

July 2019

Trust in water

# PR19 draft determinations

**South East Water – Addressing affordability and vulnerability actions and interventions**

**o f w a t**

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## PR19 Draft Determinations: South East Water - Addressing affordability and vulnerability actions and interventions

Following our initial assessment of plans, we categorised two types of actions for slow-track and significant scrutiny companies:

- required actions for companies which in general were required for draft determinations (or final determinations for some aspects of past delivery); and
- advised actions for companies to do by a specific date but that are not required for our draft determinations.

Table 1 below sets out the required and advised actions, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination.

Each action has a unique reference. The prefix 'SEW' denotes the company South East Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key to these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

Table 2 below sets out any further interventions that are not resulting from an action which we are making as part of the draft determination.

Each further intervention that is not resulting from an action has a unique reference. The prefix 'SEW' denotes the company South East Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key to these acronyms. Intervention numbers are preceded with a 'C'.

For all other documents related to the South East Water draft determination, please see the [draft determinations webpage](#).

**Table 1: South East Water's response to required actions and interventions for draft determinations**

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
Addressing affordability and vulnerability	SEW.AV.A1	Required	<p>South East Water is the only Water only Company that has not tested the acceptability of its combined water and wastewater bill.</p> <p>South East Water should test the acceptability and affordability of its combined bill for 2020-2025 and report the results. South East Water should confirm that testing will be assured by its customer challenge group and conducted in line with social research best practice.</p>	1 April 2019	<p>South East Water undertakes new research on the acceptability of its single and combined services. The company reaches a sample of 1000 customers through a mixture of online and in-home interviews. The company and customer challenge group liaise on the content and design of the survey and the company appears to adapt the exercise in light of customer challenge group comments. The customer challenge group seem to be generally satisfied with the exercise. The company's combined bill acceptability is low (real terms is</p>	<p>No intervention required.</p> <p>The company undertakes the required testing to complete this action. It is clear from the results that customers find the combined bill less acceptable than the water-only bill.</p>	N/A

					50%) but the equivalent result for water only testing is high at 82%.		
SEW.AV.A2	Required	<p>South East Water has not provided sufficient evidence to demonstrate that it has tested multiple bills profiles with customers beyond 2025, particularly for the 2025-30 period.</p> <p>South East Water should undertake customer engagement on long-term bill profiles and provide sufficient evidence to demonstrate customer support for each of the profiles tested. South East Water should confirm that testing will be assured by its customer challenge group and conducted in line with social research best practice.</p>	1 April 2019	<p>South East Water undertakes engagement on long-term bills, reaching a sample of 1,000 customers through a mixture of online and in-home interviews. The company's customer challenge group states that 'The research showed strong support, 82%, for a stable bill profile for 2025-30. This is in line with SEW's research for 2020-25 which showed 92% of customers wanted a stable bill in 2020-25 and 88% for the next 20 years. This is also consistent with wider customer insight.</p>	<p>No intervention required.</p> <p>The company undertakes sufficient testing and completes this action.</p>	N/A	
SEW.AV.A3	Required	<p>South East Water has not set out the social tariff cross-subsidy level or the support for it. It has acknowledged that it has not undertaken the final round of social tariff acceptability testing.</p> <p>South East Water should undertake engagement with customers to confirm the level of cross-subsidy they are willing to pay to support the social tariff.</p>	1 April 2019	<p>South East Water does not undertake additional research but does submit additional evidence clarifying customer willingness to pay a social tariff cross-subsidy. The company secures support from customers for a total cross-subsidy per customer of £5.50. However, the company's current social tariff design restricts eligibility to the extent that the company cannot extend support to enough recipients to reach this cap. South East Water states it has support to extend its financial support offering to an additional 10,000 customers beyond its current plans. South East Water's customer challenge group states that the company needs to undertake more stakeholder and customer research to establish views over the proposed extension to its package. It further states that it will continue to provide assurance to Ofwat on the exercise, should we wish. The company states that it will continue to work on this issue and 'provide an update in November 2019 which 'provides us with sufficient time to design this</p>	<p>Intervention required.</p> <p>The company does not undertake testing to confirm the acceptability of its social tariff support, although it submits convincing evidence on customer willingness to pay a cross-subsidy of £5.50. Its submission also makes clear that customers are willing to pay for additional recipients beyond the number currently included in its business plan and corresponding performance commitment. We are amending the target for the performance commitment, so the target reflects the number of recipients that the cross-subsidy can fund.</p>	<p>We are intervening by increasing the relevant performance commitment target by 10,000 customers per year.</p>	

					additional tariff in a way that complements our existing social tariff and supports more customers in need.'		
	SEW.AV.A4	Required	<p>South East Water has already proposed a reputational performance commitment on Priority Services Register (PSR) growth (PR19SEW_J.1). It is proposing to increase its PSR reach from 1.7% in 2019/20 to 6.8% of households in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has only checked 7.7% of PSR data over the past two years.</p> <p>We propose to introduce a common performance commitment on the Priority Services Register (PSR): South East Water should adapt its performance commitment on 'Household customers receiving non-financial support' (PR19SEW_J.1). It should increase its proposal for PSR growth to at least 7% of its customer base (measured by households) by 2024/25. It should also commit to checking at least 90% of PSR data every 2 years via its performance commitment.</p> <p>For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.</p>	1 April 2019	See PR19 Draft Determinations: South East Water - Outcomes actions and interventions	See PR19 Draft Determinations: South East Water - Outcomes actions and interventions	See PR19 Draft Determinations: South East Water - Outcomes actions and interventions
	Advised actions	Advised	No advised actions	N/A			

**Table 2: Further interventions for draft determinations**

Intervention reference	Our assessment and rationale	Interventions
N/A	N/A	N/A

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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