Metering - what are the issues?

The way forward is water metering – but what are the issues? And how will the imminent move to smart metering for energy change customers' expectations of the water sector?
Some of the key points coming across from the recent Water UK metering symposium

Regulator's view

Ofwat confirmed the clear case for more metering. The questions are – How quickly? What sort of meter? What charging structure?
The industry and customers "need a fair system to incentivise efficient use of water"

But there is an issue around the transition to a (fully) metered base.
Ofwat suggests there is a case for a more managed and accelerated approach

But do we understand the synergies with energy yet? - i.e. the move to smart metering and the link between water and energy saving and Carbon reduction? Other speakers focused on the parallels and differences here.

It was clear any metering rollout needs to focus on: 1) messages to customers and 2) managing the bill impacts (incidence effects)

"Future metered tariffs should encourage customers to use water wisely. But the basic household need for water should not be rationed by ability to pay".

Industry pilots

Wessex Water outlined their pilot scheme with rising block, seasonal and peak seasonal tariffs.

Whilst the balance of charges shifted to lower income groups, the seasonality effect seems to reduce the regressive impact (though not to RV equivalent).

Interestingly (from the smart metering aspect) Wessex offered all customers free internal displays – but only 11% took this up. Question is - how then will those customers manage or reduce their consumption – unless a corresponding smart and regular bill? Are they really interested?

An initial conclusion is it's easier to 'sell' to customers the message of seasonal tariffs than rising block. It's more intuitive to understand. We all realise availability has an impact on price and availability is going to be less in summer – well in a good summer. This year maybe?

Tariff impacts

Scott Reid provided an insight into the incidence effects from his tariff modelling work

For a high metered scenario, prediction is more than 60% households who become metered will see an increase and nore than 40% will see an increase of more than £60. Of these the largest group will be 2 adult household with less than 3 children.

But can these be targeted through the Benefits system? (One suggestion from last year's Walker Review).

Well they can but it seems not that well – with only around half those 2 adult households with less than 3 children experiencing more than a £60 increase being eligible for benefits (Income Support, Job Seekers Allowance or Working Tax Credit).

Conclusion is that whilst tariff policies to address affordability must have an element of targeting based on socio-economic circumstances, 'receipt of benefits' criterion only provides partial targeting of households experiencing significant bill impacts.

Move to smart metering

The energy sector is progressing with smart metering. British Gas has already started.

But there is concern around increasing expectations of customers of levels of service, e.g. the retail sector providing one hour slot deliveries. So why can't utilities mange this for appointments?

The move to smart metering could cause issues for the water sector. By the end of AMP5 (2015) the energy companies will have provided around 50% customers with smart energy meters. In comparison by then the water companies will have provided 50% customers (nationally) with a 'basic' water meter. (Accepted, for some companies this will be much higher). EU Directive 2006/32/EC requires Member States to implement smart energy metering by 2020. In UK there is an £8Bn programme with around 50 million smart energy meters due to be installed by 2017. This could mean the last energy utility contact with customer for 15 years! And change the nature of future contacts.

Will the energy moves also drive expectations of water customers for smart metering? How will customers react to estimated water bills? Why will they have to be at home for the water meter to be read? And why will they still have to rely on a paper bill once every six months?

Energy conservation – water efficiency

Energy companies will be linking smart meter installation with energy conservation messages.

The Energy Savings Trust emphasised the need to deliver energy and water efficiency messages together. Why? – Because around ¼ of domestic energy consumption and CO2 emissions are from producing hot water.

The EST website will help soon with its unique ‘water energy calculator’

Some conclusions from the day…

- Tariffs – how do we design them?
- Affordability – how do we target the households who need help as we move to a metered base?
- Communications – how do we put over the right messages to customers around
- The move to water metering?
- Water and energy efficiency combined?

- How do we manage customer expectations going forward?