

8th December 2022



Mr David Black
CEO

[Redacted contact information for Mr David Black]

Ms Emma Clancy
CEO

[Redacted contact information for Ms Emma Clancy]

Registered Office:

[Redacted registered office address]

Tel: [Redacted telephone number]

Web: www.portsmouthwater.co.uk

Please ask for [Redacted name]
Our Ref [Redacted reference number]

Dear David and Emma

Portsmouth Water: Supporting Customers through Cost-of-Living Pressures

Thank you for your letter of dated 17 October 2022, requesting details of Portsmouth Water's plans for supporting customers through cost-of-living pressures.

At Portsmouth Water, we recognise that our customers are facing increasing challenges and are committed to doing all we can to keep bills affordable for our customers. The initiatives and actions that Portsmouth Water has in place focus on Affordability, Community and Policy & Processes, and include:

- Deferral of ODI rewards to ensure we keep bills flat
- Continuing to maintain the lowest water bills in the industry
- Extending our 'Payment Holiday' and 'Free Leak Repair & Allowance' offerings
- Working to develop an adaptive plan for our Social Tariff that aligns with Ofwat's Long-Term Delivery Strategy
- Collaborating with local organisations in the communities we serve, on initiatives that benefit our customers
- Investing in a new CRM and Billing platform to deliver industry-leading capabilities to customers

Our response below provides further details on each of these three focus areas and set out our ongoing work both internally and externally to support the 770,000 customers that we serve.

1. Affordability

We are proud to have consistently maintained the lowest water bills in the industry and remain fully committed to ensuring our customers' bills remain affordable. We have plans in place to ensure this is possible, not just for our most vulnerable customers, but for all Portsmouth Water customers who will all be impacted by the current economic crisis.

Bill Affordability

Portsmouth Water works with customers to overcome the challenges they face when it comes to bill affordability. We have consistently maintained the lowest water bills in the industry with the 2022/23 average bill at £109. This is 30% lower than the next lowest provider, Bournemouth Water, and 83% lower than the industry average water bill. We are committed to remaining the lowest cost water provider, ensuring that customer bills are affordable.

ODI Deferral

To further support our customers in the face of increasing inflation, we made the decision to defer £333k of Outcome Delivery Incentive (ODI) reward. This means that we will keep our customers' bills flat, with no increase, before inflation.

We have recently published our draft wholesale charges for 2023/24, which includes an increase of 7.8%, this is below our anticipated CPIH rate of 9%. Our draft wholesale charges for 2023/24 can be viewed on our website, at <https://www.portsmouthwater.co.uk/news/publications/access-code/>.

Payment Holiday Extension

We introduced a 3-month payment holiday for customers during the pandemic which was aimed at supporting customers who were struggling to pay their bills. We have now increased this to a payment holiday of 6 months and left this support in place indefinitely. We are actively increasing visibility and awareness of this offering by promoting it on our homepage and social media channels and asking our advisors to discuss this as an option in their daily conversations with customers.

Social Tariff Review

We have seen a positive take up of our social tariff offering over the past few years and have significantly outperformed our Performance Commitment target. As of 31st March 2022, we had already achieved our 2025 target of 10,000 households benefitting from our social tariff. However, we fully understand that there is much to be done to ensure that we are supporting more customers and conducted further customer research with an external agency, Blue Marble, in November 2022. This research revealed that customers and stakeholders advocate greater cross-subsidy of bills to support Portsmouth Water customers compared to previous research in 2015, and we are in the process of incorporating the results into our future social tariff offering.

We have also been working collaboratively with Southern Water, aligning our social tariff eligibility with Southern Water's criteria. As part of our data sharing agreement with them, we auto-enrol customers onto the social tariff where the necessary checks of eligibility have been made. This provides customers with the opportunity to receive financial support on both their water and sewerage bills through a seamless and efficient process.

With the uncertainty around the implementation of a National Social Tariff, we continue to explore how we can offer a new social tariff. We are in a position to lead the industry on tariff innovation and we are working closely with consultants FastTrack Squared and Frontier in shaping our thinking. We are developing an adaptive plan that considers the uncertainties we face, whilst being aligned to Ofwat's Long-Term Delivery Strategy, in order to facilitate a smoother switch to a National Social Tariff, when it happens.

Our aim is to provide an innovative social tariff based on an assessment of what works for our customers while also aligning with the expectations of policy makers developing the National Social Tariff. We aim to complete the initial stages of this work early next year with a proposed launch in FY24.

