continue to ensure that these vulnerable households do not cut back on their essential use of water.

3.19 The Walker Review proposed that the bills of qualifying households with medical conditions should be capped at the national average metered bill, the regional average metered bill, or the actual metered charge, whichever is the lowest. Currently WaterSure caps bills at the level of the average household bill for each company (the cap reflects both metered and unmetered bills). Consequently the cap applied in the 2010/11 financial year varies from £301 for qualifying households of Severn Trent Water to £486 to qualifying households of South West Water.

3.20 This is a significant variation and the Government recognises that there is a question around whether WaterSure should provide a more consistent and equitable level of benefit across the country whilst, at the same time, recognising that there is variation in the level of bills which reflects the cost of providing water and sewerage services in an environmentally sustainable way.

3.21 The Walker Review estimated that the benefit to eligible households of capping WaterSure bills at the lower of the national average metered bill or the company average metered bill would make each qualifying household, on average, around £100 a year better off. Based on current levels of metering and take-up of WaterSure, this change would cost around £1.25 million per annum for those households with medical conditions (ie around 12,500 households each benefitting by an average of £100). The costs would, of course, change depending on levels of metering and take-up of WaterSure. The Government is minded to make this change to WaterSure.

Assistance for low income households

3.22 At the same time the Walker Review proposed two mutually exclusive options for providing additional support for low income households in England and Wales. The first option was a percentage discount on bills for all households in receipt of certain means-tested benefits or lower-tier tax credits. The second option, which the Walker Review suggested would be more affordable, was a free block of water for families with one or more children. Ofwat has examined the costs of these options in more detail in its report on high bills in the South West Water area.

3.23 The first option recommended that all metered households in receipt of certain means tested benefits¹⁰ should be eligible for a 20 per cent discount on their bills. Based on current levels of metering, Ofwat estimates that this would benefit around 1.9 million households. Ofwat has estimated that this option would cost around £85 million per annum (or £4.10 per household). These costs would increase almost fourfold under universal metering.

3.24 Anna Walker recognised that the comprehensive nature of this proposal meant that the costs of implementing such a scheme would be very large. She therefore proposed a second option for a more targeted scheme designed to help the subset of low-income households that the Review concluded is most likely to experience affordability problems – namely households with one or more children. The Walker Review concluded that granting 50 litres of water per day for each child to low income metered households would target support where it was needed the most.

3.25 The Review estimated that the average benefit received would be around £40 per child per annum. Based on current levels of metering, Ofwat estimates that this would benefit some 960,000 families with children. Ofwat has estimated that this option would cost around £73 million per annum (or about £3.50 per household). These costs would increase almost fourfold under universal metering.

3.26 The Government's view is that both a discounted bill for all low income metered households across England, or a concession for low income households with children, are likely to be unaffordable. Further, a one-size-fits-all approach may not be the best approach to tackling water affordability problems given that Ofwat's analysis has found that water affordability varies (although it is possible to identify groups that, on average, would benefit from assistance).

¹⁰ Income Support, Income-Related Employment and Support Allowance, Job Seeker's Allowance, Pension Credit (guaranteed element) and Working Tax Credit (for those with an income of less than £16,400). This list was more tightly drawn than current eligibility for WaterSure and excludes Housing Benefit and Council Tax Benefit as these two benefits go further up the income scale than other qualifying benefits.

3.27 For these reasons, the Government does not propose to consult on either of the two options proposed by Anna Walker or to undertake any further work around national social tariffs. Rather, we are minded to improve the concession available under WaterSure for households with three or more children living at home under the age of 19 with the cost of WaterSure met by the Government rather than water customers as is currently the case. This reflects the commitment made in the Budget to support households who face water affordability pressures and households in areas with particularly high water bills and to consider options for additional government spending to provide further support. Companies would have the option of going further by bringing forward a company social tariff in line with Section 44 of the Flood and Water Management Act 2010..

Our proposals for WaterSure for low income households

3.28 The Government is minded to cap the bills of households in receipt of WaterSure by virtue of having three or more children living at home under the age of 19 at the national average metered bill, the regional average metered bill, or the households actual metered charge, whichever is the lowest. Based on current levels of metering and take-up of WaterSure, it is estimated that this change would cost around £1.9 million per annum more than the existing WaterSure tariff (ie around 18,700 households each benefitting by an average of £100). The costs would, of course, change depending on levels of metering and take-up of WaterSure.

3.29 That said, any form of cap on the bills for qualifying households with three or more children removes the financial incentive to conserve water. Whilst a cap on bills is the right approach for households with medical conditions that necessitate a high use of water, the Government is considering whether the cap on bills for households with three or more children should be replaced with a percentage discount on the bills of these households or, as an alternative, whether these households should be provided with a free block of water per child.

