



By email

8 December 2022

Dear David and Emma

Re: Supporting customers through cost-of-living pressures

We welcome the opportunity to provide Ofwat and CCW with details of our current affordability help and support schemes, and our plans to support customers through the ongoing cost of living pressures.

Affinity Water is committed to supporting customers to manage their water bills and provide help and support in a way that best meets their needs when customers struggle. We are also working together with the industry and external partners to implement best practice and learning for the benefit of all customers. We strongly believe that a collaborative approach will lead to the best outcomes for customers and that, as a collective industry, we need to work together to help provide the greatest support possible for customers.

We acknowledge the focus of CCW and Ofwat on this important issue and the positive feedback on how we supported customers through the Covid-19 pandemic. The pandemic was a challenge that developed over time, with the learning, knowledge and experience gained now being put into practice to support customers who are struggling with increased household expenditure and to afford their water bill.

The cost of living crisis is currently impacting a broad section of our communities, with customers needing to use a greater proportion of income for priority bills (energy, food and mortgages).

Post the Covid-19 pandemic, we have continued to ensure we actively listen to customers and we continue to make informed changes to our affordability help and support schemes.

Understanding our customers' needs

Water community panel

We have explored with our 'water community' panel how our customers are coping during the cost of living crisis and what actions we can take to better support and gain customers trust during a financially difficult time.

We conducted research in July 2022 which confirmed that 89% of customers were concerned about the cost-of-living crisis and rising household bills. Government support for customer energy bills was uncertain at the time and energy bills was the top area for concern. Customers were worried about how they would prioritise their spending as they headed towards the winter months.

Our panel was asked in August 2022 how the cost-of-living crisis was impacting them, their water consumption, their billing payment priorities, and finally, if it had affected their perception of Affinity Water. Customers confirmed that they valued water as an essential service and had started to make small changes to reduce consumption. A small but significant segment (6%) stated that they worried about paying their water bill, with the majority worried about energy bills.

In November 2021 we engaged with our panel regarding transient vulnerability and flexible payments. A key theme from this research confirmed customers wanted more information and help to lower bills rather than payment flexibility.

Below we set out how we have used this research to support customers this year but also how we have adapted and introduced new support for 2023/24 and into the next price review period.

Data and analysis from Qualtrics

We have recently implemented a data and analytics tool from Qualtrics, which draws on all our communication and contact channels with customers, social media and event data, and analyses them using advanced analytical and data visualisation techniques, such as Natural Language Processing. It's the first time such a comprehensive and powerful customer analytics platform has been deployed in the water industry and the resulting insights create a powerful depth of understanding about what our customers want and how we can improve our processes in all areas, not just for those struggling to pay.

We are still developing the suite of dashboards needed to fully use the tool, as a priority we intend to create a dashboard that 'listens' for indicators of cost-of-living pressures so we can proactively contact customers to check in with them and offer support if it is needed.

Customer awareness of our help and support schemes

Collaborative and Proactive Campaigns

Throughout this year we have worked with both UK Power Networks (UKPN) and Scottish and Southern Electricity Networks (SSEN) on targeted campaigns to reach thousands of households in a variety of formats to highlight both financial and non-financial support. This includes communications by letter/email but also community awareness at local events.

We support financially the Money Advice Trust and sign-post customers to them for help and support with their wider financial problems and debts.

Over 650K customers have been contacted this year with offers of applying for financial support and over 83K were identified from our data as potentially 'Feeling the strain'.

Community Events & Funding local projects

Above, we have set out how we are maximising the opportunities that come from existing contacts with customers, and proactively contacting customers we have identified as benefiting from assistance. In addition, we have developed new and innovative ways to try and contact customers who are the hardest to reach, working in partnership with specialist organisations. By the very nature of the type of organisation we are working with, the numbers of customers we reach through these channels, whilst small, is building incrementally over time. Such customers financial situations are often complex, need in depth attention and time to understand and the impact and help given to each family is significant for them.

We have worked with a local Dementia Action Alliance to increase our community presence by providing a face-to-face resource and a hub where customers can obtain information about how to live with Dementia, and also the help and support we offer for their water bills. We have piloted this partnership over three months, seeing on average 20 customers a month.

