



Water Metering

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The Water Industry Act 1991 and the Water Industry Act 1999 legislate for the provision of water meters by companies. This note explains the powers that customers and water companies have in opting for charging with water meters.

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1 What powers do the water companies have in relation to charging?

Section 142 of the *Water Industry Act 1991* (as amended) allows water companies to choose whatever methods they feel appropriate for charging. Under the terms of their licences companies must ensure that "in fixing or agreeing charges...no undue preference is shown to, and that there is no undue discrimination against, any class of customers or potential customers".

OFWAT Information Note 20 *Principles for developing water charging policies* (revised March 1996) explains the duty as follows:

Any charging method should be fair. The Director has a duty to protect the interests of customers by ensuring that there is no undue discrimination or preference in a company's water and sewerage charges. This means that a customer's bill should, as far as practicable, reflect the costs which that customer imposes on the water and sewerage systems for a supply of clean water, disposal of dirty water and draining surface water from the property and the highways...

...The Director accepts that different tariffs might apply to different kinds of customer if they impose costs considerably above or below those incurred by other customers. Where different elements of the system serve different customers, the costs should be allocated to the customer group which benefits.

The water companies' charging schemes can make different provision for different cases, including different provision in relation to different circumstances or localities (section 143 (4) (a)).

The methods chosen for charging are likely to include metering. At present most water charges tend to be based on rateable value. However new homes and those substantially altered since 1990 do not have rateable values and therefore companies have found that alternative charging is necessary. Metering is the most obvious alternative and also fits with the need to tailor charges more closely to water use to encourage water conservation especially as the water companies have a statutory duty to promote the efficient use of water by their customers.

Installing meters in all homes is expensive. Therefore most companies are introducing metering selectively, particularly where the installation costs are low. For example in new homes; where supplies have been refurbished, perhaps as part of renovations to a house; or when mains are being renewed or renovated.¹

Some companies are compulsorily metering customers who may use large amounts of water. For example, those with swimming pools or hotels/guest houses which are not already metered and those using hose pipes and sprinklers to water their gardens.

1.1 Ofwat's future strategy for customer charges

In Spring 2008 Ofwat consulted on the charging issues the water industry faces and at the same time sets its own proposed strategy for future charges. Ofwat presented its opinion that water metering was a policy issue for the Government to decide upon. The consultation notes:

¹ Ofwat Information Note, *Paying by meter*, revised March 1996.

Whilst we recognise there can be significant benefits from increased metering there are also additional costs. If virtually universal metering were to be in place by 2030 we estimate it could raise average household bills by about 2.2% more than would have been the case under the PR04 metering projections.²

The [consultation document](#), also presents the use and projected use of meters by water companies on page 14.

Ofwat expect the results of their consultation to feed into work now being undertaken by Defra (section 2.2).

2 Government policy

The Government completed a review of water charging and published a consultation paper *Water Charging in England and Wales – A New Approach* in April 1998. In November 1998 it published its decisions following consultation.³

For new homes, and those substantially altered since 1990, there are no rateable values and metering should be the normal charging method.⁴

Some water companies, such as Thames Water, require those people whose houses have been substantially altered since 1990 to have meters and are therefore acting within the law and in accordance with Government policy. Those who have extended their homes would have had to pay more if their homes had been re-rated and in some cases, households may actually end up paying less on a metered basis especially if their water consumption is relatively low and their present rateable value is high.

2.1 Water Industry Act 1999

The *Water Industry Act 1999* received Royal Assent in June 1999, and a statutory instrument was laid by Michael Meacher in December 1999 that brought metering provisions of the legislation into force on 1st April 2000. This Act

- Allows for rateable value to continue to be used as the basis of unmeasured charging after 31 March 2000 (previously Section 145 of the *Water Industry Act 1991* specified that rateable values could not be used as the basis of charging after this deadline).
- Allows domestic customers who currently pay on an unmeasured (unmetered) basis to have a meter fitted, free of charge and gives them the option of reverting to an unmeasured charge within 12 months.
- Allows the Secretary of State to make regulations providing targeted protection for vulnerable groups such as those who are disabled or on low incomes with high essential water use.
- Allows meters to be fixed to certain premises as described by *The Water Industry (Prescribed Conditions) Regulations 1999*, including those in areas of *water scarcity*.

² Ofwat, Ofwat's future strategy for customer charges for water and sewerage services: a consultation, 2008

³ *Water charging in England and Wales: Decisions following consultation*, DETR, November 1998

⁴ *Water charging in England and Wales: Decisions following consultation*, para 24, p 7, DETR, November 1998

Thus, the provisions of the Act allow for those people whose water bills are based on rateable value to continue to be charged on this basis if they wish

In addition, the legislation also allows occupiers to request the installation of a meter. This installation must be carried out by the water company, free of charge, except where to install a meter would not be practicable or would be unreasonably expensive. Consumers may revert to paying for their water on an unmeasured basis provided that they have not reverted previously, and that they, or a member of their household, were living in the property when the measured charges notice was issued. The request for reversion must be made within 12 months of the first day on which a measured basis of charging applied.

