

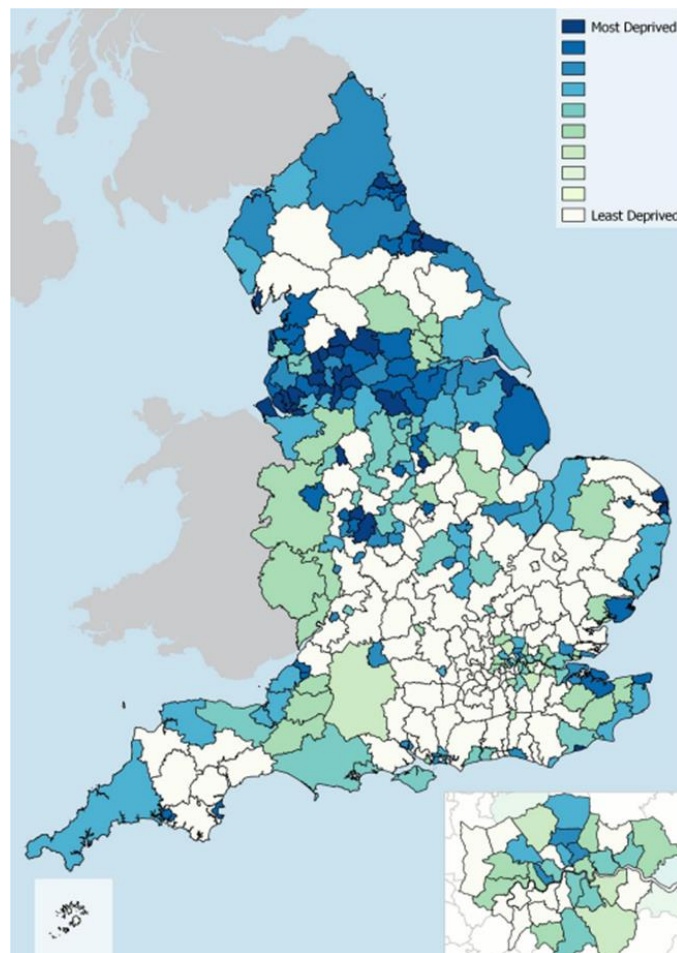
# Supporting customers through cost of living pressures

## United Utilities Water - December 2022

United Utilities Water recognises the cost of living pressures being experienced by customers in the North West. Recent rises in the cost of living are increasingly putting pronounced pressure on household budgets. Through our own interactions with customers we increasingly see the evidence of this growing challenge. More customers are telling us that they struggle to afford utility and food bills, including water charges<sup>1</sup>. Water bills affect every household, and it is incumbent on all stakeholders in the water industry to consider what actions we can take to help alleviate the pressure these bills place on households' ability to meet the cost of living. This is particularly the case against a backdrop of higher inflation, higher housing costs and higher energy bills.

### A track record of affordability support

We have long recognised that the degree of socio-economic challenges in the North West means that the need for financial support for customers is greater than other areas of England. This is why United Utilities has consistently placed particular emphasis on delivering effective customer assistance schemes, often in conjunction with other schemes to support people in vulnerable circumstances.



*Distribution of the Index of Multiple Deprivation 2019 – most deprived decile<sup>2</sup>*

<sup>1</sup> [United Utilities State of the Nation](#), September 2022

<sup>2</sup> The English Indices of Deprivation 2019 (IoD2019) – Statistical Release 26th September 2019

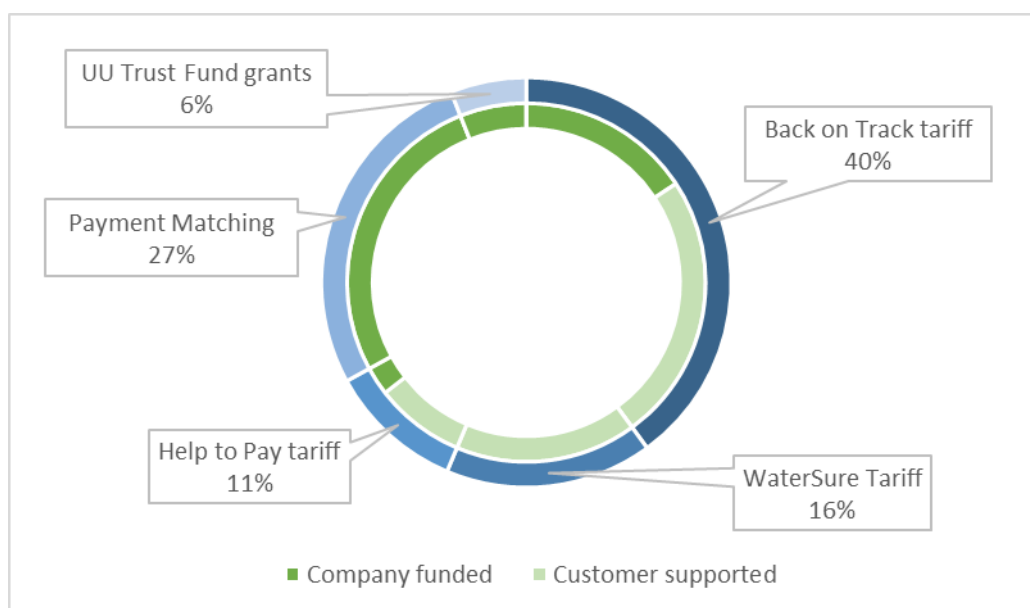
## £280m of financial support customer support during 2020-2025

For the current price control period, United Utilities committed to providing at least £71m of direct financial support from shareholders to customers. This is delivered through discounted tariffs and grants to individuals and families through the UU Trust Fund.