3.30 Any percentage discount for qualifying households could be determined by companies in the design of their charges scheme and designed to provide the same overall level of support as that provided through a capped bill. A free block of water per child could be sized in a similar way. However, these approaches may be more complex than a capped bill, particularly in ensuring a more consistent and equitable level of benefit across the country.

3.31 The Government is also keen to keep WaterSure simple to administer for companies and not to complicate it for recipients. Further, there could be a risk that a percentage discount on bills or a free block of water per child, rather than a cap on bills, would encourage households with three or more children to cut back on their essential use of water in order to reduce their water bill. The Government wants to avoid this.

1. Do you agree that WaterSure customers should be given greater assistance with their bills by bringing WaterSure bills into line with the national average metered bill, the company average metered bill, or the actual metered charge, whichever is the lowest?

2. Should the concession granted under WaterSure to households with three or more children be delivered through a percentage discount on bills, or a free block of water per child, rather than through a cap on bills, to encourage households to use water wisely?

3.32 Currently WaterSure provides a safety net for metered households only. WaterSure does not benefit households that are not metered. The Government does not propose to extend WaterSure to non-metered households given the degree of cross-subsidy already inherent in rateable value charging. Nor is the Government proposing any changes to the groups that currently qualify for WaterSure or the means-tested benefits that determine eligibility for WaterSure (we will ensure that WaterSure takes account of the Government's proposals for a single Universal Credit as the current benefits system is simplified).

Funding an improved WaterSure tariff

3.33 Currently the cost of WaterSure across England is around £6 million per annum. The cost is met by other water customers at the company-specific level who provide a cross-subsidy for qualifying households. The cross-subsidy is, on average, 35 pence per household per year. However, the actual cost varies between regions from a few pence per annum (in areas with low water bills and a low take-up of WaterSure) up to about £3 per annum (in areas where water bills are relatively high and take-up of WaterSure is high, notably in the South West).

3.34 The Budget reiterated the Government's commitment to support households who face water affordability pressures and households in areas with particularly high water bills. It stated that the Government would consider options for additional Government spending to provide further support. Based on current levels of take-up of WaterSure, Ofwat estimates that it would cost an additional £2.74 million per annum to cap the bills of qualifying households on WaterSure at the national average metered bill, the company average metered bill, or their actual metered charges. Based on current levels of metering and take-up, this would increase the cost of WaterSure in England to around £10 million per annum.

3.35 The Government is considering meeting the cost of WaterSure (both the current cost and the cost of the Government's proposed enhancements) from public expenditure as this would be the most simple and fair way of funding the more generous cap under WaterSure that the Government is minded to provide. The

alternative is for WaterSure to continue to be met by water customers at the company-specific level.

3.36 The Government's view is that funding WaterSure through public expenditure would be a more straightforward and fair option. It would avoid placing a relatively high financial burden on households that happen to live in high cost areas with relatively large numbers of households in receipt of the WaterSure tariff. Government funding of WaterSure could also provide a greater incentive for water companies to promote WaterSure given that the cost would no longer be met by water customers. It could also make the funding of company-led social tariff more acceptable.

3.37 If WaterSure is to be funded through public expenditure in the future, the Government will need to work up the detail ahead of the Water White Paper. We envisage that individual water companies would submit the cost of their WaterSure schemes directly to the Government for payment, with companies retaining responsibility for the day-to-day administration of WaterSure, including ensuring that customers receive the discounted bill that they are entitled to as specified by the Government. Funding WaterSure in this way will require new primary legislation so the changes could not be introduced before 2013. Ofwat would continue to monitor the way that companies manage their WaterSure schemes and ensure that the WaterSure costs that are submitted by companies to the Government are accurate.

<p>3. Should the cost of WaterSure in the future be met from public expenditure rather than by water customers at the company-specific level?</p>
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Improving take-up of WaterSure

3.38 The Walker Review estimated that only around one third of households that are currently eligible for WaterSure are on the scheme. More recent analysis by Ofwat suggests that as many as 140,000 metered and 570,000 unmetered families with three or more children could potentially be eligible. Take-up of WaterSure is likely to continue as companies have both a responsibility, and an incentive, to promote WaterSure, including as a means of tackling bad debt in the water industry. Take-up can also be expected to increase as metering increases. However, the rate of this increase can vary dramatically between regions given that being metered is a requirement for eligibility for WaterSure.