However because the Act does not enforce the take up of water meters in homes, different households are being charged in different ways. Norman Baker questioned the then Minister for the Environment and Agriculture, Eliot Morley:

Norman Baker (Lewes) (LD): But is it not simply indefensible, as the hon. Member for Burnley (Mr. Pike) says, to continue to base most water bills on the theoretical value that a person could get from renting their property in 1973? Is it not indefensible that there is no link at all between consumption and the bill that lands on the doormat? Is the Minister aware that, in my constituency, South East Water plans to install a desalination plant, of all things—we normally associate such plants with the middle east—to produce enough water, because the Deputy Prime Minister wants more housing in the area? Would it not make more sense to have a proper system of universal metering? Should not the Government give a lead, rather than having metering by stealth, as at present? A system of metering with safeguards for those on low incomes would be sensible for the environment and better for consumers.

Mr. Morley: The hon. Gentleman will be aware, because he served with me on the Water Bill, that water companies are free to apply to the Secretary of State to have powers for metering in their areas. So far, no water company has made that proposal, but the hon. Gentleman knows as well as I do that we have supported the move to metering. We think that that is the right way forward, but while there are many properties that are not on a meter, there has to be some means of calculating the price that they pay. I am sure that there are many weaknesses with the present system of rateable value, but the costs of moving to an alternative system would also produce winners and losers, and that system would still have problems. It would not necessarily give anyone a better advantage. A greater advantage is gained by continuing to encourage people to move to water meters, which is why they are provided free of charge.⁵

Until charging is standardised for all customers the issue of water metering is likely to be problematic. There will always be customers who feel they would pay less if they were able to change the way they are charged.

2.2 Defra Consultation on Water Charges

Early 2008 the Government announced an independent review of water metering and charging in *Future Water – the Government's Water Strategy for England*. Anna Walker, Chief Executive of the Healthcare Commission, is now leading this review of charging and metering for water and sewerage services. The following press release describes the review:

⁵ HC Deb 24 June 2004 c 1444

Anna Walker, Chief Executive of the Healthcare Commission, has today been officially appointed to lead the independent Review of Household Charging and Metering for Water and Sewerage Services.

The Review and its scope was announced earlier this year in Defra's Water Strategy "Future Water", and the terms of reference outlined today include:

- Examine the current system of charging households for water and sewerage services, and assess the effectiveness and fairness of current and alternative methods of charging;
- Consider social, economic and environmental concerns; and
- Make recommendations on any actions that should be taken to ensure that England and Wales has a sustainable and fair system of charging in place. This could include changes to current legislation and guidance.

In reaching its conclusions the Review's assessment will include:

- the effectiveness and fairness of charging methods, taking into account current trends in water metering and the use of the rateable value based system;
- the appropriate pace of change and method of moving towards universal metering to ensure sustainable abstraction in areas of water stress;
- the cost and benefits of metering, taking into account all costs including the full social cost of carbon;
- the effectiveness of different types of innovative tariffs in helping vulnerable households and/or reducing demand;
- the effectiveness of measures to manage affordability concerns for low income households;
- the impact on health and health inequalities of current and alternative methods of charging; and
- the effectiveness of measures to incentivise people to pay for their water and sewerage services and minimise the impact of bad debt on customers that do pay, excluding disconnection.⁶

3 Can I be forced to have a meter?

Companies can install meters in properties, but cannot insist that the existing householder pays by volume, except in certain specified circumstances. These are set out in the *Water Industry (Prescribed Conditions) Regulations 1999* and apply in England.

Under these Regulations, household customers can be required to have meters if they:

- use a sprinkler;
- automatically fill a swimming pool or pond;
- have a large bath;

⁶ Defra, Press Release, Appointment of Independent Chair for the Review of Water Charging, 4 August 2008

- use a reverse osmosis softening unit;
- have a power shower; or
- live in an area of water scarcity.

Water companies can apply to the Secretary of State to designate an area as water scarce. The Secretary of State makes the decision.

Companies are required to set out the approach they will take to charging new occupiers and this information should be readily available. If a meter is already installed in the property and no charges have been demanded from the new occupier, the company can charge the new occupier on a metered basis.

Almost all companies install meters in new household properties. One or two companies also install meters where the occupants of domestic properties change. The *Water Industry Act 1999* does not require companies to offer a choice of measured and unmeasured bills when customers move into a new house.

Customers moving into properties with meters cannot have the meter removed. Some vulnerable customers can pay on a different basis in metered properties. Ofwat confirm that under the *Water Industry Act 1999* a water company is not required to offer a new resident a choice of measured or unmeasured bills when they move into a property. They also confirm that a number of water companies are installing meters in properties as people move in.