We now expect that shareholder support will be at least £140m during the period, helping customers out of debt and, even more importantly, avoiding customers from becoming indebted in the first place.

A further £140m of customer support is available to customers from “social tariff schemes” which are delivered by UU and recovered from wider customer contributions. Support from this source has been extended beyond our initial targets for AMP7 as we worked to enhance the offering to provide support during the COVID pandemic. We have continued to maintain these enhancements even in the post-pandemic period, and take up remains high.

Taken together, this means that £280m of financial support is expected to be provided to North West households between 2020-2025.



*Expected distribution of financial support provided to North West households between 2020-2025*

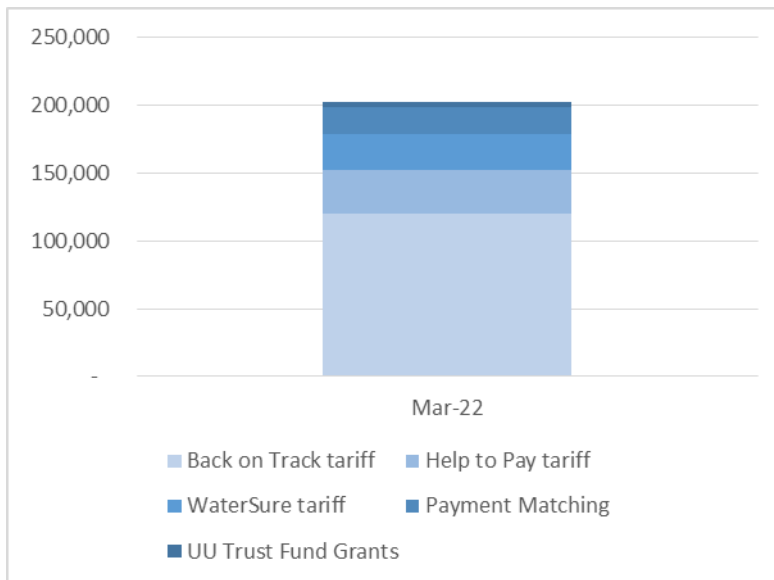
## Promoting awareness and take up means that over 200,000 customers in the North West receive financial support towards their water charges

Making financial support schemes available is only half the task. Customers need to be aware of the schemes, aware of their eligibility for the schemes and persuaded that taking action to enrol will provide them with real benefit.

We work hard to promote affordability support to customers who might benefit. In each year from 2022/23 to 2024/25 we expect to provide financial support to over 200,000 customers. Many of these only become aware of their eligibility because of our proactive approach to increasing awareness of schemes and our targeted communications approach.

For example we will actively text or email customers to encourage them to get in touch where credit reference data indicates they may be having trouble paying some household bills. We will also work with the DWP to proactively identify customers that qualify for a discounted tariff.

Louise Beardmore (Customer Services and People Director and CEO Designate) also appears regularly on local radio programmes to discuss all aspects of water services directly with customers on air; this is also a key means of promoting support available to customers who are experiencing financial difficulty or who are in vulnerable circumstances.



Number of customers receiving financial support to pay their water charges – March 2022

We are also leading efforts to ensure that, once those eligible for support recognise this and are in contact with us, they can get access to the support as soon as possible. We are minimising administrative or bureaucratic hurdles which might otherwise obstruct or slow down access. We have led the utilities sector by identifying and harnessing the potential of Open Banking. This provides us with the capability to assess eligibility immediately, through an initial enquiry, rather than through a series of discreet interactions with the customer. This transforms a process which used to require physical forms of verification and over a week of administration to one that can be completed within 15 minutes, there and then. Customers in need of financial support value the simplicity and immediacy this brings. Of those customers who are offered verification through Open Banking, over 40% successfully complete the process.

## Introduction of Open Banking



Open Banking has been used as an affordability tool since April 2021

## Promoting money-saving activity by customer-centric marketing

We are delivering customer-centric marketing approaches to encourage self-help activity that can save customers money. For example, traditional messaging on water efficiency might stress the benefits to the environment. However, our research has shown that customers respond far more actively to water efficiency messages when water saving measures are presented as an aid to managing their water bill.

In the North West context, we have innovated further this year to highlight the link between water efficiency and energy efficiency, noting that heating hot water is an important driver of energy bills. Crucially, this has helped persuade customers to save water and realise cost savings whether or not they have a water meter installed; using less hot water saves money, whether or not the water supply is metered.

