The future is your cH_2Oice 2015-2020

A South Staffs and Cambridge Water Consultation

Consumer Council for Water response

September 2013

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 this South Staffs and Cambridge consultation on 'The future is your choice 2015-2020'. This consultation invites views from stakeholders and customers about the plans South Staffs and Cambridge water have for 2015-20, and its options for price changes.

2. Key issues for CCWater

2.1 We have concerns that, in the current economic climate, many of those who struggle to pay now will continue to do so. There is a real challenge for South Staffs, which we know serves areas of great deprivation, especially as changes to the benefits system could also impact other customers' ability to pay and so more customers may struggle in the future. The plan must therefore have a high level of customer acceptability to justify any price increase.

2.2 The consultation only talks about outcomes and measures but not targets. We need to see targets that are realistic yet challenging, but we want to ensure that the company has the aspiration to go further where possible and provide the best possible service to customers. Furthermore, we need to see the company's historical performance over time in each measured area in order to determine that targets are fair and reasonable.

2.3 The consultation concentrates on areas for extra investment but does not explain other areas of investment which affect outcomes and what customers will be getting for the plan in general. Areas such as customer service need to be consulted on to make sure you have the correct balance across the whole plan and that customers are getting a full view of the package they are going to get.

2.4 Education is not really discussed in this consultation except under hard water and the environment. Enhanced education needs to be a core part of your plan and used to promote what you do as a company and what services and assistance you offer.

2.5 We feel you should consider a Value for Money measure as this includes all areas of your business and the education you are providing to customers.

3. Our response to the consultation questions

Section 1 – Our aims and how we will be assessed.

Do you agree or disagree that the five aims are the most important to customers?

3.1 As we advised in the recent 'Long term strategy consultation' we feel the outcomes cover the main areas of company activity and we are pleased to see fair customer bills and fair profits "investor returns" as an outcome.

Do you agree or disagree that the ways in which we will measure our success are the right ones and will help us to improve in the future?

3.2 Including drinking water standards and number of complaints as measures seems like a good option. Number of complaints would take into consideration number, and probably severity, of water quality incidents which we support as an approach.

3.3 CCWater supports both working with third parties and catchment management schemes but please see further comments in this consultation on the issue under 3.17. We would like to know more about how you will measure these areas and how you will set targets – what do you see as success?

3.4 Customers without water would seem a sensible measure as this is a priority for customers but how will you set the target. Will the company take into consideration the duration of supply interruption?

3.5 We need more detail on the resilience of assets measure and what the target will be based around. We welcome an all natural hazards approach to resilience because this would extend planning to events other than just flooding and is in line with the Cabinet Office's resilience planning guidance, which includes reasonable worst weather case scenarios for planning[1]. We support smart, integrated and cost effective planning that benefits customers and is good value for money, where there is also evidence of customer support.

3.6 What will the target be for frequency of hosepipe bans? Is this really a high enough priority for customers to appear as a measure? Our research suggests a large number of customers (78%) would be unwilling to pay anything more to avoid hosepipe bans[2]. It also showed that in water restricted areas, comparatively few customers were actually impacted by the restrictions (28%).

3.7 We are pleased to see the inclusion of objectives that aim to measure the provision of customer service and would expect to see a measure of customer satisfaction associated with this and for this to incorporate the right incentives to drive company behaviour in a customer-focussed way. Value for money would be a good measure for this objective as it covers a whole package that customers receive including education. Sampling customers who have had minimal or no contact with the company and those who have had engagement (through a complaint and/or service issue) will give a rounded picture of satisfaction. The company may want to consider using the CCWater tracking survey as an independent measure of customer satisfaction. We would be happy to discuss this with the company.

3.8 Customers' views should always be at the heart of a water company's business and drive any spending so we agree that reducing the number of customer complaints is an important measure of success.

3.9 South Staffs and Cambridge could measure nuisance complaints for an objective of involvement with the local community. Another option is to have some kind of customer survey which measures the percentage of customers with a positive view of South Staffs and Cambridge or the percentage who think the company is 'good for their local community'.

[1] Cabinet Office, Keeping the Country Running: Natural Hazards and Infrastructure - A Guide to improving the resilience of critical infrastructure and essential services - October 2011
http://www.cabinetoffice.gov.uk/resource-library/keeping-country-running-natural-hazards-and-infrastructure

[2] Research into restrictions on the use of water - June 2012
http://www.ccwater.org.uk/upload/pdf/Hosepipe_Ban_Final.pdf

3.10 It is important that South Staffs and Cambridge looks at resource efficiency as part of the measures, to protect future supplies and the environment. The delivery of this measure should be based on cost-beneficial demand management measures like water efficiency activity and informing consumers.

3.11 We agree with carbon footprint as a measure under this objective.

3.12 On leakage we would need to see the target and aspiration in this area. We also suggest that you look at measuring the response time for visible leaks as this is an important area for customers.

3.13 Biodiversity seems like a good option for a measure but we would again need to see how this was being targeted and the company's aspirations in this area.

3.14 We look forward to seeing how the company proposes to enhance its help to those customers who struggle to pay as this will impact how this objective is measured. An example of this is what proportion of customers that South Staffs and Cambridge helps in relation to the percentage of customers in water poverty?

3.15 We agree that the company should be looking to finance its business sustainably but we are not sure that a good credit rating is an appropriate measure. The important aspect of this is to ensure that the balance between the costs borne by current and future bill payers is right. We would like to see a measure which looks at getting the balance of risk right between investors and companies and acknowledging that 'gains' over the period will be shared between customers and investors. Publication of a 'customer dividend' could also be used as a measure here.

Section 2 – Metering

Do you agree or disagree that the Company should continue to meter on change of occupier within a property?

