



18<sup>th</sup> November 2022

Dear David & Emma

### Supporting customers through cost-of-living pressures

Thank you for your letter of 17<sup>th</sup> October to Peter Perry. Peter has asked that I respond to you both directly. The issue of the current cost of living crisis is a topic that we regularly discuss at our Board, in the context of the worsening economic situation, the assistance we currently provide and whether there is more we can do to help those who struggle to pay.

Households and businesses across Wales and England are facing significant financial uncertainty due to rises in the price of fuel, energy, food and the cost of borrowing, which is on a scale that hasn't been seen since the sector was privatised. Welsh Water has a strong track record of helping those that need it most. We have been providing financial assistance to low-income households since AMP4 when we launched 3 discount schemes: Welsh Water Assist, Welsh Water Direct and Welsh Water Collect. These schemes pre-dated the Flood and Management Act 2010 (which provided the legal framework for social tariffs) and were funded entirely by the company's surplus profits.

In the years since the 2010 legislation, we developed and launched HelpU and WaterSure Wales, 2 social tariffs that target customers in receipt of means tested benefits and are now supporting c.144,000 households with some form of financial assistance, proportionately more than any other company in the sector.

In preparing our charges for 2023-24, we have given careful consideration to the trend of rising inflation that we've seen since the middle of 2021 and the impact it could have for customer bills. We have already seen the impact of this on the cost of our operation (manpower, energy and chemicals in particular) and our supply chain and opportunities for us to absorb any element of the bill increase are negligible. Therefore, we expect to fully apply November's CPIH increase to bills (subject to Board Assurance).

This situation highlights the importance of our financial assistance schemes and the work we are doing to ensure that people who need our assistance receive it, which I will outline in the rest of this letter.

### AMP7 strategy

In 2018 we launched our strategy for supporting customers in vulnerable circumstances, entitled 'Supporting our customers – working at the heart of our community' (I have attached a copy for your reference), in which we set our ambition to expand the reach of our financial assistance schemes to

150,000 by 2025. In our AMP7 plan, we committed to investing £55m of company revenues in these schemes. As well as the financial commitment to funding financial assistance we have:

- Established a dedicated Specialist Support team to provide financial and non-financial support to our vulnerable customers and redesigned all of our customer journeys to ensure that anyone needing assistance is directed to this team.
- Made good progress towards achieving the Inclusive Service Standard (BSI 18477), through which all front-line teams will know how to identify and respond to signs of vulnerability.
- Built a network of 300+ partner organisations who we work with to raise awareness of our assistance, provide training to their teams on our schemes, arrange referrals (two way) and hold advice clinics
- Introduced our Community Hub, a mobile unit that visits towns across Wales, often working with one of our partner organisations, to speak to customers face to face. Between April and September 2022, we spoke to almost 4,000 customers.
- Launched our online partnership portal to assist third party referrals.
- Started sharing data with the Department of Work and Pensions to check eligibility for WaterSure Wales.
- Entered discussions with 11 local authorities/social landlords to share financial data about their tenants and check their eligibility for social tariffs.
- Introduced new flexible payment arrangements (payment holidays and temporary low value plans) and an online help facility.
- Cancelled charges for 45,000 businesses that were forced to close during Covid-19 pandemic.
- Increased the capacity of our social tariff scheme to support a further 50,000 customers.
- Established 3 Water Resilient Community projects, building on the model we created in the Rhondda Fach community at the end of AMP6. Through these projects, we work alongside our capital teams undertaking large investment projects to build our understanding of the local community needs and to help address some of the challenges that they face.
- Established an annual Vulnerable Customer Conference to engage with a wider group of stakeholders to promote support and share best practice. One of the most important outcomes of these sessions has been our involvement in Project JIGSO (Welsh Government data sharing platform), which although not directly addressing cost of living pressures, does demonstrate the value of our partnership network.

#### *Plans for supporting customers through cost-of-living pressures*

The work that I have outlined above puts us in a good position to respond to what is going to be a very challenging time for customers over the next 12-24 months, however I must stress that we are not complacent and having been looking at what more we can do.

