

# The Scope and Purpose of the Water White Paper

Gabrielle Edwards

Water Legislation, Competition and Charging team,  
Defra

# Water White Paper overview

## Defra Business Plan commitment

*“...examine the conclusions of the Cave and Walker Reviews, and reform the water industry to ensure more efficient use of water and the protection of poorer households.”*

- The Water White Paper will focus on the key water industry challenges:
  - Securing sustainable water supplies;
  - Increasing choice and delivering better value to customers;
  - Modernising the current regulatory system;
  - Ensuring fair and affordable water charges; and
  - Incentivising water conservation
  - Ensuring an effective approach to wastewater management that contributes to improved water quality and reduced flood risk
  
- Water will also be integral to the Natural Environment White Paper – to be published in spring 2011

# Securing sustainable water supplies

- White Paper needs to address short term challenges around unsustainable abstraction, as well as developing a longer term vision for a system that is resilient to future pressures, and supports a strong and sustainable green economy.
- In longer term system needs to be able to respond to pressures from climate change (increased variability and reduced summer water flows by the 2030s) and risks of a growing supply-demand gap and increased environmental damage
- Current regulatory system is based on historic abstraction rights and inflexible. Intervention options are limited and high cost.
- Potential issues include:
  - Reform of the current abstraction regime
  - Market mechanisms to incentivise companies to think differently about meeting future resource requirements (eg abstraction licence trading, bulk supplies, interconnections)
  - Ensuring system incentivises demand management as well as new infrastructure build

We will be holding workshops on this topic early next year and would value your input.

# Increasing choice and delivering better value to customers

- We aim to set out the Government's vision for reform of the water industry to increase consumer choice, drive innovation and improve customer service and value.
  
- This will represent our response to Martin Cave's review of competition and innovation in water markets.
  
- Key issues to be addressed include:
  - How far can increased competition (and legal separation of retail businesses) as recommended by Cave deliver benefits to all customers? What are the risks?
  - Will structural reform help meet the longer term water resource challenges?
  - Continued investment in infrastructure development will be essential - how do we introduce market reform without reducing the sector's ability to access low cost capital?

# Modernising the current regulatory system

- A review of Ofwat is underway to ensure Ofwat's regulatory mechanisms, responsibilities and powers are appropriate for the challenges ahead; offer good value for money; and deliver what we and customers expect.
- Recognise a stable regulatory regime critical to attractiveness of sector for investors.
- Key issues for the review include :
  - the relationship between Government and Ofwat – and between Ofwat and EA and DWI;
  - areas where changes of approach by Ofwat could deliver improved outcomes and a lower regulatory burden
  - consumer representation and the future of the Consumer Council for Water.

## Next steps

- Call for evidence now closed with 55 responses.
  - A workshop is planned for January 2011.
  - The review will conclude in March 2011, and feed into the Water White Paper

# Ensuring fair and affordable water charges

- Government's response to Anna Walker's independent review of charging for household water and sewerage services. Consultation planned for early 2011.
  
- Challenges in developing the White Paper:
  - How should the policy on water metering be revised – current approach is inefficient and exacerbating affordability problems as historic cross subsidy unwinds
  - Could widespread metering help drive behaviour change over time and improve water conservation – helping tackle a future supply/demand gap?
  - How can we support those vulnerable and low income households finding it difficult to pay their water bills – and what role can water companies play?
  - Can support be offered to customers in the south west facing high water prices – Ofwat providing advice to Ministers.
  
- Workshops are planned for early in the New Year.

# Incentivising water conservation

- Water efficiency can help maintain sustainable supplies and, alongside metering, lower water bills.
  
- Some key considerations for the White Paper include:
  - Education and raising awareness.
  - Current and proposed product labelling schemes.
  - Water efficient fittings, fixtures and appliances.
  - Water efficiency in new homes / existing homes.
  
- These topics will feature in the Walker consultation.

# Next steps

- Call for evidence for Ofwat Review – closed
- White Paper online survey – closed
- Consultation and workshops on Walker Review conclusions January 2011
- Workshop on future water resources January 2011
- Review of Ofwat due to complete March 2011
- Natural Environment White Paper, publication spring 2011
- Water White Paper published in June 2011

- For further information, please visit:

<http://ww2.defra.gov.uk/our-responsibilities/water-white-paper>

- Or email us at:

[waterwp@defra.gsi.gov.uk](mailto:waterwp@defra.gsi.gov.uk)