In addition, we have worked with Reed in Partnership and the Department of Work and Pensions (DWP) at focussed cost of living events to share water-saving tips and distribute water saving devices as well as information on obtaining affordability support. Similarly, our support of local anti-poverty charities and advice centres allows us to reach customers with targeted debt advice and support.

Social Tariffs

Expanding our social tariff reach

Social tariffs are an important element of our approach to helping customers afford their water bill. We have increased support for households with low incomes since the start of the pandemic in March 2020 by over 55%, supporting 93,568 customers by October 2022, and we expect a further 6,000 to be supported by March 2023.

Our Willingness to Pay research with customers in late 2020 allowed us to increase the scale of our social tariff and reach to 100,000 customers, including 3,000 customers with a higher-level of discount, which together represent around 7% of households in our area. As we anticipate we will approach that level by March 2023, we plan to repeat the Willingness to Pay research in early 2023 to understand customer appetite for further increases in the social tariff and the number of households supported.

In addition, 4,429 customers with high water usage and certain medical conditions are in receipt of Watersure, around 9% more since April 2020. Our social tariff and Watersure schemes both set a maximum cap on the water bills of participating customers.

Next year, we think the certainty that this gives will be especially valuable as customers will be able to know the maximum amount they will be asked to pay for their water, helping them to budget and protecting them from bill 'shock'.

Social Tariff accessibility

Our onboarding process for our social tariff is both simple and easy for customers, with a single application with very clear and specific criteria. We are proud that our process is amongst the simplest across the water industry for customers to navigate and has gained positive feedback from stakeholders, including our Independent Customer Challenge Group.

We believe this simplicity for both the customer and our debt advisors has been key to the success of our increased take up of social tariffs. Our single application helps customers receive support from both their water and wastewater provider by 'passporting' their application for a reduced tariff.

We notify Southern Water for customers in our southeast region that they have been provided with a social tariff. For customers in our central region, we administer the Thames Water 'waterhelp' tariff on their behalf. We have also improved the process for Anglian Water customers, where previously we had to refer the customer to

Anglian Water. By working together, we are now able to administer the tariff on their behalf.

These arrangements ensure that eligible customers will receive discounts on both their water and wastewater bill from a single application form.

Additional Customer Affordability Support

We proactively worked in partnership with Kent County Council during the Covid-19 period to identify customers whose financial situation had been adversely impacted by the pandemic. An initial 325 households were identified and supported by a payment of £130 towards their water bill. A further 810 households received £250 each towards their water bill; meaning a total of £250,000 support for customers.

Our crisis fund has been used to target customers with large historical debt or an inability to make payments towards their water bill. We have been able to write-off debt for over 100 customers and agreed to match payments to help households get back on track with their payments.

In addition, we have actively helped c.14,000 customers afford their water bill via one of the following support schemes:

- breathing space:
- low payment arrangements
- payment breaks.

This has significantly improved their financial situation by allowing customers to budget for other large bills or expenses without the need to maintain full payments of their water bill.

Lastly, we are promoting awareness of our help and support schemes to all employees, including how financial and non-financial vulnerability impacts our community, and customers' ability to pay. This ensures our operational frontline employees have the best information available to signpost support to customers.

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Our plans for 2023/24

For the next financial year, we have considered a number of ways to help protect customers from the effects of inflation. We have introduced a one-off affordability payment of £50, targeted at the most financially vulnerable, we have frozen our standing charge to help smaller households who use less water, and we have increased the number of home efficiency checks to help customers manage their consumption. Below, we provide more information on each of these initiatives.

Customer Affordability Payment

The cost-of-living crisis will impact customers due to the challenges of increased prices. Inflationary increases on fuel, utility bills and food will cause additional pressure on household incomes. We expect that some customers will struggle to pay their water bill as they prioritise their income and expenditure.

In answer to this challenge, we propose to introduce a customer affordability payment in 2023/24. This will be a one-off payment to reduce the water element of the 2023/24 bill by £50, thus providing a discount of around 25% off the average bill. Eligibility for the payment will focus on the most financially vulnerable, i.e. lone parents on state benefit, single pensioners on pension credit, or those in severe financial hardship or living on disability benefits. We will offer up to 30,000 customers this payment during next financial year.

