



Department
for Environment
Food & Rural Affairs



Llywodraeth Cymru
Welsh Government

Consultation on the future management of private water supply pipes

**A summary of responses to the consultation and
government reply**

July 2014

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Introduction

This is a summary of the responses to the public consultation on the future management of private water supply pipes, which ran for 6 weeks from 23 May 2013 to 4 July 2013.

The consultation sought views and evidence from all stakeholders to further enhance our impact assessment on the policy options regarding future management of water supply pipes. It set out 3 options (including do nothing) and asked 15 questions relating to these options, requested discussion and information on the potential impacts on consumers and other affected parties.

64 responses were received, from water companies, government bodies, representative bodies, professional bodies, water and utility services, local groups, property developers, trade associations, trade unions, chartered surveyors, consultants, emergency services, individuals and insurance companies. In this document, a summary of the general themes and concerns raised is provided for each of the 15 questions.

The consultation was a joint one between Defra and Welsh Government and as such, relates to policy in England and Wales only.

Options considered

Option 0: Do nothing

Private water supply pipes would remain under private ownership. Water supply company¹ 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 annum²) for the repair of leaking pipes. The typical cost of a repair is currently in the region of £200-250³, replacement £850 and⁴ a more complicated repair can run into £1,000s.

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 Inspectorate⁵ to develop a voluntary Code of Practice to compliment their current private water supply pipe maintenance and repair policies.

Prior to the consultation there was no current evidence on the impact of this option. Water supply companies were asked to confirm what would be deliverable beyond their current work programmes and report and repair policies, and whether there

¹ Refers to Water and Sewerage Companies (WaSCs) and Water Only Companies (WoCs)

² Advertising information for two of the larger insurance companies offering this type of service indicate premiums between £35 and £42 pa. However, some policies may not cover external, privately owned pipes, further adding to the confusion for the customer.

³ The full Impact Assessment submitted to the Regulatory Policy Committee contains a figure of £500-900, as this was an earlier estimate of cost.

⁴ These are anecdotal estimates of cost.

⁵ The body that provides independent reassurance that public water supplies in England and Wales are safe and drinking water quality is acceptable to consumers.

would be opportunities for a consistent approach to maintenance and repair between companies.

Option 2: Create a power to regulate

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.

The final report of the Ecosystem Markets Task Force, published on 5 March 2013, recommended a similar approach (recommendation 12 in the report at <http://www.defra.gov.uk/ecosystem-markets/files/Ecosystem-Markets-Task-Force-Final-Report-.pdf>)

Summary of responses

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

Summary of comments:

	Yes	No	Undecided	No comment
Number of respondents	7	26	4	27

The majority of respondents did not specifically answer this question. Of those that did, most felt that doing nothing is not a sustainable option. Respondents cited various reasons why this is not a suitable long term approach, including lack of consumer awareness about their responsibilities, the importance of addressing water quality and a view that the current approach does not prioritise addressing leakage and manage it in a systematic way or address the growing pressure on water resources. It was felt by some that without better management of supply pipes, leakage levels will rise. Many felt there needs to be a holistic and strategic approach to managing the supply pipe assets and that this would put water supply companies in a stronger position to deliver a better service on leakage and water quality. There

was also a view that the situation for the customer could be improved in terms of costs and reassurance.

Respondents who felt that the current situation is sustainable, pointed out the work that water supply companies are already doing to repair supply pipes, that this has been reducing leakage and that further leakage reductions are planned for the next AMP period. They felt this was an effective process and that there is no evidence for the need to change. Some felt that changing the current situation would not have the desired effect on leakage. They felt that it would be better to focus on installation of water meters to enable leaks to be detected and dealt with quicker, and to look at addressing leakage from internal taps and toilets.

Some respondents were undecided and could see merits in both options, or represented a membership that had a range of views. Some felt that the impact assessment needs to better consider the effectiveness of the do nothing option and that there was not enough certainty presented at the time to do this.

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

Summary of comments:

A large proportion of respondents felt that a voluntary approach would be unlikely to provide a consistent industry wide policy and could potentially lead to more confusion for customers. They felt this option would take too long to implement and would not make a significant difference to the policies that currently exist between water supply companies, as they would still not have responsibility and control for the whole supply pipe network and it would be likely that local pressures would again lead to differing policies evolving. It was also felt that there could be increased cases of serving notice and gaining warrants to access private land.

