Our long-term strategy

The proposed focus for the next 25 years consultation

A South Staffs and Cambridge Water Consultation

Consumer Council for Water response | **6 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 Water consultation on 'Our long-term strategy'.

2. Key issues for CCWater

2.1 In order for CCWater to give a full response to the challenges faced by South Staffs and Cambridge water on behalf of water customers, we need greater clarity on the costs and benefits of each option. In particular, it is important for us to understand the long term impact on customers' bills and the effect these options could have on different customer groups. We are aware that the costs associated for 2015-2020 are available in your next consultation on your draft business plan which we look forward to responding to.

2.2 We recognise that this consultation is the start of the company's customer engagement strategy for the next price review in order to develop its business plan and we welcome this. It is, however, important that South Staffs and Cambridge Water do not consider responses to the consultation in isolation, but reviews the comments alongside the findings from its wider engagement strategy.

3. Our responses to the consultation questions

General questions

Have we identified the key challenges that we face over the next 25 years? If not, what else should we be considering?

3.1 The key challenges do appear to have been identified but we feel that you have not taken into consideration the changes to the benefits system, how this could affect customers' ability to pay and therefore the company's levels of debt.

Do you agree with our proposed strategy of providing the highest possible service at the lowest possible cost? If not, what should we focus on?

3.2 The strategy adopted here is a good one and everything in the plan should be based on evidence of customer priorities and clear cost benefit analysis.

Do you agree that our five key outcomes will help us to deliver against that strategy? If not what else should we be considering?

3.3 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. We would now like to see detail of the measures of success and targets that will be within these outcomes.

Do you agree that we should invest as a steady rate now to protect our assets and service for future generations? If not, what would you like to see?

3.3 We expect the company to undertake robust cost benefit analysis to ensure the proposed activity represents good value for money for customers and to clearly outline the benefits to them of this proposed investment plan. The pricing and pace of any investment needs to be clearly thought out and options given to customers. We have found that customers prefer smooth bill increases rather then sudden steep increases in the future. Investment plans need to reflect this preference but also be good value.

Excellent water quality – now and in the future

Public health – lead replacement; do you agree with our plans to target investment in this area on vulnerable groups such as schools and nurseries?

3.4 We believe it is vital that the company develop a long term plan to deal with the issue of lead piping. This will involve collaborative working with a wide range of property owners as well as raising public awareness. It is sensible to start with vulnerable groups but we expect the company to develop full plans for what they will do over the next 25 years.

Water quality; do you agree that it is important to maintain assets to ensure continuity of a high quality service? Would you be prepared to see deterioration in quality in return for a reduction in bills?

3.5 South Staffs and Cambridge Water customers have already told the company that a safe and clean supply of drinking water is their top priority, both now and in the future so this should continue to be a priority.

Water hardness; do you agree that we should not invest in this area despite a small number of complaints? Will providing more information to affected customers help?

3.6 All investment should be based on strong cost benefit analysis and the company have made it clear in this consultation that investment in water softening is not cost beneficial. The reasons for this need to be made very clear to customers. The company also needs to provide Information on what customers can do to protect their household appliances from hard water. Commercial customers that use hard water may also need advice if it affects their business activity.

Catchment management; would you like to see us engage with farmers and environmental groups more to try and improve water quality and avoid treatment costs, or do you think this increases risk to unacceptable levels?

3.7 Catchment management schemes can alleviate, mitigate and prevent future problems and can be a more cost-effective way of tackling water pollution at a water treatment works. However, these schemes can be more risky since they are delivered over a longer time frame and there may be less certainty about the outcomes.

3.8 In the past, we have taken a pragmatic line towards such schemes where it was clear that these would reduce costs to water customers in the long term. For example, we supported Wessex Water's choice to pay land managers to change their practices. The company therefore need to make clear plans and learn from other companies' projects and findings.

Secure and reliable supplies – now and in the future

Maintaining supplies; do you agree that we should continue with a programme of network refurbishment, even if this means small bill increases?

3.9 We believe it is important for South Staffs and Cambridge Water to continue to strengthen its network and carry out work to better understand risks and vulnerability to its assets. Customers tell us that one of the most important services to them is receiving reliable water supplies with no interruptions[1]. Therefore, it is particularly important to identify assets which have a greater chance of failure that could result in major disruption to the service.

3.10 In order to achieve this, we expect the company to continually and fully assess the risks to customers and the likely impact on customers' bills. This should be accompanied by research which allows customers to indicate their preferences, priorities, and trade offs with costs included.

Metering; do you think our proposed metering programme of achieving 70% of households metered in the South Staffs region and 88% in the Cambridge region by 2035 is sensible? Do you agree with our proposal to continue metering on change of occupier in South Staffs region?

3.11 In areas of serious water stress compulsory metering should be considered along side other options for managing the supply demand balance. We support Ofwat's "best value" approach to balancing water supply and demand; with metering, leakage reduction and water efficiency programmes and resource development integrated into long term water resources strategies that ensure that public water supplies are safeguarded for existing and future consumers in the most sustainable way. We believe that the company's proposed plans represent a sensible and steady progression of metering. We also support the proposal for metering on change of occupier in the South Staffs region as customers in the region clearly think this is the fairest way of charging.

Leakage; do you agree that we should keep leakage at its 'economic level', that is, where it would cost more to reduce leakage further than to treat and supply more water?

