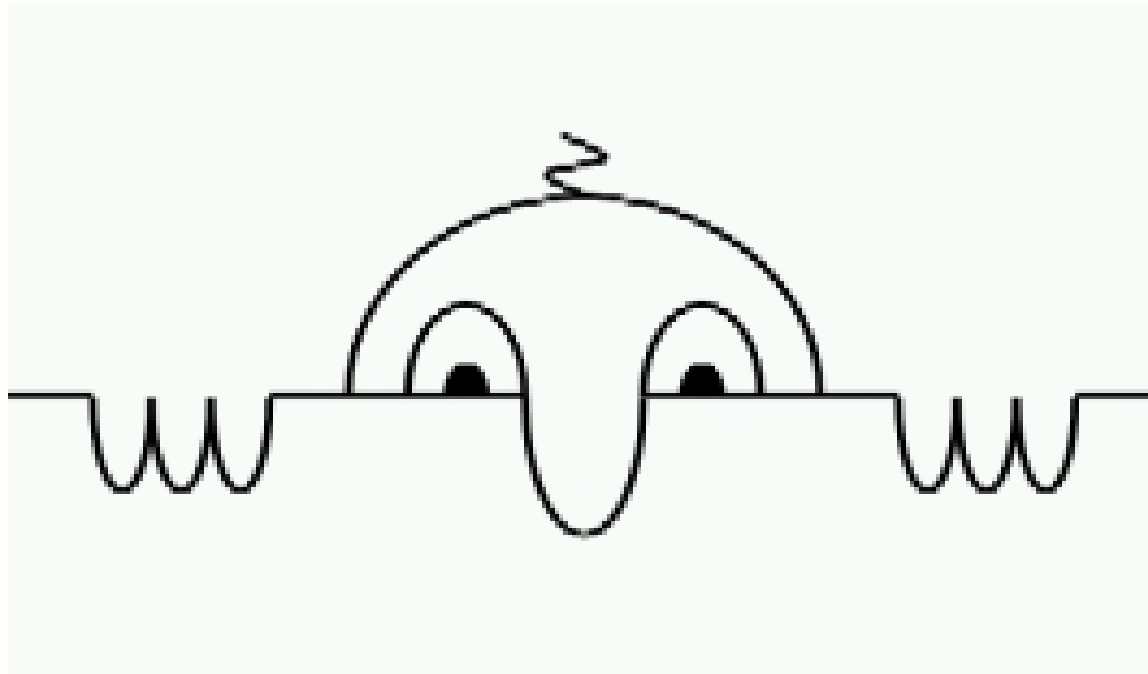


The Walker Review

How does metering measure up?

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10th Anniversary SBWWI Leakage and Metering Seminar
“Back to the Future II”
1 December 2009



Wot? No final Walker report!

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Metering: current facts and figures

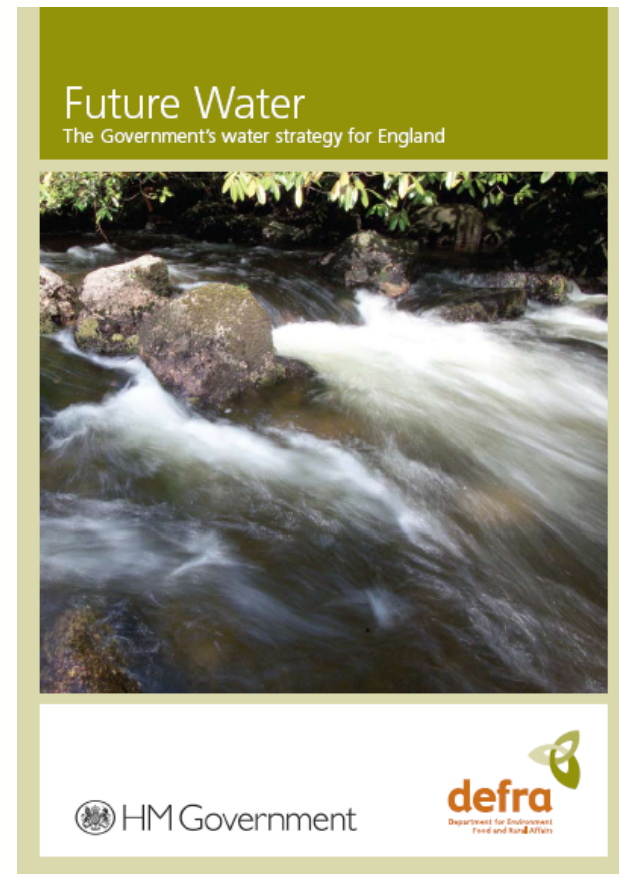
- Average person uses about 150 liters of water per day.
- Rate of household metering is currently about 37 per cent of homes. Near universal metering for non-households.
- Household meter penetration increasing at a little over 2 per cent per annum.
- Water Industry Act 1999 sets the current regulatory framework for metering in England and Wales.
- Act gives most homeowners the right to continue to pay on an unmeasured basis.
- Act enables customers to opt for a meter at no direct expense to them.