However, other respondents felt that a voluntary consistent approach throughout the industry would be sensible, would give peace of mind to customers and establish industry best practice for dealing with supply pipes. Consistent and targeted messaging would help improve customer understanding. Local pressures could still be reflected, while meeting minimum set standards. It was pointed out that other regulated sectors e.g. energy, have voluntary codes in place for suppliers.

For this option to work, clear recognition would be needed from Ofwat that company expenditure to manage supply pipes was appropriate and for them to provide a robust framework for remuneration to companies carrying out additional maintenance work, otherwise companies would be unlikely to sign up or undertake activity. It would be important for it to be affordable and acceptable to customers in terms of potential bill and service impacts. Some respondents felt the impact on bills

would be less than under option 2 but others felt it would be higher. It was noted that this option would be more beneficial if used in combination with meters located at the property boundary.

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

Summary of comments:

There were a variety of views on this option, though most responders viewed it favourably. Some strongly supported the option, stating that it would enable water supply companies to develop a strategic and holistic approach to asset management, allowing them to tackle leakage, improve water quality through replacement of lead pipes and public health by addressing deteriorating pipes. Companies could respond quickly and more efficiently to repair leaks. Some also felt it would provide clarity and consistency of ownership and maintenance. Some felt it would benefit both customers and water supply companies. Other comments noted that it would reduce disputes from leaks on shared supplies and would mean customers would no longer need to pay for supply pipe insurance. Some people believed it could generate social benefit for less affluent households as the cost of maintaining water supply pipes would be spread across all water consumers and only lead to a marginal increase in annual water bills. It would also allow action on large private networks whose current owners may not have the skills or money to manage them.

Others felt there was insufficient evidence of the benefits of transferring ownership or that customers would even want to give up ownership of their supply pipes and that detailed analysis is needed. As some water companies offer free detection and repair/replacement, it was felt by some that they have already effectively adopted supply pipes. Some respondents said that appropriate funding would be needed for water supply companies due to their increased liability and Ofwat would need to consider how to treat the expenditure in regulatory accounts. The cost could vary between companies, depending on numbers and type of properties. Properties with very long supply pipes, this could place a higher burden on water supply companies and recovering costs through customer bills could adversely affect less affluent households. Other responders noted that supply pipe assets would have a value for water supply companies so would provide increased asset value to the company.

Some issues were raised that would need to be considered, including:

- the location of water meters
- impacts on pressure and flows
- building over adopted supply pipes e.g. porches
- whether transfer would include joint supply pipes

- the definition of the diameter and possible length of a supply pipe
- whether household and non-household supply pipes would be adopted, or household only (views on this varied)
- powers of entry to private land
- Implications for companies with framework contracts to manage supply pipes for a set period e.g. for Housing Associations
- Limitation on liability for reinstatement of expensive surfaces
- How to deal with pipes with a known problem – should improvements to these be required prior to adoption?

The extent of the supply pipe would also need to be defined and there were multiple views that it should include external pipes up to the point of entry and not include internal pipes as this could prove complicated and create additional liability for water supply companies from reinstatement of surfaces.

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?

Summary of comments:

Suggested alternatives included:

- Increased use of metering and/or smart metering.
- Requiring property owners to provide a survey at point of sale and potentially repairing/replacing old or damaged pipes prior to property sale.
- National policy for a single continuous pipe from main to wall mounted meter box in new build properties, to address leakage.
- Create a mandatory code of practice for water supply companies (rather than voluntary).
- Require water supply companies to assist with maintenance and repair.
- Voluntary adoption of supply pipes by water supply companies.
- Water supply companies to run public relations exercise to identify and address problem pipes and clarify property owner responsibilities.
- Government incentives for property owners to address problem pipes.

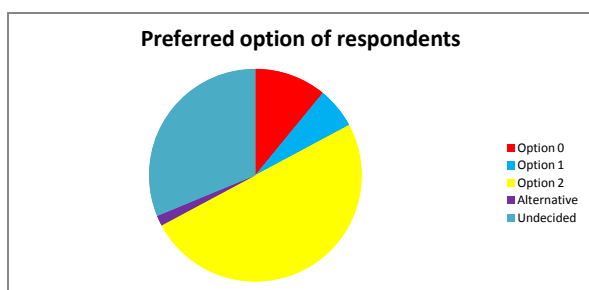
- Greater powers to enhance water supply companies' lead supply pipe replacement policy and/or replacement for leakage issues.
- Compulsory replacement of all lead pipes by a certain date with costs paid by property owners.
- Compulsory lead pipe replacement for public buildings.
- Water supply companies' leakage targets to better reflect customers' expectations. Action should focus on leakage hotspots.
- Water supply company adoption of supply pipes limited to:
 - new properties only
 - external supply pipes only, excluding any sections running under buildings or house extensions
 - high risk assets
 - household supply pipes only, or
 - shared pipes that serve more than one property.
- Adoption of supply pipes to exclude housing associations, councils and landlords.
- Adoption of supply pipe assets delivered through some form of competitive auction.

