

David Black
Chief Executive
Ofwat

8th December 2022

Emma Clancy
Chief Executive
CCW

By-E-Mail

Subject: Supporting customers through the cost of living crisis

Dear David and Emma,

Following your letter of 17 October 2022, addressed to David Hinton, I am pleased to share with you some of the key work, both new and continued, that will provide a broad range of support to our customers.

As I'm sure you will be aware, the delivery of our vulnerability and affordability strategies is an area that as a water only company we have tried to lead the industry on and we believe we have undertaken some great work in the area which has included:

- Being the first water company to achieve the accreditation of BSI:18477 Inclusive services standard for vulnerability
- Leading the industry with BSI to develop and promote the ISO equivalent for that BSI Standard
- Introduction of the first affordability auto enrolment scheme through ongoing data sharing with local councils
- Part of the Energy Data share industry Steering Group to improve data sharing across the sectors
- One of only two water companies on the SCOPE Utility Network Steering Group (SCOPE being the Disability Equality Charity), improving support and services to disabled consumers
- Recognised and leading as a Vulnerability Champion company by the Collaboration Network
- Awarded the Vulnerability Strategy of the Year award at the Credit Awards 2022 as well as being shortlisted in 2022 for the Utility and Telecoms Water Team of the Year and Vulnerability Team awards, for our work in this area
- The only company to have a broad ranging set of Performance Commitment measures that not only focus on the number of customers receiving vulnerability and affordability services but also measuring, on an ongoing basis, the level of customer satisfaction across those services specifically, including stakeholders

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The Vulnerability Strategy that we published for the period 2020 to 2025 remains valid in approach and enables us to adapt and to evolve to the changing landscapes that we saw yesterday and are seeing today. It also provides a great framework for delivering during the cost of living crisis which is emerging for the future, predominantly driven by energy costs for consumers.

I have outlined below the actions we are taking and approach we will be following to ensure that we continue to provide our customers with a strong support mechanism over this crisis.

Our current support package will provide around £24m of support to customer by 2025, with potential to increase as we need to adapt over the remainder of the AMP.

Also, as a result of our collaborations and partnerships, our customers directly receive around an additional £20m of third party support. Providing a total available support package for our customers in the region of £44m.

We will continue to achieve our promises and commitments through:

1) Continued Horizon Scanning and mapping of vulnerabilities and affordability

The ongoing understanding of customer need, as the landscape continually changes and evolves around external influences, is key. With this in mind we will continue to horizon scan using external datasets and learning from other sectors to best support the needs of our customers and communities.

Our horizon scanning so far has been predominantly through the utilisation of:

- A report commissioned by ourselves and UK Power Networks utilising datasets held with the Centre for Sustainable Energy and Sustainability First expert input around emerging vulnerabilities
- A report commissioned by ourselves utilising data held by National Energy Action alongside their expert input focused on affordability need and Social Tariff requirements
- Our own business as usual data that provided regional views of;
 - ONS deprivation data
 - Our own customer clustering
 - Our own customer research
- A proactive approach to attending events and gathering learnings from our own work, stakeholders and those outside the sector.

This will enable us to continue to understand and target support needs.

Only last week as a company we organised a collaboration event as part of our stakeholder engagement in this area supported by the Collaboration Network (The Cost of living Crisis: Supporting the Newly Financially vulnerable and those in greatest need). This event focused on sharing learnings and opportunities from not only the water sector but also other sectors and third sector participants such as the Research Institute for Disabled Consumers and National Energy Action. With attendance from over 100 participants from 80 organisations this proved a highly successful day of sharing this information and we will continue to learn from these type of events.

It was through this event that organisations told us that most of them expected the impacts of cost of living to materially impact customers for the next 3 to 5 years.

2) Continued promotion of vulnerability and affordability tariffs

We will continue to proactively promote the four key affordability tariffs that we provide for our customers, which include for metered customers:

(a) Social Tariff

A tariff that provides a discount for low income households and caps the customer bill at the equivalent value of our Single Room Assessed tariff

(b) WaterSure

An industry tariff that is designed to support customers with eligible benefits that have either (i) large families, or (ii) a medical condition that requires additional water usage

And for unmetered customers:

(c) Single Occupier Tariff (unmetered charge)

For customers who we have not been able to install a meter at their property we provide a specific assessed charge where there is only one occupant at the property.

(d) Single Room Assessed Tariff (unmetered charge)

For customers who are unmetered in HMOs (Houses of Multiple Occupation) and live in a single room.

