

**Department for Environment, Food and Rural Affairs**

**October 2011**

# **Summary of responses to the consultation on Affordable Water: The Government's proposals following the Walker Review of Charging**

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# 1. Introduction and Background

- 1.1 The Government is committed to supporting households who face affordability pressures and households in areas where water bills are particularly high, such as the South West. This commitment has been informed by the Walker Review into affordability and charging that was published in December 2009. This review examined affordability issues across the country and considered reforms to the existing WaterSure scheme, company social tariffs and the option of providing additional support through government funding.
- 1.2 The Walker review concluded that affordability was an issue across the country and particularly acute in areas where bills are high. It also noted that affordability issues were likely to be exacerbated as the level of metering increases. The review also showed that water affordability would be impacted by environmental and demographic trends, such as climate change, population growth and the increased numbers of single person households.
- 1.3 Following the publication of the Walker Review the government launched a consultation on the recommendations it contained in relation to water affordability. This consultation invited views of possible changes to the current WaterSure tariff, on what the Government's guidance on company social tariffs should cover and measures and options to tackle the problem of high water bills in the South West.

## 2. Summary of responses

- 2.1 In total 105 responses were received. 60% were from members of the public in the South West calling for support in lowering their bills. The remaining 40% were more detailed and responded to questions relating to WaterSure and company social tariffs. These were comprised of 20 Water Companies and 23 organisations, including responses from the charity and debt management sectors. Responses were received from Ofwat, the regulator of the water industry, and the Consumer Council for Water. A full list of respondents is listed at Annex A.

### Overview of Responses

- 2.2 There was strong agreement amongst respondents that increasing support to customers facing affordability issues was necessary. The consensus amongst water companies and organisations was that this could be best achieved by additional government funding complemented by support by water companies through more effective and targeted social tariffs.
- 2.3 There was far less consensus on how government funding would be most effectively spent. Many respondents highlighted the limitations of the WaterSure scheme and questioned whether it was the most effective means of reducing affordability pressures. There was also a polarisation of views on whether public expenditure should be used to reduce all water bills in the South West. Respondents from the South West, supported by a few other respondents,

thought that this was fair and necessary to address the disproportionately high bills in the region. However, other respondents believed that it would be fairer and more effective to target customers facing affordability problems across the country.

### **3. Analysis by Question**

#### **3.1 Question 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?**

The majority of respondents who answered this question agreed with the proposal. However, a significant minority were critical of the WaterSure scheme because of the very low take-up nationally and the fact that its eligibility criteria was too restricted, excluding many others who face affordability issues.

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

The majority of water companies and a significant number of organisations favoured a cap on bills as it was simpler to administer and provided budgeting certainty to customers facing affordability pressures. However, around a quarter of respondents who answered the question favoured a free block of water or a percentage reduction as this would promote demand management and efficiency.

While the vast majority of respondents supported WaterSure for those with medical conditions necessitating high water use many thought that the three child criteria was too prescriptive and discriminated against other affordability categories.

#### **3.3 Question 3: Should the cost of WaterSure in the future be met from public expenditure rather than by water customers at the company-specific level?**

Virtually all respondents that answered this question agreed that WaterSure should be funded from public expenditure although some felt that its scope was not extensive enough.

#### **3.4 Question 4: What more might be done, and by whom, to increase awareness and take-up of WaterSure?**

There was overwhelming support for promoting WaterSure through working in partnership with healthcare, debt management and advice sectors and very strong support for water companies having access to benefits data to target eligible customers. This was also supported in promoting water efficiency and tariff and entitlement. Data sharing with the Department for Work and Pensions was considered a critical factor by most respondents and many called for more joint working with the energy sector.

**3.5 Question 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?**

The majority of respondents were not in favour of an upper limit of cross-subsidy being set but rather supported companies reflecting local circumstances within a broad framework provided by government. However, Ofwat thought that an upper limit was necessary to help legitimise social tariffs in the eyes of the public. Of the minority that called for a limit the range varied from £2-£10, with 3% of an average water bill considered reasonable

**3.6 Question 6: Which households, if any, should the guidance be considered for inclusion in a company social tariff?**

There was a consensus amongst respondents that guidance on social tariffs should be targeted at those in receipt of benefits and single adult occupiers, particularly pensioners. Some respondents felt that tariffs should capture those with affordability issues not eligible for WaterSure. Others felt that all customers who spent over 3% of their income on water bills should qualify for support.

