

CYNGOR DEFNYDDWYR



CONSUMER COUNCIL FOR



Consultation on the future management of private water supply pipes

A Department for Environment Food & Rural Affairs
(Defra) Consultation

1. Introduction

1.1 The Consumer Council for Water (CCWater) is the statutory body representing the interests of domestic and business water and sewerage customers across England and Wales. We have four local committees in England and a committee for Wales. This response reflects our collective view.

1.2 We welcome the opportunity to respond to Defra's consultation on the future management of private water supply pipes. This consultation invites views from stakeholders about potential changes to private water supply pipe responsibility in England and Wales.

1.3 The consultation offers three options:

- 0 - Do nothing, water supply pipes would remain under private ownership;
- 1 - Introduce a voluntary code of practice for maintenance and repair of water supply pipes or;
- 2 - Create a power to make regulations which require water supply companies to adopt private water supply pipes.

2. Key issues for CCWater

2.1 CCWater recognises that:

- Improvements in company leakage levels are a priority for customers throughout England and Wales. The consultation suggests that supply pipe leakage contributes to around a quarter of all network leakage. Adoption of private water supply pipes could potentially deliver improvements to company leakage figures and may be popular with consumers.
- Water quality is a key priority for consumers. Adoption of private water supply pipes could have a positive effect on some, but not all, water quality issues.

2.2 However, we have concerns that the cost and customer service aspect of the transfer of water supply pipes to company ownership has not been given adequate consideration.

- Potential changes to the current supply pipe responsibilities will undoubtedly have an impact on customer bills. Any changes must be driven by customers' views and the final proposals tested to ensure that they are acceptable to customers, and are affordable.
- Any change from the current responsibilities will increase the level of cross-subsidy. Potential changes from the current situation could mean that, in the rented sector, property owners' benefit at the bill payers expense.
- Changes to the responsibilities would require access to private property and land which customers may not willingly grant as they may be

concerned about consequential disruption or damage to gardens, driveways or internal surfaces, and/or poor reinstatement of the same.

3. Our response to the consultation questions

Question 1 - Is option 0 a suitable and sustainable option for the future management of water supply pipes?
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- 3.1 Customers place tackling leakage as a high priority and currently feel companies are not doing enough to meet their expectations.
- 3.2 We agree that the current approach does not prioritise leakage detection and therefore does not manage supply pipe repairs and replacement in a particularly systematic way. Continuing with the current situation may see supply pipe leakage levels remain relatively static in all but the water stressed areas where metering is being rolled out and supply pipe leakage repair is being picked up.
- 3.3 At present there is quite a wide disparity in the support offered with many companies offering free repairs, replacements and more than one leak allowance; others provide a subsidised service.

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

- 3.4 Creating a voluntary code to bring water companies' supply pipe maintenance and repair policies more in line would perhaps deliver some of the desired outcomes at a pace, and therefore cost, that is more affordable and acceptable to customers. It could also help to improve consumers' understanding of supply pipe responsibility as company approaches, and therefore messaging, would be more consistent.
- 3.5 Companies' policies could still reflect local pressures on water resources while incorporating minimum standards for companies to meet in relation to the extent of help offered and in what circumstances. The industry could then promote these standards to raise awareness generally. Where water companies offer an increased number of free repairs, for example in water stressed areas, this could be part of their own targeted customer communications linked to metering or other demand management or water efficiency initiatives. Customers could then see that this was an enhancement rather than a different policy. Experience suggests that customers have responded very positively to these targeted schemes.
- 3.6 A more coherent approach on this issue could address some of the issues raised in the paper. Water companies that have embarked on metering programmes have already established enhanced service levels when supply pipe leaks are detected. These companies are offering free repairs or replacements dependant on the age and quality of the pipe work. It is likely that more companies, especially in the South East of England, will look to metering as a tool to help reduce leakage in the future.

3.7 We would wish to see any such proposal tested for customer acceptability as we have concerns about the effect of any potential bill and service impacts on customers.

- If any additional costs are added to the unit charge of metered water, those with high water use would be paying a bigger contribution to the costs which would increase the extent of cross-subsidy.
- Similarly, customers in high rateable value properties would potentially contribute more than those in lower rated properties.
- There is also a cross-subsidy issue. Private landlords and local authorities could potentially benefit if their tenants pay a separate water bill while also contributing to a building service charge that may have covered leak repairs/pipe maintenance.

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

3.8 We agree that this option has a number of advantages for water customers:

- Water companies could plan strategically to address leakage hotspots or known areas of lead pipework;
- This option could address some, although not all, water quality issues;
- Property owners whose supply pipes are in a poor condition because they had chosen or been unable to afford to maintain them would benefit;
- This option would also reduce disputes with leaks on shared supplies; and
- Customers no longer need to take out supply pipe insurance.

3.9 However, we have concerns about the cost implications of implementing option 2.

- As the consultation notes, the cost of transferring legal responsibility would vary from company to company. This would depend on the number of properties served, their type, age, urban and rural split, as well as local geology and geography.
- As with option 1, there is currently no understanding about how this option will affect individual company bills and what levels of cross-subsidy it will lead to. We consider that the UKWIR figure of an average bill increase of £4¹ would need to be updated and extended to all statutory water companies and those companies operating under the new appointments and variations regime. The figures would then need to be tested for customer acceptability alongside all the other investment requirements for each company.

3.10 This is of particular concern as we feel that such an increase would not be acceptable to customers at this present time without clear evidence of the overall benefits. We would want to see a full impact assessment examine

¹ UKWIR Report - Issues Regarding the Potential Adoption of Supply Pipes: Cost, Customer Service and Regulatory Impacts - 2009 <http://www.ukwir.org/ukwirlibrary/92956>

the full costs and potential benefits by company area before any further decisions were taken.

