



## Affordability and vulnerability workshop on metrics

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Purpose of today: to discuss the use of common metrics at PR19 for affordability and vulnerability

We continue to believe there remains a case for common metrics in these two areas

- Common metrics would provide greater consistency and allow comparisons alongside bespoke and qualitative information when assessing business plans

We recognise concerns raised through consultation responses on the common metrics we proposed

- Respondents generally supported the use of common metrics but wanted to make sure that they measured impacts and did not create perverse incentives.

We will discuss the alternative common metrics proposed by respondents today

- We want to see if there are better measures for us to use.

<b>Time</b>	<b>Agenda item</b>	<b>Presenter</b>
<b>10.30</b>	<b>Welcome and introduction</b>	<b>Jon Ashley</b>
<b>10.35</b>	<b>Reminder of our proposals and putting metrics into context</b>	<b>Jon Ashley</b>
<b>10.45</b>	<b>Affordability metrics - our proposals and alternatives</b>	<b>Alison Cullen</b>
<b>11.45</b>	<b>Break</b>	
<b>11.55</b>	<b>Vulnerability metrics : our proposals and alternatives</b>	<b>Gurpreet Sahota</b>
<b>12.50</b>	<b>Wrap-up</b>	<b>Jon Ashley</b>
<b>13.00</b>	<b>Close</b>	

# Reminder of our proposals and putting metrics into context

Jon Ashley

## Respondents agreed

### Three aspects of affordability

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- overall affordability – providing value for money
- affordability in the long term
- affordability for those struggling, or at risk of struggling to pay

## Respondents agreed

### Five principles to assess business plans

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- good customer engagement;
- good customer support;
- effective approaches;
- efficient approaches; and
- financial assistance options that are accessible.

## Mixed views

### Common metrics to assess affordability in plans

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- Respondents generally supported the use of common metrics
- Respondents had mixed views of the common metrics we proposed in the July methodology consultation
- Some respondents helpfully made alternative suggestions

## Respondents agreed

### Qualitative information and views of CCGs

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- Use qualitative information, and the views of CCGs, to assess how companies' business plans support customers in circumstances that make them vulnerable based on the challenges we set in our 2016 Vulnerability focus report.

## Respondents agreed

### Bespoke performance commitments

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- Most respondents agreed with our proposal to require companies to include bespoke performance commitments for addressing vulnerability in their business plans after engagement with their customers.