3.12 Leakage continues to be a key issue for customers and can be a barrier to them doing more to save water. We, therefore, believe that customers would support the company continuing to reduce leakage where possible. South Staffs, in particular, still has a high level of leakage and so new ways of reducing leakage at a lower cost need to be looked into.

Customer information; do you want more information about metering and water efficiency? If so, how should we provide this?

3.13 In terms of water efficiency, our research into restrictions on the use of water[2] shows that six in ten customers would visit water company websites for more information on using less water, so we feel that there are opportunities to further promote good practice in water use as well as practical advice and support on water saving.

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

3.14 We also encourage working with appropriate parties to promote water efficiency and welcome initiatives like the one proposed by other companies to work with developers to build water efficiency into new and redeveloped homes.

3.15 South Staffs and Cambridge Water should continue to invest in educating customers to be water efficient, as saving water has multiple benefits including saving energy. This could also be achieved by working with other parties to promote the message.

An excellent customer experience that meets customers' and communities' expectations

Customer contact; do you agree that using new forms of media such as Twitter are a good way of keeping customers informed? Would you like to see more ways of contacting us made available? What are the main issues that you would like to be kept informed about in the future? Would you like to manage more of your account online?

3.16 We support the companies' proposal of giving customers a wide variety of options to contact them. Any options, however, must be cost beneficial. Without the costs involved we cannot say where and by how much this should be expanded. We welcome the company consulting its customers about how they would prefer to be contacted and if they would like to manage more of their services online.

Operational issues; do you agree that we should invest in developing an intelligent network to allow us to detect leaks and bursts more quickly?

3.17 We of course support the aim of detecting leaks more quickly but we would need to see the benefits and costs possibly through a trial or pilot project to be convinced that an "intelligent network" offers significant benefits over other options such as district metering.

Operations that are environmentally sustainable

Managing the aquatic environment; do you believe we should go beyond the statutory duties and invest more in protecting the aquatic environment? If yes, how would you feel about seeing bill increases to fund this investment?

3.18 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.

3.19 The Environment Agency and water companies must rely on robust evidence to identify both the cause and the scale of work necessary to improve the aquatic environment. Where the cause of poor water quality is diffuse pollution from agricultural or urban run-off then South Staffs and Cambridge Water should not be viewed as the default position for funding improvement programmes. It may, nevertheless, be appropriate for the company to work in partnership with farmers, rivers trusts, wildlife organisations and others on catchment management programmes where there are multiple benefits and customers derive a benefit. Where the cause is directly linked to water company actions then we expect the company to work with the EA on an improvement plan. However, this plan must be informed by customers' views on what is affordable and acceptable. Customers

need to understand the benefits and bill impacts of investment to meet the Water Framework Directives objectives.

3.20 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.

Climate change; Should we be exploring renewable energy options such as wind and solar power?

3.21 We believe that the company should consider using renewable energy solutions, where there are clear cost benefits to customers.

Sustainable water supplies; Is it sensible to trade water with other companies, rather then develop new resources? Should we invest in our less frequently used water sources to improve network flexibility in preparation for the predicted changes to our climate?

3.22 With regards to greater interconnectivity and trading, we recognise that this could enable better use of existing resources, but we urge the company to clearly explain how customers would benefit and the potential impact on bills from any such trading.

Biodiversity; do you agree that we should consider biodiversity options to protect flora and fauna as part of all of our investment plans?

3.23 We support the company working with other parties as this could spread the costs of individual schemes. Irrespective of funding streams, we expect the benefits of the work to be clear and explained to customers.

Fair customer bills and fair investor returns

Affordability; Should we aim to keep bills as low as possible, even if this means not investing as much in service improvements? Should we do more to help customers who have difficulty paying their bills, or is the help we currently offer adequate?

3.24 Bills should be kept as low as possible if this is what the customers in the South Staffs and Cambridge region want. Any bill increase should be acceptable to customers and investment in areas that are important to them.

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

3.26 More needs to be done to assist those who are having difficulty paying their bills especially in light of changes to the benefits system. This is especially important in South Staffs area, where the company have advised in their consultation document, there is a higher then average level of customer deprivation. We would like to see

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

a comprehensive set of measures developed to help different groups of customers who will struggle to pay their bills.

Tariffs; should we continue to explore the possibility of introducing subsidised tariffs for customers who have trouble affording their water bill?

3.27 A report commissioned by CCWater into the customer perspective on cross subsidies and social tariffs[4] revealed that customers think low income households should be helped and that social tariffs are the best option for this. They also feel that the best way to fund this is through the Government but, in the absence of this, we would like to see the company fully consulting its customers and working with us to assess the best option.

3.28 The Government's guidance on the implementation of social tariffs[5] provides for each water company to assess the individual needs of its own customer base and make proposals to address affordability accordingly. We are keen to work closely with the companies as it considers these issues.

3.29 We want to explore all options with South Staffs and Cambridge and to understand how each option would work and its financial impact. We support South Staffs and Cambridge asking customers about options, and we look forward to working with the company on this.

Metering; do you agree that metering is the fairest water of paying for water?

3.30 We believe that metering is the fairest basis for charging for water but South Staffs especially, first need to take into consideration the impact of more metering on the vulnerable and on low income customers. Great care needs to be taken when switching customers to meters and the company needs to learn lessons from other companies metering programmes before implementing this change.

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[4] 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
[5] 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/