Our increased promotion of this support will continue to reach as far as possible utilising the following channels;

- Customer emails
- Website
- Social Media
- Trusted Partnerships
- Affordability and Vulnerability Stakeholders
- General Stakeholders

3) Increasing the support for customers on our Social Tariff

Our Social Tariff eligibility scheme maps its eligible household income threshold to “*Threshold for those entitled to Child Tax Credit only*” under the section published at

<https://www.gov.uk/government/publications/rates-and-allowances-tax-credits-child-benefit-and-guardians-allowance/tax-credits-child-benefit-and-guardians-allowance> under the Tax Credits Income Thresholds and Withdrawal Rates.

The current rate for 2022-23 is £16,480 but will increase in 2023-24 (April 2023) to £17,005. As 90% of SEW customers are billed six monthly and to ensure that all customers who apply and will be eligible under this future amount are captured, we have increased to the new rate with immediate effect to enable more customers to access this support sooner. This will ensure no applicant 'falls through the eligibility gap' purely due to timing.

For the first half of the AMP we have seen that our current eligibility is not maximising the opportunity that we have to support customers and we are currently trending c. 10k customers below the number that we expected to support. We know from our BAU insight provided from our Customer Care Team that we are seeing a larger volume of customers falling outside of the eligibility thresholds that need additional support. We are therefore proposing in the current climate that we will increase the eligibility threshold for Social Tariff by £1,000 above the "Threshold for those entitled to Child Tax Credit only" as outlined above. This is planned to be done with immediate effect.

This approach in 2022-23 would, based on current ONS data (refreshed data to be released by ONS in 2023), provide additional support for between 5k and 10k customers. Utilising the same scheme design which discounts metered charges to the same as our Single Occupier Assessed Tariff, would be covered by our existing willingness to pay availability

As we provide billing services for both Southern Water and Thames Water we also undertake all identification, eligibility and support mechanisms relating to our joint customers ensuring that support to our customers is maximised where eligible for support for both service elements of customer's bills.

4) Using data share to find eligible customers for our Social Tariff

(a) Auto-enrolment of Social Tariff through data share with councils

The ability to data share with local councils through the Digital Economy Act provides a critical route to providing a broader number of customers access to our Social Tariff support.

With three data shares now agreed and further two under negotiation we will continue and also accelerate this work with local councils in our region to sign up to our affordability data share scheme. This will enable councils to share eligible customers which will then be automatically matched and added to the appropriate scheme. We will be targeting to gain a further five data shares agreed in 2023-24, which on average should identify a potential 10k to 12k customers to support.

(b) Auto Enrolment using the DWP Data Share Scheme

We will be joining the industry DWP data share by April 2023, enabling us to target and identify eligible affordability tariff customers.

This will ensure that we can target potential WaterSure customers and additionally Social Tariff schemes eligible customers where we do not have local council auto enrolment agreements in place

5) Change of tariff scheme design

We will be formally undertaking necessary steps to introduce a change to our Social Tariff design which will support customers impacted by the bill increase and cost of living due to lower incomes.

This will create an extended tariff that covers low income households who earn more than £18,005 (our already increased value) to a secondary threshold (say £21,000). The discounted tariff will be different from our current scheme and may consider a specific disabled consumer support element.

We will also be considering support specifically for disabled consumers on the Priority Services Register (PSR), as recent research has shown that 71% of disabled consumers are impacted by increased living costs (based on recent SCOPE research in 2022).

We will be undertaking customer research on both willingness to pay and scheme design around these areas. To support the work, we will also be undertaking stakeholder engagement with the following groups;

- SEW Affordability Stakeholder Group
- SEW Vulnerability stakeholders
- SEW Customer Challenge Group
- CCW

We will also be engaging with CCW in regard to our available willingness to pay. We undertook willingness to pay for our AMP7 scheme and this resulted in the following key value points:

- 71% support of a £5.50 cross subsidy
- 58% support of a £7.50 cross subsidy

6) Promotion of our Helping Hand support scheme

We provide customers with a debt support scheme to help them recover their financial position, where it is almost impossible to fully reduce their debt without that help.

We will continue to provide this scheme support to provide customers who have fallen into arrears, reducing those arrears, enabling them to focus on 'current payments'.

7) Working with community specialist partners

(a) Trusted Partnership Programme

We will continue to work with and accelerate this programme to support customers in higher risk regions or customer demographics.