Question 5 - What is your preferred option?

Summary of comments:

The breakdown of responses was as follows:

	Option 0	Option 1	Option 2	Alternatives	Undecided(N/A)
Number of respondents	7	4	32	1	20



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

Summary of comments:

Many responders felt that option 2 would provide a more proactive, integrated, sustainable, cost effective and robust programme than at present. Targeted pipe replacement/repair schemes could cover many properties at a time in an economical way and deliver a reduction in leakage, replacement of lead pipes and an opportunity to install a meter where this would be advantageous to the customer. However,

these potential benefits would depend on the regulations and how water supply companies took them forward.

There were suggestions that there could be opportunities to consider new pipe lining technologies, which could be less disruptive than the current approach, and for synergies between communication pipes and supply pipes when replacing or relining. There was also a suggestion to review existing accreditation schemes for contractors working on supply pipes to ensure high quality workmanship.

Other responders felt that there would be little benefit from option 2 as some water supply companies already carry out leak detection and repairs, so a sudden improvement in leakage levels would be unlikely. It was pointed out that water supply companies already have legal powers to require customers to address leakage and wastage of water from privately owned pipes and fittings.

Others felt there would be a significant increase in the workload of repair/replacement schemes, although water companies would have a large amount of control of this. There was also a concern that greater demand and urgency from customers to fix pipes on their property could interfere with companies' prioritised pipe repair plans and divert resources away from where they would have most immediate impact or where greater damage is being caused.

Some responders felt there is not enough evidence to support the view that option 2 could improve maintenance and repair of supply pipes in a more economical way.

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

Summary of comments:

Additional suggestions of groups that could be impacted included:

- Professional bodies e.g. plumbing professionals.
- Health authorities, inc Public Health England and other organisations with a specific interest in drinking water quality.
- Private water supply companies.
- Private landlords and private resident companies.
- Home improvement sector, specifically those companies who build conservatories, porches, garages and car ports, or who extend existing structures.
- Home builders/property developers.

- Schools and nurseries.
- Hospitals and care homes.
- Holiday home sites.
- The supply chain for phosphate compounds and manufacturers of small diameter polyethylene pipes.
- Any new entrant retail only businesses who may be creating business plans.
- National Farmers Union.

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

Summary of comments:

It was acknowledged that under option 2 the additional financial cost to water supply companies would likely be passed on to consumers but that the extent of this is reasonably unclear. It would depend on how much work companies would do on transferred assets and how Ofgwat treated expenditure in regulatory accounts. Some responders felt that costs could significantly increase due to higher customer expectations and management overheads. Others felt that there would be only a small impact on bills and that it would be better for customers in terms of cost and reassurance. The situation would alter from the current where a minority of property owners face a one-off unexpected charge for repairs, to an annual charge for all owners. It was also suggested that long term, bills could be reduced as a result of reduced leakage on companies' networks. However, if adoption also covered commercial properties and the costs were spread across the whole customer base, the cost of covering complexities on site networks could make the impact on domestic customer bills high and cause some hardship.

Benefits to customers identified included:

- Reducing confusion over ownership responsibilities
- Addressing some water quality issues
- Reducing disputes over shared supply pipes
- Customers would no longer need to take out supply pipe insurance
- Emerging technologies can significantly reduce the disruption associated with supply pipe maintenance and repair.

Issues identified included:

- Access rights to properties
- Landlords would benefit over tenants who would foot the cost for repairs that are currently the responsibility of the landlord

- Potential implications for property owners wishing to build extensions over supply pipes by requiring consent from water supply companies
- Negative impact on business and non-household properties.

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

Summary of comments:

Several responders noted that a fuller assessment of the costs, risks and benefits is needed and that much of the impact on water companies would come out of the detail of the implementation proposals in secondary legislation.