New CRM & Billing system

Driving forward with innovation, we are investing in a new CRM and Billing platform to deliver industry-leading capabilities to our customers. In November 2022, we went out to tender to seek a solution that will provide us with enhanced capabilities around customer affordability, including flexible tariff configurations, real-time usage & billing overview, fully self-service customer experience and multiple payment options. We anticipate deploying the platform in early 2024 and would be delighted to provide further insight into our plans at your convenience.

2. Community

We understand the value of collaborative working and, as a smaller water company, we have worked hard to build up strong relationships with local organisations in the communities we serve. Our close

community links have allowed us to set up and participate in the following initiatives that benefit our customers and have proved vital in our response to the current economic crisis.

‘Live Well’

We continue to work closely with Portsmouth City Council and have participated in a series of events called ‘Live Well’; these comprise a series of surgeries across the area. With various organisations and charities in attendance, the main objective is to help people lower their bills and to identify ways to maximise their income, for example, ensuring they are claiming all the benefits they are entitled to. One of our local MPs has also held a cost-of-living surgery within a local foodbank. This event focused on both financial and physical elements with NHS Social prescribers in attendance. We plan to continue working with the council in attending these events and supporting further initiatives. We have also made regular charitable contributions to a food bank in Havant which has prompted members of our supply chain to do the same. We recently donated a refrigerated van to a food bank in Cosham.

‘Home & Well’

We are founding members of the ‘Home & Well’ initiative which focuses on helping patients that have been receiving long-term healthcare to integrate back into society. Working closely with the Citizens Advice Bureau, SSEN and Southern Water, we directly support the most vulnerable customers in our catchment area. As a group, we share our learning across the sector to promote national uptake of the scheme and won the Customer Vulnerability Award at the Utility Week Awards 2021. We continue to help fund the project and commit resource to the programme to continue to provide this vital support.

Multi-organisational partnership

We have worked closely with East Hants Citizens Advice Bureau and local housing associations to develop a multi-organisational partnership working group. We have estimated that 56,000 families in the local area will struggle with the increase in household bills and food costs, so the group aims to help people holistically and effectively. One example of an initiative created from the working group is ‘Fuel Poverty’, an event providing advice to tenants on how they can save money, and educating customers on the linkage between their water use, wastewater and energy bills.

3. Policy & Process

We are committed to doing all we can to improve policies and processes to benefit our customers. We are reviewing the offerings within existing policies to look for opportunities for improvements and enhancements, improving how we identify vulnerable customers, and reviewing the structure of our customer support to create better synergies.

Leak Repair Policy Improvements

We have made improvements to our leak repair and allowance policies to provide further support to our most vulnerable customers. These improvements include extending our ‘free first leak repair and full leakage allowance policy’ to include any future external leaks or repairs the customer may encounter. We have also introduced free leak repairs for vulnerable customers that reside in a privately rented property.

Identifying Vulnerable Customers

In October 2022, we commenced induction into the Department of Work & Pensions (DWP) data sharing scheme that will enable us to proactively reach more vulnerable customers. Our research tells us that many customers are either unaware of the support available from their water company or find it difficult to reach out to their provider for help. The DWP data sharing scheme allows for a more discreet and efficient way of enrolling customers that need our support in paying their bill.

Customer Support Structure

As an organisation we have reviewed how we are set up internally to deliver the support our customers need and expect. We had previously introduced two new roles in the business, 'Customer Vulnerability Leads'. We are now at the early stages of exploiting clear synergies within our team structure to deliver more for our customers. We are looking to consolidate the management of Affordability, Vulnerability and Water Efficiency under single stewardship. We recognise that these areas are intrinsically linked and with the focus of a single team, we envisage a more efficient and effective service for our customers.

In summary

We are committed to supporting our customers through the current cost-of-living pressures and believe that our plans outlined above will be effective in ensuring that customers are able to continue to afford their water bills. Our adaptive Social Tariff plan is being developed to benefit a wider range of customers; our work with local organisations is providing valuable support, plus our information to customers and our investment in a new CRM and Billing platform will deliver industry-leading capabilities to our customers.

Our continued focus on making sure bills remain affordable, collaborating with local organisations in the communities we serve and improving our policies and processes, will enable us to offer additional support and financial aid to our most vulnerable customers, as well as focusing on keeping bills low for **ALL** of our customers.

We will also ensure we keep bills flat, with our ODI deferral, continuing to maintain the lowest water bills in the industry; and our extended 'Payment Holiday' and 'Free Leak Repair & Allowance' offerings will provide additional financial support.

We hope this letter has highlighted the range of measures we have put in place to help our customers through the difficult times ahead. Please don't hesitate to let us know if you require any further information.

Yours sincerely

A large black rectangular redaction box covering the signature area.A short black horizontal redaction bar.A longer black horizontal redaction bar.