

# Sustainability First

**Stakeholder perspectives on water market reform**

## **Household water competition**

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**Westminster Energy, Environment & Transport Forum**

**Next steps for water market reform in England: competition, infrastructure & future priorities**

# Background

## **Sustainability First**

- Small environment think tank – a charity
- Extensive work on electricity demand side – strong customer-focus

## **New Energy and Water Public Interest Network ('New-Pin')**

- Established Summer 2015
- Brings together public interest & consumer groups, energy and water companies, regulators and reps from government
- Deliberative workshops explore complex long-run issues & trade-offs

## **Today**

- Personal perspective based on prior experience with consumers & energy

# Household competition - context

## Consumer rights

- **Choice**
- Safety
- Informed
- Be heard
- Redress
- Education
- Healthy environment
- Satisfaction basic needs

## Costs



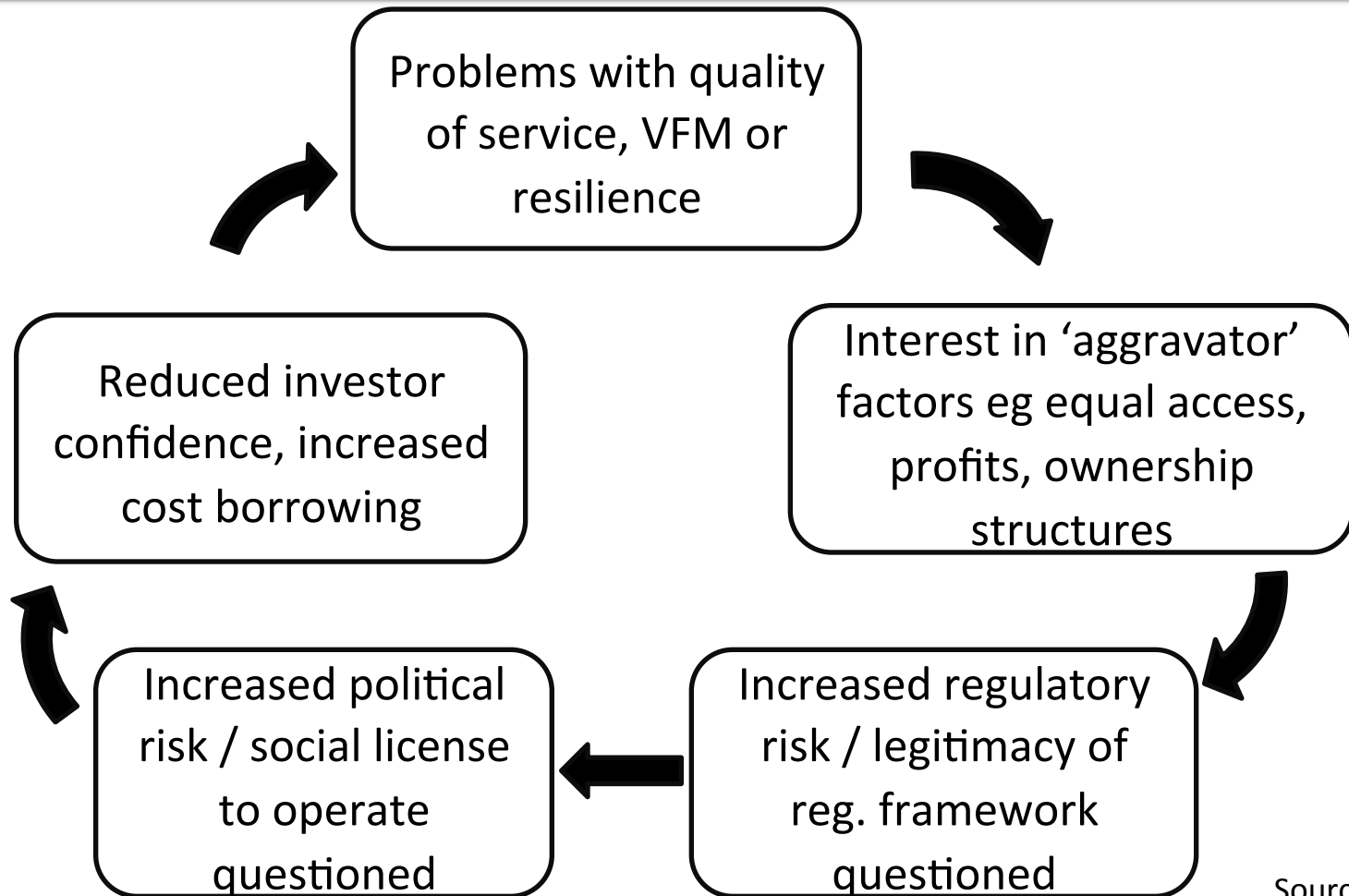
## Savings?



# 1. Focus on outcomes

	<b>Opportunities</b>	<b>Risks</b>
<b>Choice</b>	<ul style="list-style-type: none"> <li>• Customer being 'in control'</li> <li>• An homogenous pure vanilla product?</li> </ul>	<ul style="list-style-type: none"> <li>• Cherry picking to target lucrative segments &amp; avoid non-metered, those in debt or high cost to serve?</li> </ul>
<b>Quality services</b>	<ul style="list-style-type: none"> <li>• Innovation – but service levels generally OK?</li> </ul>	<ul style="list-style-type: none"> <li>• Misselling / tariff &amp; switching complexity etc can frame the issue</li> <li>• Responsibility for end to end service &amp; redress</li> </ul>
<b>VFM</b>	<ul style="list-style-type: none"> <li>• Increased efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Retail services around £40 avge bill</li> <li>• Cost of market operation / balancing</li> </ul>
<b>Resilient services</b>	<ul style="list-style-type: none"> <li>• Water (&amp; wider energy / home) efficiency services?</li> <li>• Demand side innovation?</li> </ul>	<ul style="list-style-type: none"> <li>• Short term focus</li> <li>• Increased interfaces / fragmentation</li> <li>• Responsibility for systemic issues?</li> </ul>

## 2. Avoid downward spirals of trust



Source: New-Pin Trust & confidence paper

# 3. Learn the lessons

## Cost Benefit Analysis for household consumers needs to learn lessons from

- Non household water competition – Scotland *and* England & Wales
- Household water tariff trials – customers don't like segmentation
- Energy sector
  - Poor levels of customer service
  - Why has the customer response been 'weak'?
  - Has competition led to vibrant energy efficiency / 'service' market?
- Interventions to help consumers in energy markets
  - Tariff comparison sites – can accentuate distributional impacts
  - Third party intermediaries – may need regulating

# Conclusions?

- Risks can be mitigated but at a cost: trust is hard won and easily lost
- Where do the bulk of the costs lie? Where can returns attract investors ?
- Is household competition the main policy priority in water? The case has yet to be demonstrated...
- Looking to the future, what is the most beneficial focus for consumers and water sector managements?
- Are the most significant benefits and challenges likely to be met through a focus on household choice or on long-run resilience (or somehow both)?
- What's the opportunity cost of focusing on household retail market?
- Competition a means to an end – are there other ways of getting there?