

8 December 2022

Sent by email

David Black
Ofwat

and

Emma Clancy
CCW

Dear David and Emma

Thank you for your letter of 17 October regarding the ways we are supporting customers through the cost of living crisis. You asked me to update you on our plans. I am happy to set out the work we are doing in this important area to help our customers.

Our average combined bills are the lowest in England currently and we estimate that our bill increases next year will be below inflation on average. From this starting position, as you will be aware, we were the first water company to set an ambitious goal to eliminate water poverty in our operating area by 2030. In support of this, we have committed to a five-year partnership with the charity National Energy Action, funding their Water Poverty Unit – a hub for research and sharing national best on affordability, from which the whole sector stands to benefit. We have made great strides towards this goal in recent years, reducing the proportion of customers in water poverty from 18% in 2018 to less than 10% in the 2021/22 regulatory year.

We are acutely aware of the current cost of living crisis and the impact that this is having on households, which will make our water poverty goal more challenging to achieve. Water bills, while being a relatively small part of a household's overall spend, are still a cost that all households incur, and any reduction that can be made will help their overall financial position. While the goal we have set relates to water poverty, this is of course a strong indicator of more general financial challenges so holistic support for these households is important.

I am pleased to say that take-up of our social tariffs has increased significantly, by 49.7% from January to the end of November this year. Approaches we have taken that have driven this increase include raising awareness, data sharing, and our own company scheme.

Raising awareness

Since the Covid-19 outbreak, much of our external communication has been focused on supporting vulnerable customers, whether through a short-term shock, longer term affordability challengers or priority services needs. We have continually run awareness campaigns both internally and externally. We have often linked these with external campaigns such as debt awareness week, the Money and Pensions Service (MaPS) Talk Money week or more recently linking our money saving tariffs to Black Friday deals in order to reach a different audience who may not think these schemes are relevant for them.

Over the last few months, we have conducted broadcast interviews, run rolling social media campaigns and regularly used email campaigns to get the support message out to customers building on our analysis of what has worked from similar activities in the past three years. In line with the recommendations of CCW's affordability review we have amended our websites to align wording and we have added in more information about how customers can access support and what support is available to them. Using feedback from customers and their representatives we have also made changes to make it easier to find the help they need on our website.

Since January of this year, all our customer billing correspondence has had our additional support promoted prominently on envelopes and we have also made changes to all our standard letters and reminders to make support offer much more visible.

Our website now includes information about money and mental health support, giving customers alternative ways to talk to us and signposting where they can get external help. We also have a quick eligibility checker to tell customers what schemes would be suitable for their circumstances.

We are hitting our performance commitment for satisfaction of customers who receive additional financial support, with a score of 9.2 last year against our target of 8.7. We recognise we need to get on track with our performance commitment for awareness of additional financial support, and we are confident this work will support that.

Data sharing

We know that those needing support are often the very hardest to reach, and while increasing awareness of the support we offer is important, this alone will not be enough to make sure all eligible customers access these services. We are therefore also working with partners to explore all appropriate opportunities for data sharing. Since starting our data sharing arrangements with DWP last year, we have increased the number of customers benefiting from Watersure by more than 60%. We now have four times as many pensioner households supported by a discounted bill compared to January, thanks to the data sharing arrangements allowing us to be proactive and apply the discount before contacting them. We know pensioner households have heightened concerns about scams and often view support schemes as handouts, meaning that marketing alone to this group had been less successful with relatively low engagement.

We have been working to strengthen our links with local authorities and housing associations in our regions. We now have 11 partners who will assess for social tariffs on our behalf as part of their financial wellbeing work for tenants in their own social housing, and two more will shortly go live. We are working with three local authorities on arrangements to share social tariff eligibility data across their areas, extending beyond their own tenants to reach more customers. We already have such an agreement fully signed with London Borough of Barking and Dagenham.

Company Scheme

Six years ago we introduced our company funded reduced bill scheme. This scheme is aimed at customers who have accessed independent financial advice, but whose household budget is still in deficit, proving that their bills in total are unaffordable. We know that households in this position have little choice but to stop paying non-priority bills such as water. The scheme, like our cross-subsidy tariff, offers a bill reduction of up to 50% but aims where possible, to align the tiered discount (10%, 20%, 30%, 40% or 50%) to the household's deficit budget.