Some responders felt that option 2 would deliver a more integrated and proactive approach to network management and would give companies greater control over water quality. There would be a significant increase in the workload of repair/replacement schemes and increased customer contact, but with sufficient notice, water companies would have increased control of this. Some responders felt that as many water supply companies already have repair/replacement policies, the current machinery would be able to cope with the increased assets. However, the impacts of businesses with long supply networks on their own property would need careful consideration as this could create a financial risk for water supply companies.

It would be important that water companies are not inhibited by limited access rights. Some customers do not want activity on their premises, so access rights to property would need to be reviewed.

There was concern that customers could have greater expectations on water supply companies to reinstate surfaces to their original condition and could also seek some compensation for damage caused by leaking water supply pipes. This could lead to a financial and reputational risk for companies.

It was suggested that the bulk transfer of ownership of pipes in the ground, whose age and condition is unknown could present a risk of perversely incentivising unnecessary pipe replacement of pipes that should last much longer.

Water supply companies would become legally liable for any infringement of lead standard caused by lead supply pipes but it was felt that it would not be feasible to replace all lead pipes. Likewise, water supply companies would not expect to move all meters to wall boxes following adoption but would only do so opportunistically when carrying out work for other reasons.

Customers wishing to build over supply pipes could cause an issue and companies may need to raise objections to planning applications if there are concerns around access or health and safety. This may prompt a rise in costly legal disputes.

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

Summary of comments:

There were only a few comments in response to this question. Most recognised that option 2 would lead to a potential loss for insurance businesses, particularly those specialising in supply pipe cover. It was however noted that cover for internal plumbing would be unaffected. An impact on the wider home insurance industry was also suggested due to the 'damage limitation' effect of repairs. One response questioned the value of supply pipe insurance as building insurance policies sometimes cover the pipe. It was suggested that because insurance services are available across a wide range of services that companies could find new areas of business for insurance. One response suggested that the negative impact on the insurance industry would be offset by growth in other providers to the water industry through this option.

One response suggested that insurance companies could possibly provide detection and repair work for water supply companies on a commercial basis. Another said that water supply companies would not procure commercial grade insurance for supply pipe assets so costs would be funded through customer bills. It asked whether the government has assessed the cost of water company self-indemnification against the individual cost of commercial insurance products.

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?

Summary of comments:

Due to imminent retail competition, there was some concern for retail companies offering services to businesses, that adoption of supply pipes could undermine new water retail licensees and affect this market gaining traction. It was felt that competition could be suppressed if potential entrants perceive this market to be less profitable because of the reduced scope of value added services that can be offered

to non-domestic customers. There was also concern that adoption could lead to conflict from the potential retail split on smaller commercial properties, with issues such as meter location causing disagreements.

Value added services relating to private water supply pipes are currently provided by a range of business types (from sole traders to multi-utility providers). There was concern that option 2 would therefore take away work from service providers that would previously have been contracted to do it and could have a disproportionately negative impact on smaller service providers whose business models are concentrated on the provision of such services.

Several responders therefore suggested that supply pipe adoption should only be for domestic properties and that commercial businesses should continue to decide how to maintain their networks. This would allow service providers to maintain supply pipes as part of their service for non-domestic properties. The number and extent of businesses offering water services or advice to households is believed to be much smaller and limited to supply pipe insurance companies, so there would be less negative impact on businesses from adoption of supply pipes on domestic properties.

It was noted that although there would likely be an impact on smaller pipe repair companies, larger contractors used by water companies could see an increase in business as the repairs will still have to be carried out in the future, whether by water supply company contractors or customers' contractors and the total volume of work available would be unchanged.

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

Summary of comments:

It is not known how many supply pipe repairs are carried out privately by pipe repair businesses. One responder suspected that there may be limited numbers because many water supply companies offer repairs/replacement. It was noted that in future the same amount of work would exist, whether carried out by water supply company contractors or businesses working direct to property owners, but the procurement process would change. Most responders who answered this question felt that under option 2, water supply companies would be more likely to contract work to large companies, who could see an increase in business, rather than to small businesses, who could be adversely impacted by a change. It was also suggested that adoption by water supply companies could lead to pushing up standards of service and quality.

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

Summary of comments:

There were only a few comments in response to this question. Most of those that commented felt there would be no significant impact on builders/developers as the Water Supply (Water Fittings) Regulations, relating to the installation of water supply, would remain unchanged.