3.16 While we accept that metering is the fairest basis for charging for water services companies must have plans in place to protect vulnerable customers and those on low incomes. We believe that the company's proposed plans represent a sensible and steady progression of metering. We support the proposal for metering on change of occupier in the South Staffs region, subject to the comment above, as customers in the region clearly think this is the fairest way of charging.

Section 3 – Taking care of the environment

Do you agree or disagree with our draft proposals for taking care of the environment?

3.17 We support catchment management schemes as they can be a more cost-effective way of tackling water pollution compared to end-of-pipe solutions. Effective catchment management schemes must involve the cooperation of other stakeholders whose activities have an impact on water quality. CCWater is keen to ensure that water customers are not subsidising the removal of pollution from sources other than water company activities. We would expect South Staffs and Cambridge to work with the Environment Agency and other catchment stakeholders to ensure that the costs of tackling pollution are shared fairly.

3.18 South Staffs and Cambridge should focus on improving the water treatment at the sites where there will be the biggest impact. Any investment beyond the current plan must be based on robust evidence and reflect customers' priorities in paying for protecting the water environment.

3.19 We consider that all decisions should be driven by customers' views on what they think is acceptable and affordable. For this reason, it is vital that the company gives customers robust information about the costs and impacts of maintaining and improving the environment.

3.20 As advised in our response to the 'Long term strategy consultation' our research suggests that improving river water quality is not a top priority for customers when compared to other water services[3]. When we asked customers about service levels and the importance of those services to them, 41% said that clean rivers and beaches were a priority. This compared with 84% for tap water that is clear and pleasant to smell and taste, 72% for reliable water supplies with no interruptions and 67% for low and affordable water bills.

Section 4 – Maintaining our underground pipes

Do you agree or disagree with our draft proposals for maintaining our underground pipes?

3.21 While we think that reliable water supply with no interruption[4] is a customer priority, customers have also told us that they would like this at no additional cost[5]. We think that local resilience should be based on an assessment of risk and event probability, with the minimal additional impact on customers' bills or their support after appropriate customer engagement.

3.22 Leakage is a key issue for customers and could be perceived as a barrier to them saving water[6]. The company should, as a minimum, be aiming for a sustainable economic level of leakage and further reductions beyond that if there is customer support. This area would benefit from further explanation as to what the current spend in this area is and what customers get for that spend.

Section 5 - Major spending on up to four Nitrate Removal Stations

Do you agree or disagree with our draft proposals for Nitrate Removal stations?

3.23 CCWater understands the need to spend in this area especially for future customers but we need to be assured of the costing in this area and the phasing of this work. We look forward to more information in this area so that we can give a full view on the proposal. This needs to be tested further on customers to see if they find this investment acceptable.

Section 6 – Major spending on up to four storage reservoirs

[3] Research into restrictions on the use of water - June 2012
http://www.ccwater.org.uk/upload/pdf/Hosepipe_Ban_Final.pdf
[4] Research into restrictions on the use of water - June 2012
http://www.ccwater.org.uk/upload/pdf/Hosepipe_Ban_Final.pdf
[5] Consumer Council for Water, Research on managing without a water supply in summer of 2007
http://www.ccwater.org.uk/server.php?show=nav.00100p001&targetBlock=692&viewPage=3
[6] Research into restrictions on the use of water - June 2012 http://www.ccwater.org.uk/upload/pdf/Hosepipe_Ban_Final.pdf

Do you agree or disagree with our draft proposals for reservoirs?

3.24 Same as above we need to be assured of the costs involved with this area and also the rate at which this work is completed. This work needs to be completed on a risk based approach and a full cost benefit analysis undertaken.

Section 7- Helping customers

Do you agree or disagree that the Company should offer a social tariff which would help customers in genuine need to afford their water bills?

3.25 We have conducted our own research into the customer perspective on cross subsidies and social tariffs[7]. This showed that customers across England and Wales, in general, think low income households should be helped and that social tariffs are one of the options although they would prefer these to be funded through the Government and/or companies. Customers indicated that they may be willing to contribute to the cost of helping others through their bills but that the extent of this contribution might be quite limited. This contribution might be higher if shareholders provide matched funding.

3.26 The Government's guidance on the implementation of social tariffs[8] makes it clear that each water company needs to consider the views and needs of its own customer base in forming any plans to address this issue. South Staffs and Cambridge therefore need to conduct their own research into this area and we support this approach. Once the company has the results of this research we look forward to working with the company to decide on the best way forward for its customers.

Do you agree or disagree that the savings from merging South Staffs Water and Cambridge Water should be used to support customers struggling to pay water bills?

3.27 This is an option of how this money could be used across both companies. This option needs to be explored with customers in both areas perhaps through the acceptability research.

Section 8 – Price increase

How acceptable is a 2% (£3) bill increase by 2020 for your water? (including future inflation it will be a further £22)

3.28 Any bill increase should be acceptable to customers and investment in areas that are important to them. South Staffs and Cambridge need to take into consideration

[7] Report commissioned by CCWater into Cross Subsides and Social Tariffs - June 2010 http://www.ccwater.org.uk/upload/doc/Cross_subsidies_and_Social_tariffs_FINAL_8_June_2010.doc

[8] Company Social Tariffs: Guidance to water and sewerage undertakers and the Water Services Regulation Authority under Section 44 of the Flood and Water Management Act 2010 - June 2012 http://www.defra.gov.uk/publications/2012/06/22/social-tariffs-guidance/

that even RPI price increases are larger than the increase in household incomes. We would therefore like to see high levels of customer acceptability for the plan and proposed increase.

3.29 We will look to the company to maintain an appropriate balance between profits, investment and sharing any unexpected savings with customers.

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