This programme provides customers with direct access to our support schemes through vulnerability and affordability stakeholders. Stakeholders have direct access to register customers on support schemes without the need for our intervention. This enables speedier outcomes and supports stakeholder activities.

The programme also enables our customers to access wider support mechanisms that our partners can directly provide.

(b) Restructure of our responsible team

With the learning from our work during the pandemic and insight provided from our stakeholders we have already undertaken a review of how the team responsible for delivery of vulnerability and affordability support should be structured. This work identified the need for providing a more holistic support for communities in what had been previously separated activities and which has resulted in the creation of the roles of:

- Resilient Customer Manager – A role set up to manage, co-ordinate and support the delivery of our vulnerability, affordability and water efficiency delivery programmes.
- Community Partnership Leads - Roles designed to support the impact on customers and our required work with local stakeholders

These roles are now in place and will provide a great platform for delivering our remaining 22-23 programme and beyond with the key focus being a single conversation for all of our customer support.

(c) Support to local stakeholders

We will continue to provide support to local stakeholders that will make a real difference to the services that the community receive in our area. This support will focus on stakeholders that are providing essential community support across a broad range of activities but who can also promote our company support schemes more effectively

A key example of this is the relationship we have created with East Grinstead Town Council providing a platform for us to work with the local community through events and activities. We

sponsored and played a prominent role in four key events within the community, three events being the Summer Festival events and the fourth being the East Grinstead Marathon event. We attended each event with a stand providing hydration packs as well as the ability for customers to sign up directly for our PSR and affordability schemes. In addition we promoted and provided access to online ordering of our water efficiency devices as well as ran water saving competitions providing free water butts.

This is particularly important following the community being impacted through localised disruptions and these relationships improve communication and awareness in those communities. We have agreed an ongoing relationship for 2023 to explore how further initiatives can be utilised within the community.

8) Provision of Water Efficiency Devices and Support

As a company our 90% metered penetration means that customers can reduce water usage to influence their bill size and therefore cost of living impact. We therefore see our water efficiency programme as a key aspect to support customer's affordability needs. We will continue to promote and develop our water efficiency programme which will include:

- Continued supply of free and subsidised water efficiency devices for retro fitting in household properties
- Increased household water efficiency audits and efficiency device fitting specifically to customers in high risk affordability areas
- Increased water efficiency direct customer messaging for customers not on our My Account digital platform

We will work with local councils further to explore where we can best target and reach communities that require support. In 2022-23 we delivered targeted door drops to 140,000 properties (almost 15% of our household billed properties) delivering jointly branded postcards to predominantly lower income household areas. This was with the primary intention of promoting how customers could save money through saving water and providing a QR code link to support and advice both for water and also energy funding. This activity saw the largest engagement with customers on device ordering in what will be a record breaking year for provision of devices.

9) General payment management support

We have a number of process mechanisms that we will continue to promote and make available to customers and this will help customers who are struggling with both the cost increase and general cost of living challenges. The primary tools we offer are:

- **Payment Plan auto increase protection** – We have designed our systems to ensure that customer payment plans are not increased to an unmanageable level through system parameters and customer communications.

- **Payment breaks (Payment holidays)** – Recognising the impacts of energy costs and increasing water costs we will be actively promoting and supporting customers through offering payment breaks.
- **My Account (online app and portal)** – This provides a mechanism for customers who are struggling with the ability to manage their payments on-line or need to manage their account on an ongoing basis giving them full flexibility and control whenever required.

Alongside these we will continue to provide our dedicated Customer Care Team, specialists who work with customers who are struggling and can provide access to all of our support but also direct referrals to specialist agencies and stakeholders.

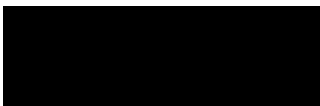
In Summary

To conclude, you will see from our response that we remain committed to supporting our customers through these difficult times and we have already set up strong support mechanisms. Our internal teams are well placed to understand the changing landscape and ensure that as a company we are adapting and evolving to those changes.

We will continue to work with the sector, WaterUK, regulators, stakeholders and our customers to provide the most effective support that we can over the next 3 to 5 years and welcome the regulator commitment to support a speedy implementation of the Single Social Tariff.

If we can provide any additional information then please feel free for your teams to contact me directly and we look forward to continuing this work with both Ofwat and CCW.

Yours sincerely



Tanya Sephton
Customer Services Director