When we increased the capacity of social tariffs, the Office for Budget Responsibility (OBR) had forecasted that unemployment would increase to 10% by June 2020, falling to 5.5% by the end of 2021. However, this never materialised and we have not seen the increase in demand for financial assistance that we had anticipated. Based on current forecasts of unemployment, we think we don't think demand for social tariffs will peak until the end of 2024.

However, this cost-of-living crisis is likely to impact upon people that do not qualify for help in paying day to day bills, for whom there is little (if any) support available – a group often referred to as ‘the working poor’. We believe that there is an opportunity to use the capacity in our current scheme to provide short term support for this group of customers, provide them with the necessary breathing space to get their affairs in order and to minimise the risk of them building up significant arrears.

Therefore, we are going to pilot our proposed community fund (‘Cymuned’) in 2 local authority areas from January 2023, with a view of launching the fund later in the year. We will use the data that we gain from the pilots to inform the final design of the scheme, which we believe will compliment our existing social tariffs and provide much needed support to customers that struggle to pay their charges. We have developed this proposed scheme through engagement with our community partners and with input from our Independent Challenge Group. We will continue to take this approach to monitoring the impact and progress of the pilot.

We also plan to reduce unmetered standing charges from 2023-24 onwards by £5 and increase variable charges to offset this tariff reduction. This will have the effect of reducing bill increases for low rateable value customers who are more likely to have affordability issues.

#### Awareness of assistance

Although that we have seen an increase in awareness of our affordability schemes (from the CCW Water Matters research), we know that we still need to improve. This year we launched our ‘Here for You’ campaign and changed our approach to marketing our support. The first significant change is that we have linked eligibility for social tariffs to other support available, such as working tax credits or free school meals, and joined up with other organisations to promote what we do. The other change has been more targeted marketing in the areas that we know to have higher concentrations of low-income households. We will continue to monitor the impacts of and adapt our campaigns to ensure that awareness grows.

#### Longer term approach

We welcome the proposal from CCW to develop a sustainable long-term solution to affordability of water charges and have been actively involved in the Single Social Tariff project. A number of important questions regarding the Single Social Tariff have yet to be addressed and understood:

- Level of discount provided to eligible customers and how this compares with current social tariffs
- Which customers currently receiving support will not meet the eligibility criteria for the Single Social Tariff
- Transition arrangements for customers impacted in either one of the scenarios above
- Options for additional company contributions to affordability support
- Future of WaterSure and non-social tariff schemes.

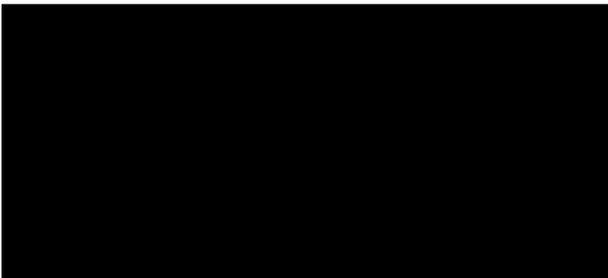
We believe that these questions will need to be answered before a Single Social Tariff can be implemented. This, together with the timescales for the necessary legislation, may result in a delay to the start of the Single Social Tariff, despite the ambition of everyone involved. Therefore, as well as ensuring that our plans for PR24 consider scenarios with the Single Social Tariff and a company

specific solution, we will work constructively with the project to agree an interim arrangement (should that be necessary).

We are also monitoring the results of the various pilots that have come out CCW's Affordability Review. Our own pilot of messaging on bill envelopes completed at the end of 2021 and we took the decision to implement on a permanent basis.

The financial challenges facing our customers are more serious than any other time that most of us have experienced in our working lives. I hope I have demonstrated the depth of support we have in place to respond. I am not suggesting that we have all of the answers, but hopefully you can see the level of attention we are giving this. Please let me know if it would be helpful to meet to discuss further.

Kind Regards



**Samantha James**  
**Managing Director Household Customer Services**