

RHAGOROL O'R TAP
WONDERFUL ON TAP



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Chief Executive
Ofwat

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CCW

Hafren Dyfrdwy Cyfyngedig

By email

7 December 2022

Dear David and Emma

Supporting customers through cost-of-living pressures

Thank you for your joint letter of 17 October about supporting customers through the current cost of living pressures. With Ofwat's Cost of Living: Wave Two report highlighting that one-fifth of bill payers say they are currently struggling to pay their water bill, this is clearly a live challenge for the sector.

As a small local company with just over 100,000 customers, we are focused on serving our local communities and meeting the needs of our customers. To help understand our customers' needs we go out to our communities to meet them in-person and drive awareness of the help that we can give those struggling with their bills. Some of the ways we create these opportunities include our regular pop-up stands at the Newtown and Wrexham job centres, running a Hafren Dyfrdwy stall at local markets and keeping our customer-service hatch open at our Wrexham office. More recently, we've started visiting the warm spaces that have been set up for this winter.

While we have the lowest average combined bill in Wales and England, we recognise that there are customers that will struggle with their water bill. The help that we can provide these customers aims to make a meaningful difference by providing discounts of up to 90%. On a £340 bill this discount would save the customer £306 – equivalent to more than £25 a month. In the context of the current cost-of-living challenge, we note that this is an amount that exceeds the combined monthly standing charges for both gas and electricity applied under the current energy price cap.

Our region has faced significant economic challenges for some time – challenges made tougher by covid, lockdowns and the cost-of-living crisis. Given the growing impacts for our customers, we acted early in 2021/22 to boost our social tariff offering by investing an extra £105,000 in the scheme – roughly £1 for each customer we have. Currently, the scheme is supporting over 1,900 customers and has seen 600 new customers benefit since the start of the year.

[REDACTED] As a result, we're going to expand our social tariff via an increase in the cross-subsidy of £1.30 on the single bill, while keeping it within the range of value supported by our customers. We estimate is that this change will raise an extra £140,000 and allow us to help a further 640 customers (around 36% of those that we think need our help).

We're also taking steps to increase our visibility in the community and raise awareness of our support schemes. We're encouraged to see that awareness has risen 5% in the last 12 months and we aim to keep this growing as we continue our community activities. Alongside this, we've introduced a Trained

Approvers Programme that gives external organisations such as Warm Wales, Citizens Advice and Age Cymru a one-stop application process to sign-up customers to our support schemes, giving a more seamless experience for those seeking extra help.

While our help can be accessed via digital channels, we're aware that some customers will prefer to meet with us face-to-face to talk about financial matters. So, we're in the process of expanding our activity in the community. We're working closely with Wrexham Borough Council to identify a space in the town centre where we can introduce a Community Hub. Our vision is that it will help us engage with our hard-to-reach vulnerable customers and do so more frequently, so that we can offer advice and support that goes beyond their water bill – such as linking them in with local groups, partners and advice agencies. In Powys, rurality can make it even harder for us to engage with vulnerable customers. So, our Powys approach involves attending local community events, as well as working closely with the Powys Association for Voluntary Organisation (PAVO) and their Community Connectors to help us reach vulnerable customers.

Engagement

Given that customers have a variety and range of needs, we have a multi-pronged approach to engage with them. This includes (i) going into the community to talk with customers, (ii) working with expert partners experienced in helping people and (iii) gathering feedback from our customer-facing retail agents. We also undertake more targeted customer research – such as PR24-related research – analyse our own internal retail data on household customers, and draw on external data and research.

Customers

We actively engage with customers so that we can stay up-to-date on any changes in their needs. We've an independent research agency that runs a quarterly tracker survey with a representative sample of 200 of our customers. Run over the phone, each customer can choose between having the survey in Welsh or English. This has identified that, in the last year, the share of respondents disagreeing that their water bill is affordable has gone from 10% to 12%.

We've also just added a survey question asking customers how likely it is that they'll fall into arrears with their water bill – with 5% of customers sharing that this is now the case for them. The findings from these surveys are consistent with what we're now regularly hear from our customers and see in our communities, and underpin our drive to raise awareness of our support and connect with customers.

At the individual level, we use our household retail data to identify changes in customer payment behaviour that might be a sign that a customer needs our help. This includes trends in payment plans being created or cancelled, people switching to credit card payments and those missing payments. When we identify a customer has, say cancelled a direct debit or missed a payment, we give them a call to find out if they need our help and offer it when they do.

We reach out to specific vulnerable group, such as targeting families on free school meals. We're also exploring how we can reach customers receiving Pension Credit, working with councils to reach those in social housing and collaborating with partners at community events.