- 3.11 There may be a low level of customer acceptability for this option from those in modern properties and flats who are less likely to see the direct benefits. It should be expected that the pipe work of modern properties will already be at a decent standard and have fewer leakage issues when compared to older properties. The indirect benefits will therefore need to be quantified and well evidenced.
- 3.12 This proposal (and impacts on property rights) seems to go further than the private sewer transfer because pipe ownership will extend beyond the property boundary and into the property itself. A sewerage company's ownership and responsibility stops at the property boundary, and does not extend on to the property owner's land. This could raise problems with access and works on private land.
- 3.13 CCWater has further concerns with this option:
- This option will have consequences to other industries outside of the water industry, such as the home improvement sector;
 - We consider that there are potentially significant implications arising from work to replace or repair supply pipes and reinstate external or internal surfaces afterwards;
 - Some supply pipes may be very long, such as in cul-de-sacs or serving rural properties, and work at these properties will incur greater costs, and therefore a greater level of subsidy; and
 - This will create access issues for water supply companies.
- 3.14 In summary, we consider the costs and customer service aspects of this proposal need much greater consideration than has been afforded by the consultation.

Question 4 - Are there any potential alternative options?
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- 3.15 CCWater feels a more consistent approach to leakage policy is necessary within the water industry. Customers would benefit from water supply companies raising service levels in line with the industry leaders and promoting free supply pipe repairs, particularly in areas where metering programmes are being used to address water stress.
- 3.16 Furthermore, water supply companies' leakage targets should be more reflective of customer expectations. Leakage seriously influences customers' views of their water company and can have a negative affect on their receptiveness to water efficiency initiatives by the industry.
- 3.17 Improvements to these targets should focus on leakage hotspots throughout the whole network using innovative technologies available. This would help address the supply pipe leakage problem.
- 3.18 Water supply companies should also be expected to manage leakage levels to reflect the water resource situation in their supply area. CCWater would

expect water supply companies to offer an enhanced supply pipe service, above the agreed minimum level, when embarking on metering programmes within the water stressed areas. As metering programmes are rolled out in water stressed areas over the coming years, this will also help the supply pipe leakage problem in those areas where it is most needed.

- 3.19 These elements, coupled with a more proactive promotion of private supply pipe responsibilities and water efficiency measures, would be CCWater's suggested alternative.

Question 5 - What is your preferred option?

- 3.20 We would wish to see the results of the full impact assessment and cost data before any changes were agreed. We would also want to see any proposals subject to customer acceptability testing and full public consultation as there are a variety of repercussions for consumers, stakeholders and other related sectors.

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

- 3.21 Whilst we agree that the adoption of water supply pipe could improve leakage levels throughout England and Wales, this would depend on how this was taken forward by the companies or determined by the regulations. Customers have said they would like to see companies do more to reduce leakage but the biggest gains would tend to come from work on their wider mains network. This should be addressed by water supply companies before considering private water supply pipe adoption.

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

- 3.22 No. Your list of consultees omits the home improvement sector, specifically those companies who build conservatories, porches, garages and car ports, or who extend existing structures. These companies have experienced some difficulties with some water and sewerage companies around build-over agreements on the ex-private sewer network. Similar difficulties could occur with supply pipe adoption. This needs to be considered.

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

- 3.23 Please refer to comments made against questions 1, 2 and 3.

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

- 3.24 CCWater believes that improvements to drinking water quality must be a priority of any water supplier. However, supply pipe adoption may not significantly improve water quality issues. Generally, if water supply pipes

are of a poor quality, the internal plumbing of a property is likely to be of a similar standard.

- 3.25 A DWI report in September 2010² indicates that whilst improvements to drinking water quality may improve with proactive lead replacement projects, a property's supply pipe (internal and external) would need to be fully replaced to have the desired effect. In these difficult economic times customers may be reluctant to replace internal pipework even if the company replaces the external supply pipe.

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

- 3.26 No.

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?

- 3.27 It is currently unclear what the expectations of new entrants will be with the introduction of retail competition. It is anticipated that the attractiveness of the non-household retail sector to retail providers will be enhanced by the ability to earn greater profits from value-added unregulated services, such as leakage management, that can be bundled with traditional, regulated retail services. Competition could be suppressed if potential entrants perceive this market to be less profitable because of the reduced scope of (the more lucrative) value-added services that can be offered to non-household customers.
- 3.28 Some potential new entrants to the non-household retail market may not be able to offer the full package of value-added services relating to private water supply pipes. These service providers could be dissuaded from market entry because of their perceived competitive disadvantage relative to those that can.
- 3.29 Value-added services relating to private water supply pipes are currently provided by a range of business types - from sole traders to large multi-utility providers. The implementation of the consultation's preferred option will result in some of these services being carried out exclusively by undertakers rather than any type of service provider that previously would have been contracted to do so.
- 3.30 This could also have a disproportionately negative impact on smaller service providers whose business models are concentrated largely or solely on the provision of such services. Water supply companies may choose to contract with established delivery partners to provide these services in order to extract efficiencies of scale.

² DWI - Guidance on the Implementation of the Water Supply (Water Quality) Regulations in Wales - September 2010: [http://dwi.defra.gov.uk/stakeholders/guidance-and-codes-of-practice/WS\(WQ\)%20Regulations%20Wales2010.pdf](http://dwi.defra.gov.uk/stakeholders/guidance-and-codes-of-practice/WS(WQ)%20Regulations%20Wales2010.pdf)

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

3.31 No.

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

3.32 No.

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

3.33 See our response to Question 7.

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

3.34 We do not have any evidence to enable us to comment.

For more information please contact:

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