

# FLOOD AND WATER MANAGEMENT ACT 2010

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## EXPLANATORY NOTES

### COMMENTARY

#### **Part 2: Miscellaneous**

#### ***Section 44: Social tariffs***

413. Water and sewerage undertakers have the power to make charges schemes under section 143 of the Water Industry Act 1991. Such a scheme must be approved by the Water Services Regulation Authority (Ofwat) before it can take effect. This section allows for a water or sewerage undertaker to include in its charges scheme provision for a social tariff which is designed to reduce charges for individuals who would otherwise have difficulty paying in full (subsection (1)). Such a scheme may have the effect of introducing a subsidy to such individuals by other persons (subsection (2)). “Persons” includes any legal person.
414. Subsection (3) states that Ofwat’s powers in connection with the approval of a charges scheme (including any powers under the Water Industry Act 1991 which may be used to that effect) are subject to subsections (1) and (2). A charges scheme cannot be rejected on the grounds that it contains a social tariff, whether or not this includes a cross subsidy.
415. Subsection (4) requires the Minister to issue guidance in respect of subsections (1) and (2). The guidance must in particular include factors to be taken into account in deciding whether one group of customers should subsidise another. In formulating this particular aspect of the guidance the Minister must have regard to the need to balance the desirability of helping individuals who would have difficulty paying in full with the interests of other customers.
416. Both undertakers and Ofwat must have regard to the guidance issued by the Minister (subsection (5)). Subsection (6) defines “the Minister” for the purposes of this section as being the Secretary of State for an undertaker whose area is wholly or mainly in England and the Welsh Ministers for an undertaker whose area is wholly or mainly in Wales.