Metering: current facts and figures

- In general new homes are metered.
- Water Industry (Prescribed Conditions) Regulations 1999 allow for compulsory metering in specific cases:
 - ☁ High discretionary (non-essential) use;
 - ☁ Change of occupier; and
 - ☁ Areas of water scarcity, subject to SoS agreement.
- From 2010, companies in areas of serious water stress in England can compulsorily meter households if metering is in a company's WRMP and is shown to be cost effective.

Future Water

- Government's water strategy for England.
- Published February 2008
- Looks ahead to 2030.
- Covered issues around water demand (including metering and charging for water), water supply, water quality, surface water drainage, river and coastal flooding, climate change and the regulatory framework.



Future Water - metering

- Fair, affordable and cost reflective water and sewerage charges which incentivise environmentally responsible behaviour.
- We believe that we will need near universal metering before 2030 in water stressed areas.
- Targeted and appropriate protection for vulnerable customers and those least able to pay.
- Proposed an independent review of charging for household water and sewerage services.
- Anna Walker appointed to lead this review in August 2008.

Walker Review – terms of reference

- Looking at the effectiveness and fairness of current and alternative methods of charging for household water and sewerage services from the social, economic and environmental perspective.
- This includes the effectiveness and fairness of different methods of charging given current trends in water metering, the appropriate pace of metering, the costs and benefits of metering the effectiveness of different types of tariff and issues around affordability.
- Interim report was published on 29 June 2009.
- Final report due to be published on 8 December 2009.

Government response to interim report

- *Defra Ministers and Welsh Ministers welcome the publication of the interim report of the independent Review of Charging for Household Water and Sewerage services. We are very grateful for the work that Anna Walker and her team have undertaken to date, including gathering evidence and listening to customers and others. She has raised important questions about the fairness of current charges, and we look forward to publication of the final report in the autumn. We will respond to the Review's recommendations in full when the final report is published.*

Costs and benefits of metering

- Walker Review was specifically tasked with looking at the costs and benefits of metering. Key benefits are:
 - ☁ Fairness – people pay for the water they use;
 - ☁ Reduce demand – demand falls by 10 per cent (as a rule of thumb but we recognise there is some uncertainty);
 - ☁ Tariffs – scope for more innovative tariffs;
 - ☁ Leakage – meters can help companies identify leaks; and
 - ☁ Reduced carbon emissions – reduced consumption of hot water.
- Depends fundamentally on the true value of water.

Costs and benefits of metering

- Key costs are:
 - ☁ Installation costs - £50 to £400;
 - ☁ Operating costs – meter reading and possible additional customer contact costs (eg increased queries) and billing;
 - ☁ Replacing meters – life expectancy of around 10 years.
- Compulsory street-by-street metering provides an opportunity to reduce installation and operating costs.
- Considerable uncertainty around estimates.

Costs and benefits of metering

- Interim Walker report estimates that:
 - ☁ The cost of installing meters to date has been around £1.5 billion (7 million households at an average installation cost of £220);
 - ☁ The cost of metering all remaining households would be around £3 billion (14 million households at an average installation cost of £220);
 - ☁ The cost of replacing meters and customer contact costs etc would be around £300 million per annum if all households are metered.

Walker review - practical issues

- Selective compulsory metering
- Areas of high meter penetration – when should metering become compulsory?
- Properties where metering is not feasible: assessed charges and multi-occupied buildings.
- Smart meters – Ofwat smart metering group.
- Leadership – Government to make clear its approach to metering: Ofwat leads in delivery.
- Tariffs – more opportunities.
- Need to protect households on low incomes and/or with high non-discretionary use of water.

Supporting vulnerable customers

- Vulnerable Groups Tariff (aka WaterSure) provides support for metered customers who receive a means-tested benefit and are either:
 - ☁ responsible for three or more children aged under 19 in full time education and living in the property; or
 - ☁ have (or somebody living in the property has) a medical condition that requires significant additional use of water.
- Tariff caps bill at the average bill for the company. Walker Review is looking at possible changes to WaterSure.
- Important to boost take-up by those eligible.

Conclusions

- Look forward to seeing Walker's final recommendations based on ideas in the interim report.
- Important to note the interlinkages and dependencies.
- Ministers consider the final report and next steps. The Government will respond to Walker's recommendations.
- All proposals around charging for water create winners and losers.
- Need for new primary legislation around metering proposals.

Any questions?

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