Dear Neil,

I write to the EFRA committee to address supplementary questions for the inquiry. I also wish to clarify or correct some of the answers I gave the committee at the oral evidence session.

**When will the government publish its response to the NIC report “Preparing for a drier future?”**

The Government is considering the recommendations in the NIC’s ‘Preparing for a drier future’ report as part of the wider National Infrastructure Assessment, and will respond in due course. HMT is leading the preparation of the response.

**What is the government’s view on the impact of the water retail market, particularly on (a) smaller businesses; and (b) integrated water management?**

The Government’s Strategic Policy Statement\(^1\) sets out our priorities and objectives for Ofwat, including promoting an enhanced focus by water companies on the needs of small business customers that may struggle to access the best deals.

Ofwat’s State of the Market\(^2\) report found that in the first year the market saved customers approximately £8 million from lower bills. Ofwat note that benefits from the existence of the market can reach all business customers, not just those who switch – for example retailers resolving legacy data issues and wider service improvements as retailers work to compete for business.

However, smaller business customers are less aware of the market, and less likely to be active in the market. They are therefore less likely to benefit. The report found that price is the key driver for switching, which could suggest that smaller businesses may be less interested if the savings offered do not seem worthwhile. I am looking to Ofwat and the industry to address these issues.

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The market is about competition for retail services, with the existing wholesalers still managing water treatment and supply. As a result, the business retail market does not have a particular impact on integrated water management.

Are there any incentives that can be offered to the new retailers to encourage them to offer efficiency solutions to their customers?

Ofwat’s State of the Market report found that customers saved approximately 270 to 540 million litres of water (equivalent to 100 to 200 Olympic sized swimming pools) due to water efficiency measures from switching and we want to see further savings in the future.

The environmental benefits of reduced water consumption was one of the key drivers for opening the market to competition. The market allows retailers to compete with each other on the quality of services they provide to benefit the customer. Customers who are able to become more water efficient save money and benefit the environment through reduced water use. I would like to see more retailers offering water saving advice. To win business and retain existing customers, new retailers are exploring ways they can save customers money through water efficiency savings. I will continue to encourage this and closely observe developments to ensure that the efficiency benefits of competition are fully realised and complacency does not set in.

Can water companies install a water meter in domestic properties when there is a change of owner or tenant?

If there has been a change of occupier – this means a tenant or homeowner living at the property – then yes, water companies can install and charge by water meter. Companies are able to install meters where they like, but are unable to charge a customer by reference to volume of water used unless the customer has requested a meter or there has been a change of occupier.

In areas assessed to be water stressed companies can roll out universal metering programmes, whereby all customers in that area are required to have a meter and pay for their water according to how much they use. There are currently seven water company areas designated as facing serious water stress and four companies have chosen to roll out universal metering.

Water efficiency in new developments

When I met the committee, we discussed water efficiency standards for new builds. I stressed the role of councils but in addition, I want to alert the Committee to the mandatory national standard, as set out in the Building Regulations part G (of 125 litres per person per day) for new homes. This is significantly lower than the current average individual consumption of 141 litres per person per day. However, where there is a clear local need, usually in water stressed areas, local planning authorities can set out Local Plan policies requiring new dwellings to meet the tighter Building Regulations requirement of 110 litres per person per day. This decision is for local authorities to make and enforce.
Clarifications

When asked about leakage targets, I referred to a ten year period for the 15% leakage reduction. Strictly speaking, the target applies from 2020-2025, though companies have already started work on this.

I was asked about commercial relationships between water companies. I had previously been informed that UU have a contract with Welsh Water for transfers. I have now been informed that is incorrect and UU has abstraction licences regulated by Natural Resources Wales for several sites in Wales. I can confirm that Welsh Water has a contract with Severn Trent.

When asked about the retail market, I referred to powers and parts of the Water Act. To clarify, the parts and powers of the Water Act still to be opened refer to enabling “upstream competition”.

Lastly, regarding the data quality of the retail market, MOSL have been working with water companies directly, not through Water UK, to improve the information obtained. I have met with MOSL to encourage this.

Yours sincerely,

[Signature]

DR THERESE COFFEY MP