

**WORSHIPFUL COMPANY OF WATER CONSERVATORS**  
**THINKPIECE ON WATER CHARGING IN ENGLAND AND WALES**

**BRIEFING NOTE**

**OCTOBER 2024**

The WCWC has been producing think- pieces, alongside submissions to consultations, as contributions to the evolution of water conservation policy and practice. The topic of a think piece on water charging has been on its list of 'things to do', driven, in part, by the current public, media and political focus on the likely increases in water charges arising from the increased programmes of investment by water companies, and the consequences thereof. The actual increases over the period 2025-2030 will be determined by Ofwat in December this year. The WCWC has long advocated metering and tariff innovation as contributing major roles in the future of water conservation

This think piece addresses the purposes and ways in which charges are raised. It does not articulate any views on the costs of running water, such as capital investment, operating costs, debt servicing and dividend payments, which impact on the volumetric unit charges in the tariff structure .The term 'tariffs' and 'charges' tend to be used loosely and interchangeably .In this paper the term 'charging' refers to the sums paid by customers for water services and 'tariffs' are the component parts of the charges The full paper is archived on the WCWC website

**KEY POINTS**

1. It is agreed that the legacy system of using the size of property, as defined by notional rateable value, to create charges, is not fit for purpose. It is inequitable and fails to provide technically sound data. The challenge is in changing to a metered based system
2. The issues of charging and tariffs are, therefore, linked intimately with that of metering. There is a need to understand what metered tariffs should be set to do. They will be a mixture of income generation and behavioural incentives. The behavioural incentives should be designed to reduce consumption, particularly at peak times to contribute to water resources conservation and optimise asset use. The incentives will be cost related with savings for those customers who reduce consumption. There may also be social tariffs to aid customer finances.
3. The proportion of metered properties is very variable from region to region, with the national figure about 60% metered. Metering is only compulsory in new properties and water stressed areas and when billing support is offered to customers.
4. Metering can save up to 20% of water consumed, by increased awareness of wasteful consumption. But there is an on-going practical and political challenge in shifting the proportion of metered properties. This is because of

the perception that switching favours low occupancy of large properties over the high occupancy of smaller properties.

5. The sewage volume discharged is an assessed proportion of the volume of metered water supplied, usually 90%. In any review of charging, this might need to be re-appraised.
6. Water companies have already included extensive programmes to extend metering including smart metering, such programmes should be cost justified to gain approval by the economic regulator, Ofwat. The WCWC has advocated a focus on how the national metering programme can be extended falling just short of a national regulated and compulsory programme. It would allow regional compulsory programmes.
7. The WCWC supports the concept of Universal Metering while advocating that the concepts of Changeover Tariffs must be part of any review and that it is likely that there will still be a need for Assessed Volume Charges in properties with plumbing systems too complex for metering.
8. The ultimate goal must be universal smart metering to facilitate tariff innovation, currently the penetration of smart metering is only 13 % of properties.
9. The WCWC supports the tariff trials and does not favour any particular innovation until those trials are complete. It does observe that simple metering does not permit more sophisticated tariffs such as daily peak rate and off-peak rate charging, as is available with electricity and gas, so any innovation is likely to be predicated by smart metering.
10. The WCWC supports the 'Enabling Water Smart Communities (EWSC)' project, an innovation project funded by Ofwat, but this must be tied into any charging evolution.
11. Support of vulnerable customers must continue in any future scheme. WaterSure will have its place.
12. The WCWC recommends that a particular focus is needed on the content of standing charges and their balance with consumption charges. The extension of standing charges might be unpopular judging by the aversion to energy standing charges, but it might provide a way of facilitating other tariff changes.
13. Non-household tariff structures offer greater scope for innovation which supports the drive for economic development, while protecting water resources. The non-household market has been opened up to competition. The growth of NAVs (new appointments and variations) to supply new developments also offers opportunities for tariff innovation. Some of the water retailers have been very proactive in introducing new tariff structures. The WCWC suggests that these tariffs must play a role in the government's commitment to growth.

14. Tariffs sit within a matrix of other initiatives, including implementation of social tariffs, water efficiency drives, either via customer information or inspections at customer premises, statutory consumption targets, behavioural change and meter installation initiatives (including conversion to smart metering), environmental incentives, evolution of water fittings regulations and initiatives to promote the use of rainwater harvesting and local grey water reuse and working with white goods manufacturers to implement statutory labelling of water efficiency. They need better assimilation into one clear programme.
15. The WCWC has supported, with some caveats, the proposals by Ofwat for a Water Efficiency Campaign, and a national framework for environmental incentives as discounts for developer connection charges regarding water use. The national consumption target is 122 l/h/d by 2038 and 110 l/h/d by 2050, which it can be lower in local situations and the Ofwat proposals provide for even lower targets, as little as 80 l/h/d in new properties. The WCWC has advocated a review of the 1999 Water Fittings Regulations. Building Regulations are focussed on water fittings designed for 125 l/h/d but can be lower at 110 l/h/d and the WCWC has advocated a review of these, as well, in a coordinated process.
16. Any evolution of tariff structures will inevitably require more information of consumer profiles and hence the billing customer interface will need to be changed.
17. The WCWC observes that whilst there is a plethora of advice there is scope for more consistency and simplicity in communications.