3.39 The Walker Review recommended that companies should review their promotion of the WaterSure scheme and ensure that their customer-facing employees such as billing and call centre workers are aware of the scheme and able to give accurate advice on eligibility in order to help customers with their applications. The Government agrees with this recommendation and we are also

looking at possibilities around data sharing to enable households that are eligible for WaterSure to be more easily identified.

3.40 The Government is keen to ensure that all eligible households take up the assistance that is available to them. Whilst take-up has improved in the last couple of years, we would welcome views on what more could be done to improve the take-up of WaterSure ahead of the Water White Paper. A more generous concession under WaterSure, as suggested in this consultation, could also be expected to result in an increased take-up.

3.41 The Government is keen to encourage and promote partnerships between community bodies and organisations which communicate with vulnerable customers. We would welcome views on how we might facilitate this partnership working. The Walker Review suggested that community healthcare professionals, including the Royal College of General Practitioners, could help to increase awareness of WaterSure and we would welcome views from these and other interested parties on tangible steps that the Government and others can take to improve the take-up of WaterSure.

4. What more might be done, and by whom, to increase awareness and take-up of WaterSure?

Company social tariffs

3.42 Ofwat's analysis around water affordability has indicated that the groups with affordability problems differ in different parts of the country¹¹. Whilst the Government's proposed enhancements to WaterSure will provide an improved national safety net for the most vulnerable and low income households, there is a strong argument for companies going further to provide support to a broader group of those with affordability problems by developing company social tariffs under Section 44 of the Flood and Water Management Act 2010.

3.43 Section 44 empowers companies to bring forward social tariffs to assist households who would struggle to pay their bills in full. It explicitly allows for cross-subsidy between different customers. The Government wants to see companies do more to engage and consult their customers and sees company social tariffs as a good opportunity for companies to play their part in tackling affordability problems. In particular, company social tariffs can enable companies to take account of local circumstances, needs and customer views. It would be more difficult to reflect these in a national social tariff.

¹¹ As part of its work on water affordability, Ofwat will be publishing affordability data by company.

3.44 Section 44 requires the Government to issue guidance to Ofwat and/or water companies that operate wholly or mainly in England (Welsh Ministers have an identical requirement for Ofwat and/or companies that operate wholly or mainly in Wales). This guidance is required to cover, inter alia, factors to be taken into account in deciding whether one group of customers should subsidise another (taking account of the need to balance the desirability of helping households that would have difficulty paying in full with the interests of other customers). Ofwat and/or companies are required to have regard to the guidance that is issued.

3.45 The Government will consider with Ofwat whether its guidance should be issued to Ofwat, who could then issue its own guidance to companies, or issued directly by the Government to companies. The Government proposes to commence Section 44 once it has prepared and published their guidance. This consultation marks the start of this process. The Government will consult on this draft guidance once it has been prepared.

3.46 The Government is aware that some stakeholders are of the view that social policy, and any measure to tackle water affordability, is the Government's responsibility. The Government agrees that it has a key role to play, both by specifying the basic safety net provided by WaterSure and by providing a broad policy framework and providing guidance on social policy and company social tariffs. We intend to meet this responsibility. At the same time, we are firmly of the view that companies are best placed to take decisions around the design of company social tariffs as part of their charges scheme that can take account of local circumstances and the needs and views of their customers.

3.47 The Government is aware that some companies are already starting to think about the social tariffs that they would like to bring forward once the necessary guidance is in place and Section 44 has been commenced. The Government welcomes this initiative and foresight and would welcome views on the issues that they should cover in their respective guidance. The guidance could include:

- The level of cross-subsidy which is acceptable: the guidance will stress the need for an impact assessment and engagement with customers and their representative groups in the design of a social tariff. Guidance on social tariffs will need to include an upper limit of the cross-subsidy that non-qualifying households should reasonably be expected to provide. For example, it could cap the level of cross-subsidy at 2 per cent of the company's average household bill or, say, £5 or £10.
- Which households should benefit: companies could develop tailor-made affordability measures which could take account of household incomes and bills. However, it may be more straightforward and cost-effective to use means tested benefits as the qualifying criteria for benefitting from any

company social tariff. Alternatively the guidance could simply encourage companies to investigate which of their customers have affordability risks and to design any company social tariff in light of this.

