

Our Ref: IC/OFWAT/CCW

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Via email



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## Supporting customers through cost-of-living pressures

Dear David and Emma

I write in response to your letter of 17 October in which you ask water companies to share their plans for supporting customers through cost-of-living pressures. I am encouraged to see your alignment in this joint request, it reflects the collaboration we need across the entire industry on such shared priorities. There is no doubt that many of the most vulnerable households across the country will feel that their household bills, such as energy and water are unaffordable. I welcome therefore the opportunity to share with you our plans and to reinforce the strength of our current and ongoing commitment to support customers facing financial hardship. Whilst this letter will focus on current plans, I would like to make clear that the drive and commitment we've highlighted through the development of our Long-Term Delivery Statement (to help end water poverty in our region) is a serious one.

In our PR19 plan, we pledged to provide our service at a fair price and offer our customers help when they need it. We remain committed to this and have worked hard to keep our bills at an affordable level throughout this period. Since the beginning of the AMP, we have increased our household bills by an average of 4.2% annually, with our average bill in 2022/23 of £193 which remains below the average for the country. In our regular customer tracking, 95% of customers tell us that we offer good value for money.

As well as keeping average bills down, we have placed a focus on ensuring that all customers pay fairly for the share of water that they use. In the past 12 months we have made significant progress against our performance commitment to reduce our percentage of void properties using a data led approach to identify occupants where they have not opened an account on moving in. As a result, just 2.44% of properties are void year to date, a number that until recent months had exceeded 4%.

We also set ourselves ambitious targets for increasing the level of support that we offer to vulnerable customers in PR19. By 2025 we have committed to supporting 25,000 customers in financial difficulty across our area, equivalent to approx. 9.3% of household accounts and an increase of 78% over the 5-year period. We have consistently exceeded our targets for the number of customers on our support schemes every year with our shareholders subsidising this over and above the contribution made by our customers. They paid £1.6 million towards this in the last financial year, and we expect that contribution to increase over years 3 – 5 of the AMP. Year to date 79% of customers who are benefitting from these schemes agree that they are helpful.

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We regularly monitor and report on leading indicators of customers' ability to pay such as the percentage of customers keeping up with agreed payment plans and any indication that customers are moving away from Direct Debit to credit based arrangements. We use the trends that we are seeing as well as information gathered from speaking to individual customers and the organisations that support them to assess needs and the suitability of the support that we offer. In addition, we have recently purchased additional 3<sup>rd</sup> party data to give us a more in depth understanding of our customer base. We are combining this with our own customer data to enrich our reporting and identify opportunities at a more targeted level to reach customers in financial difficulty. For example, we are able to compare take up of our support schemes with demographic data within specific areas to identify potential gaps in penetration and target our activity accordingly.

Interestingly at this stage we are not yet seeing any material change in the number of customers asking for support at an overall level, but we are hearing from some of the customers we already support just how tough it is at an individual level. We do know of course that that this is an increasingly difficult time for many and therefore we have to plan to support greater numbers into the future. From external data sources together with what we see on the ground, we believe that in the region of 20% of customers are at risk of financial vulnerability and we will continue to adapt our approach accordingly.

To ensure that customers know what help is on offer, we are committed to increasing awareness of our support schemes to 68% of all customers. While we are currently falling short of this performance commitment level, 38% of all customers told us that they were aware in the first half of this financial year, up from 31.2% last year. We are taking action to increase this and plan to launch a new communications campaign in January, bringing together water and money saving messages. We are developing this with the input of our customers and local organisations who work with financial vulnerability to ensure that the messaging is both clear and motivating. We will use our learnings from this activity to strengthen communications about available support schemes on our bills too.

Partnership forms a core element of our strategy in this area. Through our dedicated team of Community Engagement and Support Officers we have established relationships with 17 food banks and food clubs in our area. We continue to build on our partnerships with organisations such as councils, charities, sheltered housing schemes and money advice cafes, using their channels to promote our schemes and attend around 35 events a month, and are exploring extending this to include companies such as OVO.

Furthermore, we are working to expand our partnership approach by developing data share arrangements and are on track to have our first PSR data share arrangement in place with UK Power Networks by 31 March 2023. Building on this, we will pilot a new Trusted Partner process next year giving eligible customers who are referred by approved partners such as social housing providers fast track access to our Water Support and PSR schemes. This will remove the need for them to apply separately where they have already disclosed details of their circumstances to our partners.

To ensure that customers who contact us about their bills or debt also receive the right support, we have reviewed our vulnerable customer training and put a new call framework in place. This focuses on making sure we are fully taking customers' circumstances into account before setting up any new payment arrangements, and that we are offering the right support where appropriate. This reflects the expectations set out in Ofwat's Paying Fair guidelines, which we will be responding to separately later this month.

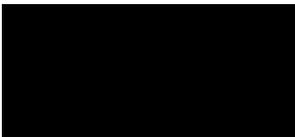
Working with a more engaged customer base and other partners to radically reduce demand will form one of the major pillars of our long-term delivery strategy. In the short term, helping our measured customers to reduce their water usage is another important way that we can help make

bills more affordable. Today we offer a variety of schemes to promote this, and 2915 customers have benefitted this year to a date from a home water efficiency visit, which our Customer Engagement and Support team promote as part of their work. We also continue to roll out our universal metering programme as we work to meet our commitment that 90% of household customers benefit from measured billing by the end of the AMP. We are currently working in Croydon, which has one of the highest levels of social deprivation within our area and use customer data and a dedicated field team to target interventions with customers who will benefit most from our support through the programme.

Looking ahead, we are in the process of modelling our proposed household tariffs for 2023/24 which we will review with our Board in early January. While we anticipate that these will include an above inflation increase as we work to catch up on revenue from earlier in the business plan period, we expect our average bill to remain in line with the national average and for the monthly impact on most customers to be very small. We are not complacent however as we know that for the most vulnerable customers, any increase may be a cause for concern. Our team is therefore developing a range of measures designed to mitigate the impact on customers who are struggling most and avoid the build-up of debt, which will be reviewed and published alongside our charging scheme for next year.

I hope this response is helpful and would welcome the opportunity for our teams to discuss at greater detail should that prove helpful for understanding or indeed for further opportunities to collaborate alongside others across the sector. Water is a precious and essential resource, and we look forward to playing our part alongside the rest of the sector in ensuring that it remains available and affordable for all our customers for the long term.

Yours sincerely



Ian Cain  
CEO