

## **INQUIRY INTO WATER POLICY IN WALES**

### **DEE VALLEY WATER'S RESPONSE**

1. Dee Valley Water (DVW) is a water supply only company based in Wrexham in north east Wales. We are responsible for supplying water to around 257,000 customers in England and Wales, mainly centred around Wrexham, Llangollen and Chester. The majority of our customers, around 60%, live in Wales.
2. Ofwat, the economic regulator for water in England and Wales, is currently consulting on a framework and approach to setting price controls for 2015-20.

#### **Competition**

3. Competition in the non-household market is being extended in England to allow all non-household customers to switch water supplier. For non-household customers in Wales, the Draft Water Bill maintains a threshold for switching of 50Ml/year.
4. Ofwat believes that there are efficiencies to be gained from the introduction of competition but has not been able to determine if there is a sufficient margin to enable new entrants to enter the market, i.e. are companies operating at or near the efficient level already. Before embarking on such a radical transformation of the water industry it would seem prudent to test these assumptions.
5. Ofwat's price setting consultation includes a proposal to introduce a service incentive for water companies wholly or mainly in Wales to promote service improvements in Wales in line with those expected to be delivered by the non-household retail market in England. It is therefore likely that non-household customers in Wales will continue to see improvements in levels of service and price even though they will not need to switch suppliers in order to obtain the benefits.
6. The introduction of competition in the non-household sector will present the real possibility of household customers subsidising the non-household sector unless transparent protection is put in place early in the process.
7. The introduction of different regimes in England and Wales is a concern for DVW. As the Draft Bill stands DVW will be subject to providing and delivering different policies for its customers depending on which side of the border they are. This seems likely to result in confusion for non-household customers.

#### **Affordability**

8. On affordability, social tariffs are viewed as one possible approach to helping customers that are struggling to pay their bills. However, a one-size-fits all approach

is not necessarily the most appropriate approach for all customers. An alternative approach, which we, at DVW, have been working hard to achieve is to keep bills as low as possible for all customers. We currently have the fourth lowest bills in the industry. This has been achieved through effective management of key aspects of our service. For example, unlike other companies we provide individual payment plans for customers struggling financially.

9. In our experience the effective targeting is key to supporting customers that are struggling financially. The Welsh Government could assist companies by providing information that enabled water companies to target the support more effectively for those customers that are struggling to pay their bills compared to those customers that are unwilling to pay.

### **Metering**

10. Metered customers have a natural tendency to use less water as they are more aware that they could save money if they use less water. By encouraging customers to waste less water we will be able to defer significant expenditure on new water resources and reduce the impact on customers bills.
11. In general, most customers switch to a meter to save money on their water bill. However, there may be alternative considerations and a better understanding of why some customers might want to switch is required in case there are other ways to satisfy them.
12. Increased promotion of water efficiency and metering are other elements to be considered in ensuring bills remain affordable. DVW currently has a meter penetration of around 53% of all customers, which is increasing at about 2% per year. It would be helpful if the Welsh Government set a target for achieving 100% metering for all customers. This would enable water companies to efficiently plan meter installations.

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