- Social tariffs under universal metering: the Government's view is that the need for a company social tariff should be examined where a company is introducing universal metering. This would aim to ensure that large low income households in properties with a low rateable value (RV) who find their RV-based bill affordable do not suddenly face unaffordable bills once they are metered.
- Offering a concession to unmetered households: it could be argued that any company social tariff should only apply to metered households and not extend to unmetered households. This would take account of the cross-subsidy that is inherent in the current system of RV charging although, as noted by Anna Walker, this is not particularly well targeted towards low income households. Further, granting a concession to low income unmetered households could also help to tackle bad debt. The guidance could therefore leave open the option of granting unmetered households a concession whilst taking account of the views of customers and the extent of metering in a company's area.
- What concession to offer: this will most likely be for companies to decide including the possible use of concessions and price signals to incentivise the efficient use of water. Options could include a percentage discount on bills or a free or discounted block of water for all low income households or only for households with children. The Government is minded to discourage caps on bills for metered households as capping bills does not provide an incentive to use water efficiently. Also, any concession will need to be large enough to make a meaningful reduction to household bills. The actual concession will also depend on the number of recipients and the number of non-recipients who would provide the cross-subsidy and its acceptability to a company's customer base.
- The role of Ofwat: individual companies are responsible for proposing their charges schemes and Ofwat, as the independent economic regulator for the water sector in England and Wales, is responsible for scrutinising and approving these. Ofwat currently has the power to reject a charges scheme in its entirety but does not have powers to reject individual elements of a charges scheme. There is therefore a question around whether Ofwat should have an explicit power to veto company social tariffs where, in Ofwat's view, a company has not had regard to guidance issued by the Government, where the company has not undertaken adequate impact assessment, or where the

proposed social tariff does not have the broad support of a company's customer base.

5. What upper limit should be specified in the guidance in relation to the level of cross-subsidy that non-qualifying households should reasonably be expected to provide under a company social tariff?

6. Which households, if any, should the guidance suggest be considered for inclusion in a company social tariff?

7. Should companies that are introducing universal metering in their area be expected to consider a company social tariff?

8. Should the guidance encourage or discourage company social tariffs for unmetered households?

9. To what extent should the actual concession offered in any concessionary scheme be for companies to decide?

10. Should Ofwat have an explicit power to veto company social tariffs in certain circumstances particularly where, in its opinion, a company has not undertaken adequate impact assessment, or where the proposed social tariff does not have the broad support of a company's customer base?

11. How can company social tariffs be brought forward in a way which provides adequate safeguards for all customers but minimises the associated burden of regulation and scrutiny?

12. Are there any other issues that you would like to see included in the Government's guidance on company social tariffs?

Water efficiency and benefit entitlement checks

3.48 Action to assist water efficiency can potentially help improve affordability for a wide group of households, not just those eligible for discounted or capped bills. Simple measures include 'hippos' to reduce water used in flushing lavatories, low flow fittings to taps and showers, and water butts in gardens, and advising customers replacing appliances such as washing machines about more water-efficient models. This can make it much easier for households to reduce their water use and reduce both energy and water bills.

3.49 It is often most cost effective to help households improve water efficiency as part of other work on a house – for example, helping improve water efficiency at the same time as improving energy efficiency and installing simple water efficiency measures when repairs or maintenance are being carried out on a house for other reasons. Water companies pursuing water efficiency targets can often make the

most difference when working with energy companies, or with large landlords such as local authorities and housing associations. There is also potential to work with community organisations.

3.50 The Walker Review also recommended that targeted water efficiency measures and benefit entitlement check programmes should be introduced where possible as part of existing programmes such as Warm Front, the Home Energy Efficiency Scheme in Wales and the Decent Homes initiative. It also recommended that in all water company areas, Ofwat and the company should look at the potential for a targeted scheme for low income priority customers, similar to WaterCare¹² in the South West, with the costs allowable within the regulatory framework. High water cost areas, and in particular the South West Water region, should be prioritised for targeting.

3.51 The Government welcomes the initiative that South West Water showed by introducing its WaterCare scheme in 2007. We are also keen to encourage companies to provide water and energy efficiency advice tariff checks and, where appropriate, benefit entitlement checks. In particular, at the time that water meters are installed, it would be advantageous and cost effective to offer water and energy efficiency and benefits advice at the same time for households that may have affordability problems. This approach is being followed by Southern Water as it rolls out universal metering in its operating area and the Government welcomes this initiative. The Government is looking at this more widely as part of its Green Deal and will cover synergies between water and energy in the Water White Paper.

13. In what ways can companies enhance the delivery of water efficiency, tariff and benefit entitlement support to households by joining up with the energy sector and with landlords, including local authorities and housing associations, and with community organisations?