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

Virtually all respondents answered yes to this question.

**3.8 Question 8: Should the guidance encourage or discourage company social tariffs for unmetered households?**

Respondents were divided on this question. Overall there was a marginal preference for tariffs to be encourage for unmetered households to support those with affordability issues. But there were many who felt that they should be discouraged in order to promote take-up of metering.

**3.9 Question 9: To what extent should the actual concession offered in any concessionary scheme be for companies to decide?**

Virtually all respondents who answered this question thought that the actual level of concession should be determined by the companies. A small minority considered that such support should be classified as social policy and therefore be determined by government.

**3.10 Question 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?**

There was strong opposition to this proposal from Water Companies who felt that Ofwat's role should be limited to ensuring that companies had followed guidance in developing their tariffs. Companies recognised the importance of working closely with customer representatives and the Consumer Council for Water to ensure that social tariffs were broadly accepted.

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

The majority of respondents who answered this question thought that clear national framework and consultation with CCWater would provide an adequate safeguard. Some respondents thought the aligning tariffs to the benefit system would minimise regulation and scrutiny. A minority proposed the development of a national social tariff that all companies would be obliged to adopt.

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

The most frequently cited issue was enabling data sharing with the benefits system to target customers with affordability pressures. Several organisations stressed that companies should not limit tariffs only to those in receipt of benefits but also look to support other affordability groups. Other issues proposed for guidance were a clarification of the roles of water companies and Ofwat, seasonal tariffs to promote water efficiency and an explanation of what groups with affordability issues government expect companies to target.

**3.13 Question 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.**

There was strong support from virtually all respondents for greater partnership working with the energy sector, the citizens advice bureau and local authorities, landlords and housing associations. Many suggested that coordinated house visits, incorporating water, energy and benefits checks/advice, would be beneficial. Several respondents advocated incorporating water into schemes such as the Green Deal or Warm Front. The importance of metering programmes in increasing water efficiency was emphasised by some respondents.

**3.14 Question 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?**

The 60 public respondents, some organisations and several water companies supported direct public funding for the South West. Most organisations and the majority of Water Companies thought public funding should be targeted at affordability issues and not ring-fenced for a single region. Many respondents stressed that national funding for WaterSure or other affordability schemes would support those who struggle to pay their bills in the South West. South West Water wanted support to be extended beyond domestic customers to Bed and Breakfast establishments and small hotels.

**3.15 Question 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?**

A significant minority of respondents called for universal metering to be rolled-out. Most respondents advocated working closely with the Citizens Advice Bureau and Age UK to promote metering for those living alone although some were concerned that metering may lead people, especially pensioners, to ration their essential water supply. The issue of customers being suspicious of water companies was raised by many respondents who suggested that promotion by partner organisations or the third sector could be more effective.

## **4. The way forward**

- 4.1** The Government will take account of the responses received in drafting the Water White Paper and in preparing draft guidance on company social tariffs, which are due to be published in December.

## **Annex A – List of Respondents in Alphabetical order**

60 responses were received by members of the public or Members of Parliament.

Age UK  
Anglian Water  
Bristol Water  
Cambridge Water  
Carillion  
Chartered Institute of Environmental Health  
Chartered Institute of Water and Environmental Management  
Citizens Advice Bureau  
Consilience Energy Advisory Group  
Consumer Council for Water  
Dee Valley Group  
The Green Party  
Fairness on Tap  
Groundwork  
IncomeMax  
Institute of Civil Engineers  
Milton Keynes Council  
Money Advice Trust  
National Pensioners Convention  
North Devon Council  
Northumbrian Water  
Ofwat  
Plymouth Citizens Advice Bureau  
Policy Consulting Network  
Portsmouth Water  
Sembcorp  
Severn Trent Water  
South Eastern Water  
South West Water  
Southern Water  
Sutton and East Surrey Water  
Taylor & Garner  
Teccura

Thames Water  
Unison  
United Utilities  
Veolia Water  
Water UK  
Welsh Water  
Wessex Water  
Women's Institute  
Yorkshire Water

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