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Future water and sewerage charges 2010-15: draft determinations

A response by the Blueprint for Water coalition

The Blueprint for Water was launched in November 2006 by a unique coalition of environmental, water efficiency, fisheries conservation and angling organisations to call on the Government and its agencies to set out the necessary steps to achieve “sustainable water” by 2015 and to fully implement the Water Framework Directive (WFD). The Blueprint for Water is a campaign of Wildlife and Countryside Link (Link).

Link brings together 37 voluntary organisations in the UK concerned with the conservation, enjoyment and protection of wildlife, countryside and the marine environment. Our members practise and advocate environmentally sensitive land management and food production practices and encourage respect for and enjoyment of natural landscapes and features, the historic environment and biodiversity. Taken together our members have the support of over 8.3 million people in the UK and manage over 690,000 hectares of land.

This response is supported by the following 11 organisations:

- Angling Trust
- Association of Rivers Trusts
- Buglife – The Invertebrate Conservation Trust
- The National Trust
- Pond Conservation
- Royal Society for the Protection of Birds
- Salmon & Trout Association
- Waterwise
- The Wildlife Trusts
- Wildfowl & Wetlands Trust
- WWF – UK

1. Overview

The Blueprint for Water (the Blueprint) welcomes much that is in the draft determinations. We are particularly pleased that Ofwat have supported investment to continue to reduce the environmental impact of water company abstraction and discharges. Ofwat’s strong support for catchment management is an especially welcome shift in policy and attitude from previous periodic reviews. Managing to support this level of investment with stable or decreasing water prices is a remarkable achievement.

However, we do have some concerns over the potential long-term implications of these determinations. Many water companies have claimed there will be insufficient investment over the next 5 years to maintain sewerage infrastructure, a problem that could ultimately place the environment at risk.

We are also concerned that, while some large-scale water efficiency projects and some increase in metering have been supported, short-term reductions in demand appear to have been used as an excuse to reduce investment in leakage reduction and more serious efforts to curb water wastage. We believe that this is neither in the best interests of the water environment, nor what customers want from their water companies.

We believe that these cuts would be a mistake and risk storing up problems that will need to be dealt with in future reviews in just the same manner when price cuts were prioritised over long-term sustainability in the Periodic Review 1999 (AMP3).

2. Environmental Investment

The Blueprint welcomes the full inclusion in these determinations of the investment needed to meet environmental directive obligations. The over £3 billion of capital investment will help protect our most important wildlife sites from the risk of pollution and abstraction, improve waters for fisheries and bathing, and help improve the quality of life and sustain rural economies dependent on a clean water environment.

We were very pleased that 17 water companies submitted proposals for catchment investigations and management in their business plans and we hope that this will be the first step towards tackling water quality problems at source while providing multiple benefits for people and wildlife. We warmly welcome Ofwat's strong support for this new approach and are pleased to see all of the water company proposals have been included in the draft determinations. Blueprint members look forward to working in partnership with water companies in the next 5 years to help make these projects realise their aims and potential.

The draft determinations highlight the continuing need for costly investment to tackle contaminants and pollutants from agriculture between 2010 and 2015 (£203 million capex and £3.8 million opex). We believe the Blueprint coalition, Ofwat and the Water Industry share common interest in tackling the underlying causes of agricultural pollution through reform of the Common Agricultural Policy (CAP) and the appropriate use of regulatory powers. We would welcome the opportunity to explore this with you in the near future.

We are also very pleased that 90% of unsatisfactory intermittent discharges (£80 million of investment) have been included in the determinations; these sources of pollution have a disproportionately large impact on the water environment, particularly on vulnerable invertebrate and fish communities.

However we are dismayed that a number of companies are appealing against the need to deal with some unsatisfactory Combined Sewer Overflows; at times of high rainfall these discharge untreated sewage and have been the cause of a number of major pollution incidents, including fish kills and bathing water failures.

We believe this investment is good value both in terms of the money invested and the carbon required. However, given the water industry's increasing use of energy to improve its

environmental performance, we welcome Ofwat's support for investment to increase renewable energy generation from sewage sludge processing.

3. Metering

Although we welcome the increase in metering from 2010 to 2015 (to 56% of all households in areas of serious water stress) at this rate of progress it could be the last decades of the twenty-first century before metering becomes almost universal. We do not believe this is fast enough to satisfy the needs of the environment or the customer.

Both the recently published Walker Review of water charging and the Cave Review of water competition have stressed that metering is the fairest way to charge for water services while having proven environmental benefits in supporting water efficiency efforts and managing demand. It is particularly disappointing to see that many water companies with high leakage rates and supply-demand balance issues will still have less than 50% metering rates in 2015.

The Blueprint fully supports the inclusion of the full metering investment plans for Southern Water and Folkestone and Dover. However we are puzzled and disappointed that neighbouring water-only companies have not followed this approach when they face similar long-term water resource issues. The difference in metering strategies in a small geographical area is likely to lead to customer confusion and potentially undermine efforts to restrain demand in times of drought.

Blueprint supports plans by South West Water to trial rising block tariffs which produce higher charges for non-essential water use offset by lower charges for essential use.

4. Leakage

We do not believe the proposed investment that will maintain current leakage levels up to 2015 is acceptable or sustainable.

Maintaining the status quo cannot be justified given the medium to long-term pressures on water resources. This decision will also face significant public and political scrutiny given the high profile of company leakage figures and the very strong public preference given to tackling leakage in customer feedback to water company strategic plans and to market research.

This approach is particularly unacceptable in Severn-Trent and Thames Water's business plans where there are proposals for large resource development despite the fact that huge quantities of water are wasted through leakage every day.

The proposed approach will also have a direct impact on the credibility and influence of companies seeking to change customer behaviour, tackle domestic waste and invest in water efficient appliances. The environmental impact will be particularly acute in the event of another drought event like 1995 when calls for customer restraint were undermined by commentators pointing out the scale of unchecked waste from a water industry that would remain profitable whatever the water supply problems faced by its customers.

5. Water Efficiency

The Blueprint welcomes Ofwat's support for a record number of larger scale water efficiency projects between 2010 and 2015. We also recognise that the recently introduced water efficiency targets are a step in the right direction and are already having some impact on water company planning.

However, while we welcome overall water efficiency savings by 2015 of 25 million litres per day, this is clearly not sufficiently ambitious when placed against the scale of leakage (about 2,500 million litres per day) and the daily amount of water put into supply (some 17,000 million litres per day).

We would like to see further water efficiency investment funded in the final determinations; we know that some schemes were not approved.

6. Regulatory issues

The Blueprint believes it is very important that in reviewing the Overall Performance Assessment (OPA) Ofwat takes the opportunity to use this mechanism to incentivise sustainable action and environmental performance. In our opinion the OPA currently does not do this and instead can penalise water companies that have taken action to protect the environment. For example the application of non-essential use bans is fundamental for protecting the water environment in times of drought and should not be considered as a service failure in the OPA.

Blueprint for Water
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