¹² See: www.southwestwater.co.uk/index.cfm?articleid=3564

4. The South West

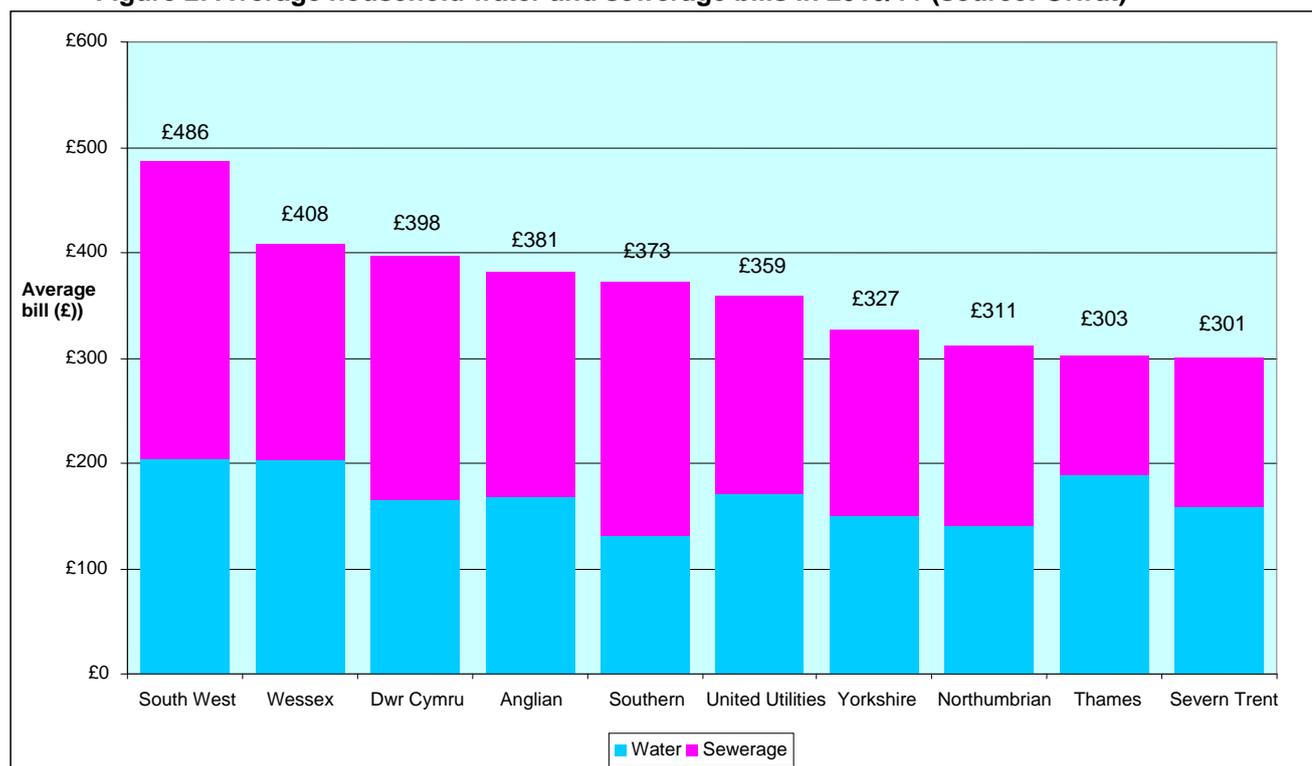
Introduction

4.1 As noted in Chapter 3, water and sewerage bills in the South West are the highest in the country. The Walker Review looked closely at why this was the case and recommended that Ofwat should advise the Government on options that could potentially address the problem. The Government is concerned about the impact of high bills in the South West, particularly on those with low incomes, and is committed to responding positively. It has considered Ofwat's advice and is inviting views on how best to provide greater help to households in the South West.

Current situation

4.2 The average household water and sewerage bill for customers of South West Water in 2010/11 is £486. Figure 2 shows how bills compare with those of other water and sewerage companies.

Figure 2: Average household water and sewerage bills in 2010/11 (source: Ofwat)



4.3 Figure 2 show that average bills in the South West in 2010/11 are £78 higher than those of Wessex Water (which has the second highest bills in England and Wales) and £88 higher than bills of Dwr Cymru Welsh Water (which has the third highest bills). On average, bills in the South West are £147 (or 43 per cent) higher than the average bill for England and Wales (£339).

4.4 Currently 70 per cent of households in the South West are metered compared to almost 40 per cent of households across England and Wales. This year the average bill of a metered household in the South West is £394 compared to £721 for unmetered households. This differential reflects the higher than average water use of unmetered households when compared to metered households and the relatively high number of metered households. South West Water expects 79 per cent of its household customers to be metered by 2015.

