

By email

17 October 2022

Dear CEO

Supporting customers through cost of living pressures

All of us across the sector are acutely aware of the enormous challenges facing households as the cost of living crisis continues to tighten its grip on people's budgets.

Although water bills have been rising below inflation in recent years, and are not increasing in the way we have seen in energy, they are a significant concern for lower-income households. Joint research from our two organisations found that more than a third of customers struggled to pay their bills fairly frequently. As many as 1 in 5 of some of the most vulnerable households – including people with disabilities, as well as unemployed people – also feel their water bill is unaffordable, according to CCW's annual Water Matters survey.

We welcomed water company efforts to support customers in payment difficulty during the Covid-19 pandemic. We are calling on water companies once again to show you understand the needs of your customers and can respond, particularly as customers' water bills for next year will be impacted by higher inflation.

We want companies to ensure that more customers are benefiting from social tariffs. We have already seen some companies expand their social tariff scheme, for example through provision of additional company funds or through improving the accessibility and customer awareness of the scheme. We expect all companies to do more to support a greater number of customers through the cost of living crisis.

We also know that more customers are struggling to pay their bills, beyond those that may be eligible for social tariffs, and that this is particularly the case in the context of rising inflation. We are therefore asking you to anticipate and act in advance. We are asking companies to carefully consider how to manage and mitigate any significant inflationary increases in customers' bills for 2023-24.

Ofwat has been clear that companies should not wait until PR24 to act on affordability challenges. Ofwat's Paying Fair guidelines set expectations on how companies should support customers in debt or struggling to pay. The PR24 draft methodology proposes to incentivise companies to be ambitious in supporting and enhancing customer affordability, recognising the importance of company actions now, as well as from 2025 onwards. Ofwat's recent consultation on charging innovation to support affordability also challenges companies to think more creatively about setting charges and establishing trials directed at customers struggling to pay.

CCW's review of water affordability has played a key role over the past year, setting out a path for improving support for customers. This included CCW's recommendation of the introduction of a new water affordability scheme that is now being considered by UK and Welsh Government. CCW's pilot schemes have also facilitated greater collaboration, with findings and good practice being shared across the sector.

We are pleased to see some companies already acting on affordability challenges and now look to the whole industry to show the scale of ambition we believe is needed to support customers during the remainder of the AMP.

Such measures will not only bring critical financial relief to customers in hardship but also help to strengthen the relationship and trust between companies and the communities that rely on your services, at a time when they most need your support.

We are asking you to write to CCW and Ofwat by 8 December 2022 to set out your plans for supporting customers through cost of living pressures. Ofwat welcomes early discussion as you develop your thinking, including on the interactions of any emerging proposals with its regulatory framework. We will report on your plans so the scale of your ambition is clear to customers.

We look forward to hearing from you.

Yours sincerely



David Black
Chief Executive, Ofwat



Emma Clancy
Chief Executive, CCW