

The pros and cons of water metering in England

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Overview

Intro: TEoA: from social to commodity (Dublin et al.)

(1) Pressure: Responsibility and stress

(2) Efficiency: Costs and benefits

(3) Equity: A government divided

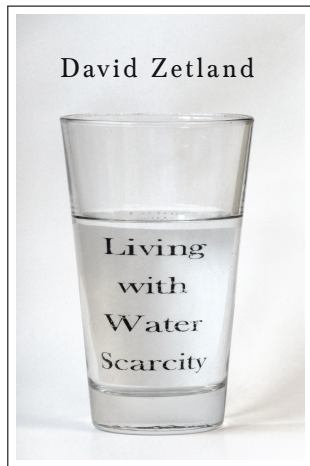
(4) Process: Resistance and response

Conclusions: Spend and measure

Advertising! (This could have all been avoided!)

Politics in Part II; economics in Part I

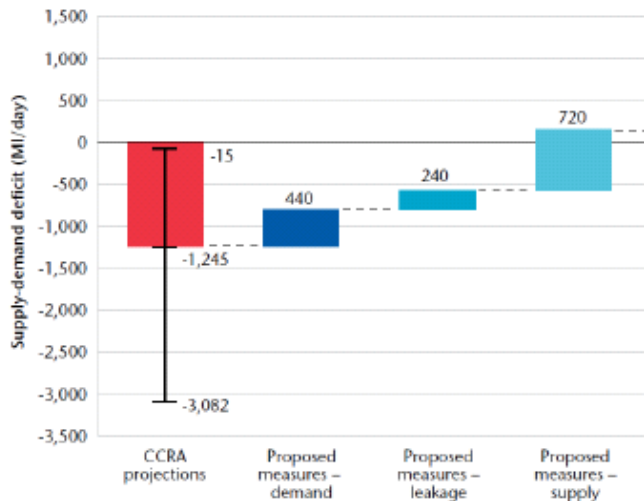
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(1) Pressures

- ▶ Privatization: Profits for responsibility
- ▶ Meters: Pay for use replaces social contract
- ▶ Environment: Leaks and abstractions need to fall

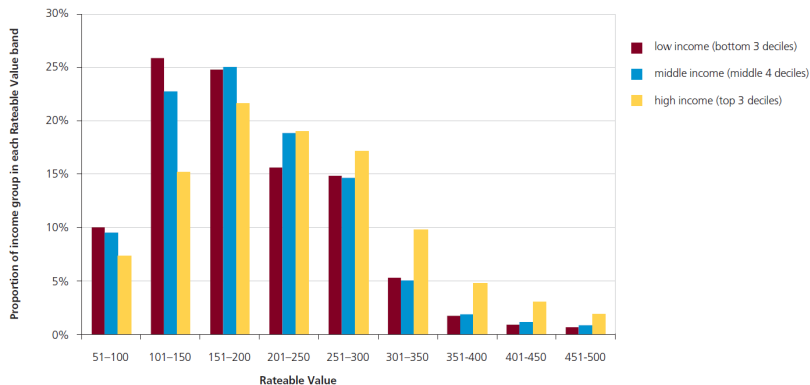
Stress



The impetus for meters

Company	2008	2015-2016	2019-2020
Affinity	49	52	72
Anglian	57	80	88
South East*	33	72	90
Southern*	33	92	93
Sutton and East Surrey	23	49	60
Thames*	23	37	52
"Serious" stress (unweighed)	36	64	76

Biggest misconception

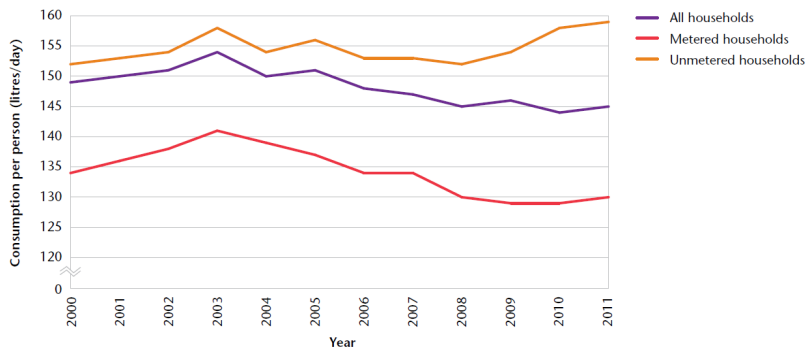


Walker (2009): “only about 30 per cent of the help [£560m cross subsidy] accorded to the lowest rateable value band (£180m) is going to the poorest households.”

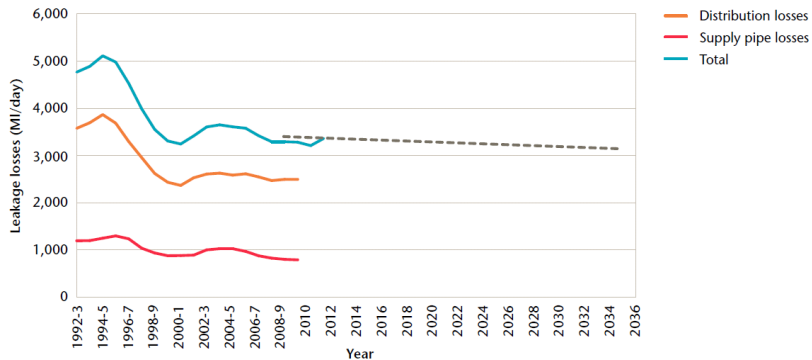
(2) Efficiency

- ▶ Installation costs are repaid over time by metered users
- ▶ Optants use less; use falls further
- ▶ Those left behind bear more costs (already in trouble?)
- ▶ Distribution (trunk) > supply (customer) leaks
- ▶ Smaller abstractions don't matter for average vs low flows
- ▶ Benefit of lower emissions (CO₂) and spending (CapEx)?

Falling metered use



Bigger distribution leaks



(3) Equity

- ▶ Environment Agency pushing
- ▶ Customers resisting (halfway)
- ▶ PWCs: more paperwork, unstable revenues, less CapEx
- ▶ Ofwat: indifferent to revenues; wants customer service

Key player: Government is caught between user pays and historic promises. (SW Water screw up; small Universal Credit)

“Meters are not causing affordability problems; high PWC expenses are causing affordability problems.”

Unclear benefit cost

Ofwat assumes meters will happen. Claims that meters by 2030 has a “less negative” impact (baseline: stop now) than meters by 2050. Assumes HUGE CO2 benefit

Environmental Agency says meters cheaper than other sources of supply/storage. Does not examine demand side reductions (NB: “slide in demand” needs meters)

Bottom Line: Meters are probably affordable and inevitable, but poorly presented. Equity/distribution (poverty) discussion not getting enough attention. “Consumer to customer” transformation can have big paybacks (Dwr Cymru/Welsh Water)

(4) Process

Resistance:

Choose: Transaction costs and greater volatility?

Forced: Bad now. Would meters be worse?

Irony: Rich lose £360 million subsidies from switch

Commons: Sacrifice self for good of all? How much?

Response: Government targets a £5/yr subsidy, which is miserly and counterproductive

Conclusions

The government. . .

. . . **must spend money on subsidies** to ensure poor people (and the public) that the move to meters will not worsen poverty. Use a larger universal credit, as current within-PWC cross-subsidies (“social tariffs”) are divisive.

. . . needs to **document the environmental benefits of meters** to increase support among those willing to “pay their share.”

Now...

Questions?

Paper: <http://ssrn.com/abstract=2352674>

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Book: livingwithwaterscarcity.com ← It's free!!

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