4.5 Ofwat's estimates suggest that around 33 per cent of households in the South West currently spend more than 3 per cent of their disposable income on water and sewerage services. This compares to around 23 per cent of households across England and Wales. In the South West, 16 per cent of households currently spend more than 5 per cent of their disposable income. This compares to 11 per cent of households across England and Wales¹³.

4.6 Table 1 presents a measure of water affordability in the South West based on households which spend more than 5 per cent of their disposable incomes (after housing costs) on water and sewerage bills. This is only a rough indicator of water affordability which does not take account of household size. Further work would be required to design social tariffs to reduce bills for those with greatest need and in a way that is practical to implement.

Table 1: Households spending more than 5% of their disposable income on water and sewerage bills (source: Ofwat)

Household type	South West > 5% (no of households)	England & Wales > 5% (no of households)
Lone parents	46% (16,000)	18% (250,000)
Working age adult living alone	22% (27,000)	22% (990,000)
Couples with children	12% (13,000)	7% (290,000)
Couples without children	18% (29,000)	6% (310,000)
Single pensioners	16% (21,000)	14% (490,000)
Pensioner couples	9% (9,000)	5% (120,000)
Other	6% (4000)	5% (100,000)

4.7 Whilst water bills are highest in the South West, it is clear from Table 1 that water affordability is not a problem only in this region. However, in other parts of the country, households are more likely to benefit from the cross-subsidy inherent in rateable value charging if they remain unmetered. In the South West, these customers face higher bills because most households in the region have opted for a meter.

¹³ It is possible that the figures for the South West may be an under-estimate as the sample data from the Family Resources Survey under-estimates average bills by around 10 per cent in comparison with actual average bills.

4.8 South West Water has already taken several initiatives to help households who are struggling to pay their bills. The Government welcomes these. These initiatives cover:

- Promoting WaterSure: around one third of WaterSure recipients live in the South West. South West Water has worked hard to promote this tariff in different ways, including through local debt advice agencies. Its call centre staff also mention WaterSure when metered customers contact the company to raise difficulties in paying their bills;
- WaterCare: since 2007, this has helped households in debt with by offering them a benefits and water tariff check (including a meter if appropriate). Metered customers also receive a free home water audit and simple low-tech water saving devices;
- Restart: this scheme assists those who have difficulty paying their bill by establishing regular payment patterns. Households who establish regular payment patterns have matching amounts of debt written off. Since its launch in 2007, South West Water's Restart scheme has helped about 6,000 households;
- Special assistance fund: the company has operated this since 1996. It clears arrears for customers in debt because of exceptional personal or financial circumstances;
- Bill payment plans: South West Water provides flexible payment plans which enable customers to pay their bills weekly, fortnightly or monthly. Payments can be made free of charge at Post Offices and Paypoints. The company also offers flexible repayment terms for customers who are in debt; and
- Advising customers: the company has established an advice "gateway" with South West Citizens' Advice Bureau which offers specialist water debt advice. To support this process, it sponsors Institute of Money Adviser training for the voluntary sector. It also has a freephone debt helpline which offers callers a tariff review to see if they would be better off on a meter. Metered households are checked for eligibility for WaterSure and offered water saving advice.

4.9 South West Water is building on these initiatives. It recently announced that it proposes to enhance its current WaterCare scheme to WaterCare Plus. This new scheme will include home energy audits and advice on claiming grants. South West Water is also investing up to £1 million in 2011/12 in its FreshStart scheme run by Plymouth Citizens Advice Bureau to offer advice to customers with general debt problems. Both the WaterCare Plus and FreshStart schemes are fully funded by

South West Water and do not impact on customer bills. The company will also be making free water saving packs available to all customers and will be promoting these through local media in March and April. The Government welcomes these initiatives.

The Walker recommendations

4.10 The Walker Review received strong representations from those who live in the South West, both in relation to the perceived unfairness around all households in the South West facing the highest bills in the country and to the affordability problem that this creates for low income households. It examined in detail why water and sewerage bills are relatively high in the South West.

4.11 The Walker Review found that at the time of water privatisation in 1989, South West Water had the lowest regulatory asset base per property in England and Wales. Since privatisation, the company has invested around £2 billion, particularly in relation to sewerage services, to raise standards to meet necessary environmental improvements in the region. This cost has been met by the customers of South West Water

4.12 The impact has been accentuated by the relatively low number of households in the South West together with a high proportion of the population living in rural areas. This makes it relatively expensive to serve them. Box 2 sets out Anna Walker's recommendations in relation to the South West.