However, it was noted that water supply companies would need rights of access, for maintenance to supply pipes to be included in plot transfer documents and might require additional checks and audits prior to adoption of supply pipes. There was some concern about potential issues for 'building over' the pipes e.g. for extensions. There would also need to be clarification of responsibility for any defects in a water supply pipe for a new property. If water supply companies wanted to lay supply pipes themselves, it was suggested that this could impact on the property developer's programme. There was a comment that there is evidence that best practise guidelines should be improved but this is already being worked on by Water UK and the Home Builders Federation. It was also suggested that the WRAS accreditation system should be made more robust and responsive in terms of fittings compliance.

One response suggested that if meter chambers were removed from property boundaries, there would be a reduction in the amount of rechargeable costs on builders to replace damaged street furniture occurring during construction.

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

Summary of comments:

The only suggestion of other businesses in response to this question was private water supply companies.

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

Summary of comments:

Some responders who answered this question felt that there would be no difference between adoption of supply pipes for domestic properties and non-household buildings, with widespread benefits to both. It would avoid confusion over responsibilities, provide clear accountability for water quality performance and reduce potential costs and liabilities for property owners.

However, the majority of other responders who answered this question felt that non-household supply pipes should not be adopted by water supply companies and that option 2 should only apply to domestic properties. Reasons for this included that it would result in household customers cross-subsidising repair costs for businesses, it could impact on businesses by transferring essential assets and increasing costs, and businesses may wish to retain control of their assets, particularly if they have management contracts in place. It was suggested that consideration would be needed on the length and diameter of pipe that could be adopted, as the variability of non-domestic supply pipes would place additional risk on water supply companies. The impact on private supplies and public buildings should also be considered, as well as whether there should be compensation rights for loss of trade if a supply pipe failed, with prioritisation of repairs for essential service buildings e.g. hospitals.

Next steps

In conjunction with the public consultation, Defra and the Welsh Government commissioned Atkins to carry out further work to help monetise the costs and benefits of the various options for future management of supply pipes. Their final report has been published on the Defra website and is available at <http://sciencesearch.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&Completed=0&ProjectID=18869#Description>. Using the information gathered in both the public consultation and the Atkins report, the impact assessment has been updated and is available at <https://www.gov.uk/government/consultations/future-management-of-private-water-supply-pipes>.

Defra and the Welsh Government believe that, having assessed the evidence and views, there are benefits to be gained from transferring ownership of private supply pipes to water supply companies. However, there is less certain evidence about the

range of potential impacts on water bills for various customers and geographical regions.

The Coalition Government is committed to helping hardworking people wherever it can by maintaining pressure to keep household bills down. Defra, therefore, does not intend to carry out further work on transferring ownership of supply pipes at the current time. The Welsh Government proposes to further examine the costs and benefits of transferring ownership of the portion of water supply pipes that are currently privately owned by the water companies that it regulates as part of the implementation of its water strategy.

List of respondents

Water companies:

Anglian Water Services
Bristol water
Cholderton & District water company
Dee Valley Water
Northumbrian Water
PEEL Utilities Holdings Ltd
Portsmouth water
Severn Trent Water
SembCorp Bournemouth water
South East Water
South West water
South Staffordshire Water
Sutton and East Surrey Water
Thames water Utilities Ltd
United Utilities Water
Welsh Water
Wessex water
Yorkshire Water

Government bodies:

Caernarfon Royal Town Council
Colchester Borough Council
Drinking Water Inspectorate
Gwersyllt Community Council
HM Land Registry
Llandough Community Council
Llanfaelog Community Council
Llanfechain Community Council
Llwchwr Town Council
Ministry of Defence
Natural Resources Wales
Ofwat
Presteigne and Norton Town Council

Public Health England
Shirenewton Community Council

Representative bodies:

Consumer Council for Water
Glass and Glazing federation
Home Builders Federation
Water UK

Professional bodies:

Chartered Institute of Plumbing and Heating Engineering
Chartered Institution of Water and Environmental Management

Water/pipe and utility services:

Groundbreaker systems
Hall Mechanical Services Ltd
Morrison Utility Services

Property development:

Annington homes

Trade association:

Society of British Water and Wastewater Industries

Chartered surveyors:

Davis Meade property consultants

Local groups:

Wales Heads of Environmental Health Group

Trade union:

UNISON

Consultants:

Policy consulting network

Emergency services:

London Fire Brigade

+ confidential responses from 14 individuals and one insurance company