In the current cost of living crisis, we are seeing more and more that customers are going through financial advice, yet are left with deficit budgets, so this scheme is particularly important to support that group. Households are often committed to elements of spending that aren't easy to adjust in the short term due to contractual commitments or housing costs, so when budgets go negative a medium-term solution is the only way to avoid the build-up of debt. Both Stepchange and Citizens Advice have highlighted the impact of negative budgets in their reports (see [Making Ends Meet. Our Client Research - StepChange](#) and [Negative Budgets: A new perspective on poverty and household finances - Citizens Advice](#)). Traditional social tariffs focus on supporting people with low incomes but not always on addressing affordability and we see our scheme as a good solution to this issue. The scheme costs the company around £1.5m a year, but we expect that to grow over the coming months as we continue promotion alongside the other support we offer.

Additional Support

Not all support is about reducing bills; often customers just need time and space to adjust their finances or deal with an unexpected shock. We continue to offer customers breathing space both formally under the Government scheme and via our payment break scheme. While numbers accessing these are relatively low, they do offer important extra support for those in a crisis situation.

Debt and financial advice play a key part in supporting customers who are struggling with bills, and we actively promote and encourage customers to access these services. If we pick up on "triggers" in customer conversations, we are able to transfer customers directly to StepChange for advice and have long committed to accept the decisions of the debt advice provider in terms of future payment plans for our customers. We work closely with debt providers to signpost their services and support both Stepchange and Money Advice Trust financially to make sure they are able to fund this important work.

The work with our partner National Energy Action (NEA) over the past few years has helped us to understand the real impact that water has on energy bills. Working closely with Jess Cook, NEA's Water Poverty Development Manager, whose role we fund, has resulted in us developing our water efficiency and money saving initiatives to encompass both water and energy. Since the summer we have highlighted the 'Save water, save energy' message to our customers – you can see examples of how we have delivered this here: <https://www.nea.org.uk/water-poverty/>.

We also support the principles behind the Paying Fair initiative and will respond in full to Ofwat's recent request by the deadline later this month.

Looking ahead

In readiness for next year's price increases we have been working with customers on a new bill design, which will go live early next year. We have focused this work on making sure that our bills are clear and easy to understand and that customers are able to understand their payment options and the support we offer to help them. In advance of our annual billing of unmeasured customers in February we will be running an enhanced customer awareness campaign around the help we offer and how to save money on bills.

We have reviewed some of the assumptions around costs for our non-household large user focus tariff and updated our charges to reflect this. The impact of this is to rebalance revenues towards non-household, which relieves the pressure on household charges and will help mitigate the inflationary increases.

To build on improvements to our website, we've been working with TransUnion to develop a first of its kind consolidated household income check tool, that will be live in the coming weeks. This will allow customers to self-apply for our tariffs online, making the whole process quicker, easier and less intrusive. Our website also includes a link to Policy in Practice's benefit calculator ([Better Off Calculator | Policy In Practice](#)), which is tailored to our customers. We have worked with Policy in Practice and Anglian Water to create an eligibility test for both Anglian Water and our social tariff schemes embedded into the process to make it simpler for customers in the area where they receive water services from Essex & Suffolk Water and sewerage from Anglian.

Future improvements

We have plans to develop our support for customers further in future. Following an idea from our Innovation Festival in the summer we have just completed an initial six-week trial working with Believe Housing in the North East. Believe are a social housing provider in County Durham with more than 18,000 homes. During the trial we co-located employees in Believe's offices, also working with the local authority and MaPS, to offer a one-stop support service covering water, housing, council tax and money/debt advice. This initiative delivered some fantastic customer outcomes in terms of delivering rounded support to those most in need. We have learned a great deal from the trial around how we target those needing help. We are currently evaluating the next steps and have already had interest from two more housing associations who operate in our area wanting to carry out similar activity.

We are working with Gateshead Council and Citizens Advice Gateshead to support their warm spaces initiative over the winter months. In Gateshead there are currently around 75 warm spaces, a number of which want to expand their offering to include clothes washing or showers. We've committed to making donations to help offset the additional costs for water use incurred by the smaller organisations offering these services. We know that many households have self-disconnected from their energy and are unable to afford this basic necessity so feel this is an effective way of providing support to our customers.

We are also keen to trial new tariffs and have engaged with the recent Ofwat consultation and workshops. We are hoping to trial a water saving tariff next year alongside our smart metering programme to reward customers who reduce their consumption. Tariff innovation will play a key part in PR24 plans and our longer-term approach to affordability, but this would offer limited support at the moment, and for that reason our immediate focus is on the support that we can offer today.

I hope these comments are helpful in understanding the efforts we are taking to make sure our customers receive the support they need during the current financial challenges. Please contact me if you require additional information and I look forward to further discussions on this matter.

Yours sincerely



Heidi Mottram CBE
Chief Executive