



Consultation on wholesale and retail charges for 2015-16 and charges scheme rules

An Ofwat consultation

1 Introduction

- 1.1 The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. CCWater has four regional committees in England and a committee for Wales.
- 1.2 We welcome the opportunity to comment on Ofwat's expectations for charging rules relevant to wholesale and retail charges in 2015-16 and for further changes in charging over the next five years and beyond.

2 Our response

Q1 Do you agree with the proposed approach to the development of charging arrangements in the 2015-20 period? If not please explain and provide evidence for your view?

- 2.1 We are generally satisfied with the proposed approach which is set out in the consultation document, subject to the issues raised below.

Q2 Do you agree with the nominal 5% bill change as a threshold for undertaking impact assessments? If not, please set out an alternative threshold and provide evidence for this view. Should the same threshold apply to all customer types?

Q3 Do you agree with such a threshold being a short-term measure? If so, when should Ofwat remove such a measure?

- 2.2 We support the requirement for companies to carry out a proportionate impact assessment in developing their strategies for handling incidence effects resulting from changes to charges. The proposed 5% bill change (inclusive of inflation) seems appropriate as a formal trigger point for such impact assessments. However, companies should also give consideration to the incidence effects of bill changes below this level, where appropriate. This may be necessary where it is evident, that the nominal impacts for some customers, or groups of customers, could be significant or would fall on customers who might be vulnerable or sensitive to such impacts.

- 2.3 In our response¹ to Ofwat’s earlier consultation on this issue we suggested that, as part of the process to assess the impact of significant bill changes, companies should be specifically required to engage with, and take account of, the views of CCWater as the organisation which represents consumers. This would ensure that customers’ views, including those who will be negatively impacted, can be considered and that mitigation measures, such as the phasing in of changes, are explored and, where appropriate, put in place to protect affected customers from unacceptable and unaffordable outcomes. This approach would also facilitate the sharing of best practice across the industry.
- 2.4 Bill stability is an important issue for customers and seems likely to remain so in the future. Reward mechanisms introduced by companies in line with Ofwat’s guidance on Outcome Delivery Incentives could contribute further to bill instability in some cases. Given the on-going importance of this issue we can see no reason why the threshold should be used only as a short term measure.

Q4 Do you agree with the draft schedule for presenting a standardised charging schedule presented in appendix 8? If not, please provide views.

Q5 Should charges associated with Open Water and market readiness be included as a separate increment to the volumetric charge in the wholesale charging schedule?

- 2.5 The draft charging schedule seems generally fit for purpose. However, we note it does not currently make provision to set out highway drainage only charges where no surface water service is provided. This will need to be added.
- 2.6 We agree that charges associated with Open Water and market readiness should be included as a separate increment to the volumetric charge in the wholesale charging schedule. This will provide the transparency required to underpin the UK Government’s principle that household customers will not subsidise the development of competitive markets for business customers. At the same time it will help to ensure that costs are apportioned between business customers in relation to their charges and, therefore, bring clarity to the costs and benefits arising from market reform.

Q6 Beyond 2015, do you agree that wholesale charges should be published in advance of retail charges? If so please provide views on how far in advance.

Q7 Do you consider that Ofwat should require retail water bills to provide a breakdown of retail and wholesale charges?

¹ <http://www.ccwater.org.uk/wp-content/uploads/2014/03/Response-to-Ofwat-Consultation-“Wholesale-and-Retail-Charges---a-Consultation”.pdf>

- 2.7 In subsequent years there will be a need for wholesale charges to be published in advance of retail charges. The timing of this should be determined by reference to the practical considerations which will be faced by potential new entrants, companies supplying services as new appointees and variations (NAVs) and existing undertakers. It will be important for Ofwat to take account of their views in reaching a decision on this issue.
- 2.8 It is important that customers have access to all relevant information relating to their water bills. However, simplicity in the presentation of bills is also valued by customers. We agree that companies should present information to customers in a way which is informed by their customer research and contact. We would therefore suggest that Ofwat require companies to signpost the availability of information on the breakdown between wholesale and retail charges, through their bills or billing literature, rather than being prescriptive about the inclusion of this information on all bills.

Enquiries

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