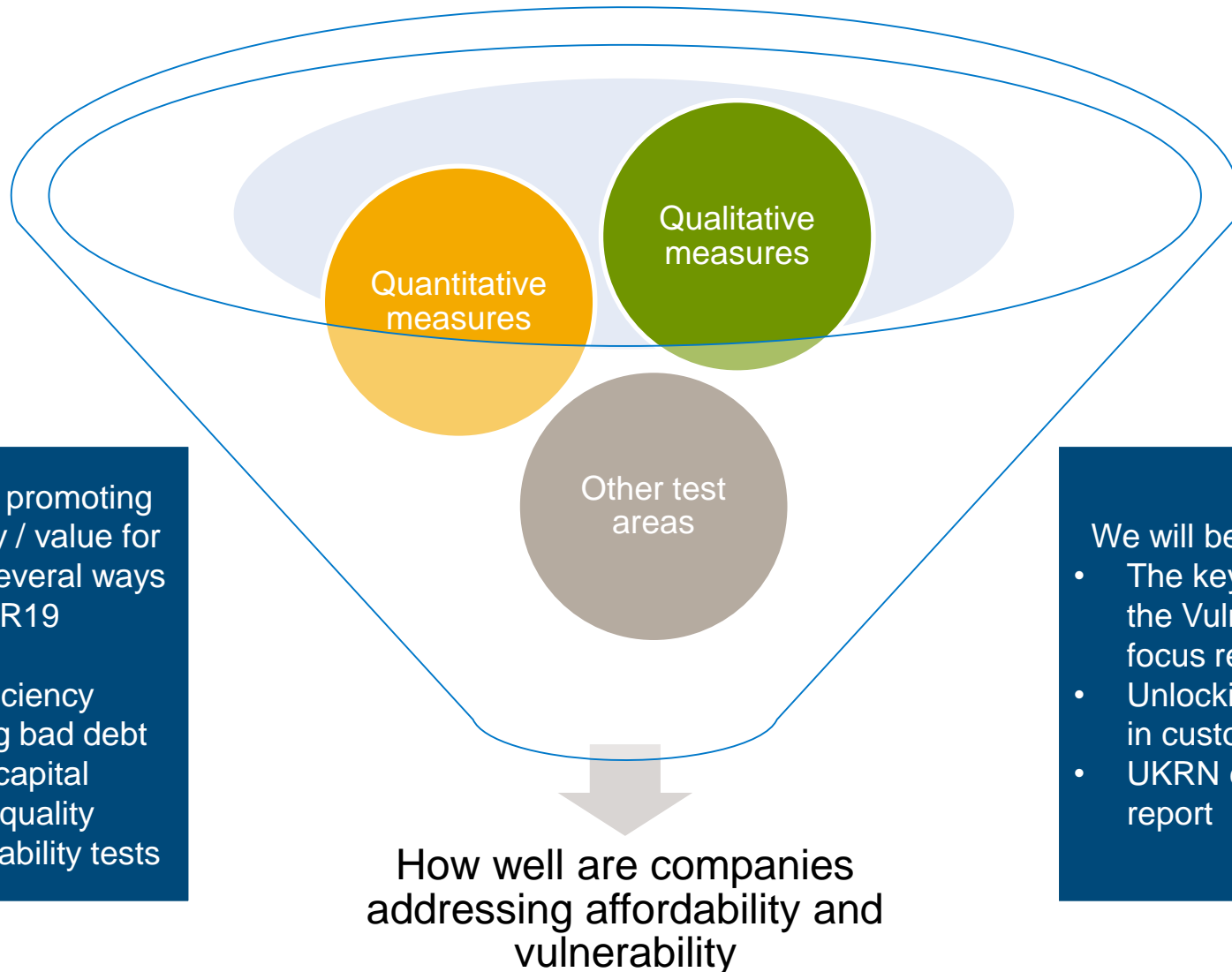
## Mixed views

### Common metrics to assess vulnerability in plans

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- Respondents generally supported the use of common metrics
- Respondents had mixed views of the common metrics we proposed at the July Methodology consultation
- Alternative suggestions were proposed by some respondents

We propose to assess companies' approaches and common metrics **'in the round'**



We will be promoting affordability / value for money in several ways at PR19

- Cost efficiency including bad debt
- Cost of capital
- Service quality
- Financeability tests

- We will be promoting:
- The key themes of the Vulnerability focus report
  - Unlocking the value in customer data
  - UKRN data sharing report

## Affordability metrics



Percentage of customers finding bills acceptable

Benefits of applying affordability measures (for example, decrease in revenue outstanding)

Costs of applying affordability measures

Debt management costs (as % of average bill)

Number of customers receiving financial assistance

Number of customers receiving non-financial assistance (now considered under vulnerability)

Average (mean) bill reduction from financial assistance options

## Responses to our methodology:

- Respondents generally supported the use of common metrics, but had mixed views on the common metrics we proposed in the methodology consultation
- Some supported using bespoke rather than common metrics of affordability, with the onus being on a company to provide evidence on its approach to affordability
- Ofwat should work with stakeholders to develop metrics that measure impacts rather than inputs or outputs, which will incentivise the right behaviour.

## Good Customer engagement

- Percentage of customers engaged with on affordability

## Good Customer support

- Percentage of customers finding bills acceptable.
- Percentage of customers satisfied with bill
- CCWater annual tracking survey results
- Percentage of customers receiving support who are satisfied.

## Effective approach

- Growth of customers on each of assistance scheme offered
- The average discount that customers receive
- Demographics of customers on schemes
- Range of assistance offered
- Uptake against eligibility (year by year?)
- How many customers receiving help and continuing to pay their bills

## Efficient approach

- Average mean bill reduction from financial schemes
- Percentage of applications for support accepted or rejected
- Cost of implementing schemes versus benefits
- Ratio of assistance provided against the cost passed onto customers

## Accessibility

- Tracking uptake of support
- Percentage of customers aware of support

## Vulnerability metrics

Proportion of eligible customers receiving support through vulnerability assistance option(s)

The number of customers contacted by the company about eligibility for vulnerability assistance options

The percentage of customers receiving vulnerability assistance option(s) who are satisfied with the assistance.

Respondents generally supported the use of common metrics

Respondents raised concerns over the metrics we proposed and the incentives that they might create.

Some disagreed with the principle of using common metrics on vulnerability issues given the complexity of the issue.

Some were concerned the metrics:

- (i) did not reflect the transient nature of vulnerability;
- (ii) measured outputs rather than outcomes or impact; and
- (iii) could create perverse incentives, such as incentivising poorly-targeted communications.

## Identifying and supporting customers who need extra support

### Completeness of support services

- Types of priority support services offered
- Staff training program
- Accessible information on the support available
- BSI certification
- External accreditation/ certified (some charities offer this)
- Publication of an annual report
- Third party challenge to company approach

### Identify eligible customers

- Working with partners
- Working with other utilities on joint awareness initiatives
- Using data from within and outside the sector to gain insight
- Data sharing with other utilities
- Company contact with customers (bills, new account opening, during an incident)
- Measure of awareness of schemes amongst customers

### Eligible customers registered onto support schemes

- Proportion of eligible customers registered on a scheme
- Year-on-year increase of customers on schemes
- Satisfaction of customer contacted but choosing not to take up the support
- Customers satisfied that services are easy to access

### Satisfaction of customers receiving support

- C-Mex tracking
- Regular reviews of customers on PSR to ensure they are getting right support

We will reflect on the points made today.

We will discuss further with the CCG chairs on 8 November.

We will plan to discuss with some organisations who could not attend today.



We will provide our final list of common metrics in the methodology statement and business plan tables in December.



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