Box 2: The Walker recommendation on the South West

The Review Team recommends that Ofwat is asked to advise on one or more of the following options:

- Implementation of a one-off or other financial adjustment by Government to address the specific circumstances of South West Water at the time of privatisation, and the resulting implications for water bills in the South West.
- Adjustment of bills in the South West Water area through contributions by other water customers across the country;
- A package of proposals for South West Water customers, potentially taking account of seasonal issues and cost drivers and the package of proposed affordability measures in this [the Walker] report.

4.13 Anna Walker recommended that Ofwat should advise the Government on options that could potentially address the problem of high bills in the South West. The Government is grateful for the advice that Ofwat has prepared¹⁴ and the assistance that South West Water provided to Ofwat.

¹⁴ Available at: http://www.ofwat.gov.uk/future/customers/metering/res_ofw_201101defraswt.pdf

The Government's proposals

4.14 The Government is committed to supporting households who face water affordability pressures and households in areas with particularly high water bills, such as the South West. We understand the feeling of unfairness felt by households in the South West at having to pay the highest water bills in the country and recognise that South West Water had the lowest regulated asset base per property of any water and sewerage company at the time of privatisation and that, since then, it has had to invest substantially to upgrade its sewage disposal post privatisation with the cost met by its customers. These circumstances are unique to South West Water and have contributed to an explicit affordability problem in the South West. For this reason the Government is proposing to use public expenditure to fund additional options to benefit only households in the South West.

4.15 Given that there is only a limited amount of public expenditure available to fund water affordability options, there is a balance to be struck when allocating available public expenditure between providing assistance to all households in the South West on fairness grounds and helping low income households with acute water affordability problems, both inside and outside the South West. Not all households in the South West experience water affordability problems. The Government will explore options to use additional public expenditure to deliver a modest reduction in bills for all households in the region alongside options to target households with specific affordability problems, both inside and outside the South West.

4.16 There are also a number of practical issues which the Government will consider further in parallel with this consultation. We will need to consider how long any additional public expenditure should be provided for and how future changes in bills inside and outside the South West should be taken account of. Any payments to South West Water or its customers would need to be transparent and easy to administer. Further, the Government currently has no statutory power to make payments to South West Water or its customers. Primary legislation would need to be introduced to provide the necessary specific statutory authority, both for payments to all households or for payments to low income households.

4.17 In addition, South West Water continues to fulfil its public service obligations at the moment without any State Aid. The justification for Government assistance is based on the way that water privatisation was undertaken which the Government is looking to redress. We will need to ensure that any assistance for the South West complies fully with EU State Aid rules.

Reducing bills for all households

4.18 Ofwat's analysis looked at a range of options that could potentially reduce the bills of all household customers of South West Water. As announced in the Budget, the Government would like to invite views on a number of options that could provide additional Government spending to provide further support for households the South West. Taking account of Ofwat's advice, the Government has identified the following options which could potentially reduce the bills of all households in the region and on which it would like to invite views:

- enhancements to WaterSure: South West Water currently has the highest level of take-up of WaterSure of any water company in England and Wales. Currently 8,500 household customers of South West Water are on WaterSure with the cost met by other customers of South West Water. If the Government decides to fund its proposals for WaterSure through public expenditure, this would reduce the bills of all households in the region by about £3 per annum.
- rebalancing sewerage charges: Analysis undertaken by Ofwat and South West Water around the distribution of sewerage costs and revenue recovery between household and non-household sectors has indicated that modifying sewerage charges within the region could potentially raise about £7.5 million per annum. Ofwat estimates that if shared amongst all household customers, this option would reduce average bills by £11 per annum (or around 20 per cent of the difference to the next highest bill (Wessex Water). It would be for South West Water to take decisions around any rebalancing of charges within their operating area (within the bounds of their licence and in consultation with customer representatives), the timing of any charges and how the revenues should be redistributed.
- an annual payment from the Government: an annual adjustment of £40 million per annum from public expenditure could reduce the bills of all household customers of South West Water by about £50 a year (which would bring average bills in the South West nearer to the Wessex Water level). A smaller annual adjustment of £8 million could reduce bills by around £10 per household. Any annual adjustment would reflect the unique circumstances of South West Water at the time of privatisation and the impact this has had on all households in the region.

4.19 The Government is clear that the option of a one-off financial injection of around £700 million of taxpayers' money into the South West to reduce the bills of all households by about £50 a year in perpetuity is unaffordable. The Government is also clear that water bill payers across England will not be required to contribute any assistance to households in the South West. As proposed in the Budget, any new

assistance for households in the South West will be provided through public expenditure.