OFWAT provide two information leaflets on Rateable Values:

<http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/Content/info47>

And Paying by Meter:

<http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/Content/infonote27>

4 Folkestone and Dover Water Company – Areas of Water Scarcity

The Water Industry (Prescribed Conditions) Regulations 1999 set out the provisions for water scarcity status. Companies may apply to the Secretary of State for Environment, Food and Rural Affairs for water scarcity status if they consider they are going to experience problems meeting customers' demands. Companies granted water scarce area status can compulsorily meter their customers.

On 1 March 2006 Elliot Morley declared the area covered by the Folkestone and Dover Water Company to be an area of water scarcity thus allowing the company to begin a programme of compulsory water metering. The following Ministerial Statement was released:

Water Services

The Minister for Climate Change and the Environment (Mr. Elliot Morley): My right hon. Friend the Secretary of State, on the application of Folkestone and Dover Water Services under the Water Industry (Prescribed Conditions) Regulations 1999, has today designated the company's area to be an area of water scarcity for 10 years with effect from 1 April 2006.

In many parts of the country water is a precious resource which we can no longer simply take for granted. Today's decision is a considered response to the specific long term challenges facing Folkestone and Dover water company; it is not a reaction to the short term problem of low rainfall in the south east of England.

This designation widens the company's powers to use water meters to charge customers in its area according to the quantity of water that they use. It sets aside in that area the right of customers to remain on an unmeasured basis of water charging in their current homes while using water only for normal household purposes.

The right to remain on an unmeasured charge was introduced by the Government in the Water Industry Act 1999 as a valuable reassurance to those households who preferred their existing unmeasured water charging. Since 1999 metering has increased to 26 per cent. of households in England and Wales as a result of the voluntary take up of meters and of water companies' use of the limited powers they have to impose metering, such as on change of occupier and in new housing. Metering has gained more familiarity and acceptance as a normal method of charging, indeed, the UK is now almost alone in western Europe in not charging for water on a mainly volumetric basis. I believe that metering is a fair charging system, under which people will not pay for what they do not use.

While there are no plans to change current policy on compulsory water meters, the Government recognised at the time of the 1999 Act that, especially where water resources were scarce, the right to remain on an unmeasured charge needed to be balanced against the desirability of conserving water. That is why the legislation makes provision for a company to make a local case for compulsory metering for water conservation reasons.

The company has established the case that, in its area over the next 10 years, it will face great difficulty in ensuring that limited supplies will cover increasing demands for water. No single measure will address this. The company needs to adopt a range of measures both on supply and demand, with due regard to cost and the effects on the environment. These measures must include exploring new sources, minimising leakage and encouraging water efficiency. The Government welcome the efforts made by the company in those directions and urges it to continue to do more.

The potential contribution that water metering can make to demand management cannot be ignored. The Government have long recognised that metering, with appropriate tariffs, has a role to play alongside other measures in managing demand. In the circumstances which have been shown to exist in the area of appointment of Folkestone and Dover Water Services, metering is needed alongside other measures available to the company, to manage demand. My right hon. Friend has concluded that waiting for the voluntary effect on demand of customers taking up the free meter option and on the company's existing metering powers is too long and uncertain. My right hon. Friend is satisfied that the company needs to be empowered to adopt a programme of compulsory household metering to realise the full water savings from metering over the next 10 years.

My right hon. Friend has therefore agreed to the company's application.

I will be paying particular attention to the sensitive introduction of meters to households and to the effects on customer bills, especially of those least able to pay. The vulnerable groups scheme already in place will provide protection from high metered bills for customers with large families or certain medical conditions who are in receipt of certain benefits. I am encouraged by work done by the company which suggests that

at least 70 per cent. of the customers to be metered will pay the same or less with a metered supply.

This decision and the 10-year programme of metering that the company will then follow, is a medium to long-term measure to deal with a long-term problem. It will not show its full water-saving benefits for some years. The view of the Environment Agency is that metering could provide about half of the margin of supply over demand that the company needs by 2015.

Today's decision is a further indication of the Government's determination to work with water companies, regulators and customer representatives to tackle the long-term challenge of water saving in the south-east. In October last year I gave effect to the Government's Rural Manifesto commitment to put in place a water saving body by setting up the Water Saving Group under my chairmanship to work together on a number of different but complementary workstreams. Compulsory metering is part of the toolkit for demand management, but it is not a blanket solution. It is for other companies with long term water supply concerns similar to those presented by Folkestone and Dover Water Services to consider making their own applications for water scarcity status under the provisions introduced by the 1999 Act. It is up to each company in the first instance to judge what is necessary and, if it is appropriate to do so, include the case for compulsory metering as part of a long-term plan.⁷

⁷ HC Deb 1 March 2006 cc19-20WS.