Communities

As noted above, our dedicated Community Partnership Specialist (i) leads our link into our communities, (ii) raises awareness through training, events and drop-in sessions, and (iii) promotes our range of affordability schemes. We also attend warm spaces, foodbanks, and community centres,

as well as hold regular outreach sessions. And, by updating our schools' education programme to expand knowledge of the help on offer, we've reached an extra 3,000 families.

We have activities focused to communities in more deprived areas – such as Wrexham's Caia Park. We're now linked in with the Caia Park Partnership and attended their cost-of-living event organised jointly with Wrexham Borough Council. This saw us appear alongside other support specialists such as NYTH (Welsh Government's warm homes scheme), Warm Wales and Communities for Work, strengthening our links with support partners and better understanding the challenges facing customers. It also helped us gain extra insight from our customers about the pressures they are facing, promote our schemes and sign up those needing help.

We've been working closely with our local councils to organise a data share that has allowed us to engage with customers living in social housing. This has seen us reach an extra 13,000 customers and raise awareness of our affordability schemes.

Support for customers

Financial support

We are committed to **continuing with one of the most generous social tariffs in the sector**. This will make sure that customers needing our help get a discount of up to 90% and that our help makes a meaningful difference for those that need it the most. And, as we've noted above, we're **expanding our social tariff** so that we can help even more customers next year.

We offer other financial help with bills. Through **Debt Support – Matching Plus** is where we help customers clear arrears on their water bill by matching the amount they pay with our own contributions. We are part of the national **Bill Cap Scheme – WaterSure** is open to customers on a water meter, who are receiving benefits and have three or more children under 19, or a medical condition requiring the extra use of water.

Managing bills

We also help customers to afford their bills without direct financial support. These schemes include offering (i) **payment breaks** to help them as they stabilise their finances, (ii) **payment plans** to help customers clear their arrears in a manageable way and (iii) **water health checks** to help them reduce water usage in the home and reduce future bills.

Access to support

We have been working with CCW and keeping up-to-date on the outputs and pilots from the recent affordability review. This has led us to redesign our customer bills so that affordability offerings are more prominent, including a QR code that a customer can scan to access advice and support directly.

We've brought in a Direct Referral process to Citizens Advice so the customer can quickly access a wider range of advice, especially about income maximation and benefits checks.

We recognise that it can be tough to ask for financial help, so we have revised our approach to affordability information on our website to make it feel more human and personal. This allows customers to "Meet Katie" our Community Partnership Specialist, who will talk to them about all of our schemes and services. We also share regular updates about where Katie will be in our communities day-to-day. Following these changes, we're seeing both engagement and uptake of our schemes beginning to increase.

Supporting our communities

As struggling-to-pay customers can be a sign that local communities need extra support, we set up the Hafren Dyfrdwy Community Fund in 2020. Each year, we put £50,000 into the Fund, which then provides grants to local community projects and charities. Last year, we held two rounds of applications and awarded funds to eight projects, and the funding round for this year is currently open.

As a local business, we have the opportunity to help drive the local economy and its growth to the benefit of our communities. We're expanding our links with local suppliers and strengthening the supply chain across our patch. We currently spend around £20m a year across 400 suppliers – 70% of which are SMEs. We hold supplier days, to help business understand who we are, how they can help us and increase their confidence that – as a company that meets all of Ofwat's Paying Fair Guidelines – we'll be a reliable partner. Alongside the economic benefits, we see the potential for this to reduce the supply chain's carbon footprint and increase its resilience.

Engaging stakeholders

Our ambition is to have a positive impact that exceeds our size – whether it's for our customers, our communities or the environment. This means harnessing opportunities to engage positively with partners and stakeholders, in line with the Team Wales ethos promoted by Welsh Government. Current opportunities include:

- the customer-focused licence condition that Ofwat is developing and the ways this could benefit our customers;
- the affordability initiatives from Ofwat, CCW and Welsh Government; and
- this information-gathering exercise by Ofwat and CCW, which will allow companies to share good ideas, learn from each other and strengthen our affordability work.

As a sector, we're facing increasing pressures to invest so that we can (i) strengthen resilience in the face climate change and population growth, (ii) meet the rising expectations of customers and stakeholders, and (iii) play our part in the country's net zero journey. Doing this successfully will mean making sure that we support struggling-to-pay customers, hence we would support allowing extra funding for retail businesses in AMP8 so that they can enhance their support for customers struggling with their water bill.

Yours sincerely

A solid black rectangular box used to redact the signature of James Jesic.

James Jesic

Managing Director