We will proactively identify customers eligible for this payment by using data from the Department of Work and Pensions (under the Digital Economy Act 2017), using external partners and charities, such as Age Concern, and promotion through our own direct contact with customers. This will ensure we can target customers most in need and proactively offer the support payment without customers having to take any action themselves.

Fixed Charges

For 2023/24, we have also considered the balance of fixed and variable charges in our household tariffs and how adjustment to this balance can alleviate cost of living pressures next year. We propose to freeze fixed charges for household customers at last year's level and weight tariff adjustment onto the variable elements of charges. This approach means that bills for lower consumption customers and for customers occupying low rateable value properties (frequently single occupiers) will increase less quickly than for high consumption customers and those living in higher rateable value properties. It assists affordability overall because it will mean lower bill increases for single occupiers and those living in smaller homes, where we know that affordability difficulties are more common in single occupier households. It also helps

support our longer term approach to fair tariffs and charges that provide more responsive pricing signals for water usage.

The table shows the effects of rebalancing fixed and variable charges on the bills of low and high consumption customers. The bill increase would be between 1.8% and 2.7% lower for low consumption customers compared to high consumption customers.

Table. Typical bills for low consumption and high consumption household customers £/year and % change

	Consumption (m ³ /year)	Water Bill 2022/23 (£/year)
Central area	65	98.98
East area	42	103.56
Southeast area	65	151.75
Central area	300	352.26
East area	225	428.79
Southeast area	300	595.83

Water Efficiency

Water efficiency and other simple steps that customers can take to reduce water wastage can lower water and energy bills.

Our aim is to offer every customer who is struggling to afford their bill a free home water efficiency check. This check could save customers on average £21.96 per year (based on [REDACTED] combined water/wastewater bill) or c.6.2% of their water bill. This also helps achieve our environmental and performance ambitions to reduce water usage and reduce the need to abstract as much water from the environment.

Targeting help for 2023/24

Using internal and external data and our understanding of different customer segments and their circumstances, we have identified c.188,000 households at risk of struggling to pay their bills, made up as follows:

- 131,000 customers that we know to be under financial strain with current bill levels (57,000 unmeasured and 74,000 metered). Of these, we already support 30,000 on social tariff terms.

- 57,000 additional customers who we assess as being at risk of falling into difficulties when tariffs increase next year (24,000 unmeasured and 33,000 metered customers). Of these, we already support 13,000 on social tariff terms.

All customers in these segments are already receiving targeted engagement campaigns promoting social tariffs and financial support, to make bills more affordable.

We have entered into an agreement with DWP to match and share customer data. This will allow us to identify customers who are in receipt of certain benefits, which may indicate those most affected by cost of living pressures. This data will be used proactively thereby reducing the effort needed from customers to apply for discounts on their water bill. Customer eligibility for our support schemes will also be renewed using this data, again ensuring the right households continue to receive support.

Customers will receive notification of price increases via a mixture of letters, emails and SMS notification and this will be replicated in their online accounts. The information includes the ways that we can help customers, for example the discounted tariffs, different ways to pay, how to save water (energy and money) and the benefits of having a water meter installed.

We will also run a targeted email, social and SMS campaign in February 2023 (targeted at unmeasured customers) to those who we know may be in financial strain with information on financial help and support available.

Conclusion

We are acutely aware of the continuing effects of the cost of living crisis, and ensuring our bills remain affordable for our customers is a high priority for us. We have developed ways to ensure we are actively listening to our customers so that we can understand their needs. We have set out above the existing and additional measures we have put in place to help customers who struggle to pay their bills, and the lengths we have gone to, to ensure all customers who would benefit, are aware of the help on offer.

In addition to the measures we are putting in place for 2023-24, and the work we have done to increase awareness, we have also been developing our plans for 2025 – 2030. With our business plan submission in October 2023, we will set out a comprehensive affordability strategy to ensure our bills remain as affordable in the next price review period as they are now. We welcome discussion with both Ofwat and CCW on our plans for both the immediate and the longer-term future.

Yours sincerely



Joe Brownless

Director of Customer Experience and Technology