Helping low income households

4.20 In addition to reducing the bills of all households in the South West, the Government would like to invite views on options to assist households in the South West with water affordability problems. These options have the potential to make a big difference to low income households in the region. Taking account of Ofwat's advice, the Government would like to invite views on the following options to assist low income households in the South West:

- enhancements to WaterSure: capping WaterSure at the lower of the company average metered bill or the national average metered bill will deliver the largest benefits to WaterSure recipients of South West Water. Currently around 8,500 households in the South West benefit from WaterSure. These households will see their water and sewerage bills fall by about £185 per annum by virtue of bills being capped at the national average metered bill. This is a substantial reduction in the bills of the most vulnerable and low income households in the South West.
- company social tariffs: the Government will use this consultation to prepare its guidance on company social tariffs under Section 44 of the Flood and Water Management Act 201. Whilst decisions around modifying sewerage charges and a social tariff are for South West Water to take, Ofwat's analysis suggests that modifying sewerage charges could potentially realise around £7.5 million per annum in favour of household customers. Under this option, rather than reduce the bills of all households by a modest amount, the revenue could potentially be used to reduce the bills of 100,000 household customers of South West Water by about £75 per annum. Again it would be for South West Water to take decisions around this option in relation to any modifications to charges within their operating area (within the bounds of their licence, in consultation with customer representatives and in light of Government guidance on company social tariffs), the timing of any changes and how the revenues should be redistributed.
- match funding for a company social tariff: the Government would like to invite views on the option of matched funding for any company social tariff that South West Water brings forward. This would enable South West Water to bring forward a more generous company social tariff. For example, matched funding from the Government of £5 million per annum could reduce the bills of 119,000 households in the region by £100 per annum (rather than reduce the bills of 100,000 households by £75 per annum without any Government assistance). This would be in addition to WaterSure. This option would have the potential to significantly reduce the bills of households in the South West that have water

affordability problems. This additional funding would not provide any precedent for supporting social tariffs in other company areas where this rationale linked to privatisation would not apply.

14. What balance should the Government strike between using public expenditure to assist all households in the South West and providing assistance to low income households with water affordability problems, both inside and outside the South West?

4.21 Ofwat also estimates suggest that more than three in ten single pensioners, working-age adults living alone and, to a lesser degree, pensioner couples in the South West are currently unmetered and could expect to see their bills fall if they were metered. Some of these are on low incomes. We would like to build on the steps that South West Water has already taken to encourage these households to opt for a meter and the Government would encourage South West Water and other organisations to highlight the benefits of metering to these households.

15. What more can be done, and by whom, to encourage single pensioners and working-age adults living alone to opt for a water meter where this would see their bills fall?

Annex A - List of consultation questions

- 1. Do you agree that WaterSure customers should be given greater assistance with their bills by bringing WaterSure bills into line with the national average metered bill, the company average metered bill, or the actual metered charge, whichever is the lowest?**
- 2. Should the concession granted under WaterSure to households with three or more children be delivered through a percentage discount on bills, or a free block of water per child, rather than through a cap on bills, to encourage households to use water wisely?**
- 3. Should the cost of WaterSure in the future be met from public expenditure rather than by water customers at the company-specific level?**
- 4. What more might be done, and by whom, to increase awareness and take-up of WaterSure?**
- 5. What upper limit should be specified in the guidance in relation to the level of cross-subsidy that non-qualifying households should reasonably be expected to provide under a company social tariff?**
- 6. Which households, if any, should the guidance suggest be considered for inclusion in a company social tariff?**
- 7. Should companies that are introducing universal metering in their area be expected to consider a company social tariff?**
- 8. Should the guidance encourage or discourage company social tariffs for unmetered households?**
- 9. To what extent should the actual concession offered in any concessionary scheme be for companies to decide?**
- 10. Should Ofwat have an explicit power to veto company social tariffs in certain circumstances particularly where, in its opinion, a company has not undertaken adequate impact assessment, or where the proposed social tariff does not have the broad support of a company's customer base?**
- 11. How can company social tariffs be brought forward in a way which provides adequate safeguards for all customers but minimises the associated burden of regulation and scrutiny?**
- 12. Are there any other issues that you would like to see included in the Government's guidance on company social tariffs?**
- 13. In what ways can companies enhance the delivery of water efficiency, tariff and benefit entitlement support to households by joining up with the energy sector and with landlords, including local authorities and housing associations, and with community organisations?**

14. What balance should the Government strike between using public expenditure to assist all households in the South West and providing assistance to low income households with water affordability problems, both inside and outside the South West?

15. What more can be done, and by whom, to encourage single pensioners and working-age adults living alone to opt for a water meter where this would see their bills fall?