**United Utilities**  
16 Nov · 🌐

Make sure your appliances have a full load before switching them on. We're talking washing machines and dishwashers! Running a full load, will... See more

**Around 16% of your energy bill comes from heating water...**

**We're here to help**

At United Utilities we're committed to keeping your water bills as low as possible while supporting you if you have payment difficulties. You can get in touch with us on 0800 072 6765.

**Priority Services**  
Extra support with your water services due to age, ill health or disability. Visit [unitedutilities.com/priorityservices](https://www.unitedutilities.com/priorityservices)

**GetWaterFit**  
Our water saving items can be ordered for FREE and can help to reduce both your water and energy bills. Visit [getwaterfit.co.uk](https://www.getwaterfit.co.uk)

**Friend or family member struggling with their bills?**  
Our helpline can provide information on the financial support we have available. Please call 0800 107 0862

**Cheaper with a meter**  
Most customers save at least £150 a year when they switch to a meter. We fit them for free and you can switch back within two years if you don't save money. Visit [unitedutilities.com/meters](https://www.unitedutilities.com/meters)

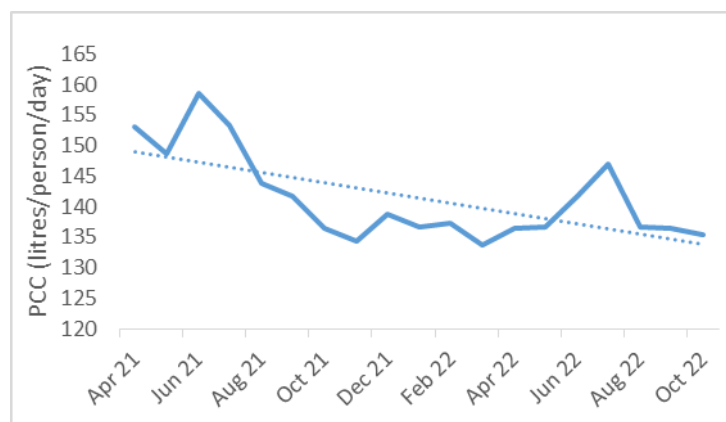
**Support with your bill payments**  
We have a range of financial support schemes if you're having payment difficulties, especially if you're receiving benefits or have a low income. Visit [unitedutilities.com/difficulty-paying-bill](https://www.unitedutilities.com/difficulty-paying-bill)

**United Utilities**  
Water for the North West

Partner logo to go here

*Our affordability messages to customers have been augmented by messaging linking water savings and the potential to reduce energy costs*

Per capita consumption has declined by 11% over the last 18 months, at least in part due to the efficacy of our water efficiency messaging and its link to household bills



*Monthly average Per Capita Consumption – April 2021 to October 2022*

In the longer term we are expecting to make use of the additional scope provided by regulators to conduct tariff trials in order to see whether this can incentivise customers to make further cost savings. We are also proposing significant investments in additional metering capabilities for both households and businesses in the region to

increase awareness and control of water costs. These measures will provide longer term benefits; but in the meantime we continue to identify short term interventions and behavioural nudges that can help customers save water and save money.

### **Recognising the bigger picture and harnessing the power of partnerships**



*Community engagements, like the North West Affordability Summit bring together a range of key stakeholders on debt advice*

Whilst we are recognised as a leader in the industry in terms of affordability and support schemes related to the water bill, we have long recognised that the issues customers face are rarely confined to their water bill alone. In fact, the water bill is usually only a fraction of the problem, so solutions need to be holistic and be drawn more widely.

This is why, since 2018 we have convened the North West Affordability Summit. The fourth such summit will be held in January 2023 and will bring together front line representatives from NGOs, housing associations, local government and the money advice sector here in the North West. We know from past summits that we readily and reliably identify new ideas to improve our affordability offering for customers. For United Utilities, important initiatives emerging from past summits include the introduction of payment breaks for people experiencing a change in financial circumstances and the introduction of a “Lowest Bill Guarantee” to give people who would benefit financially from the meter the confidence to embrace the switch.

The focus for this year’s Affordability summit will be on the immediate measures and communication efforts that we could be making now to support customers during the current pressures on cost of living.

It is through this kind of collaboration with partners that we identified the need for a holistic data solution for debt advice. We therefore invested in this capability and, together with members of the money advice community, we created the “Hardship Hub” - a “Trip Advisor” style website which provides a one stop shop for debt advice. The hub was co-created with money advice professionals and is the only product of its kind with a region specific focus. It hosts information on debt support schemes offered by councils, financial services, utilities and smaller local charitable organisation. It is regularly utilised by housing associations, money advice workers and wider support organisations, with around 600 registered advisors, and 200 organisations listing support schemes for users to access. We expect that the Hardship Hub will provide an important source of support for North West money advice agents during the coming year to deal with a potential escalation of enquiries for assistance.



Sponsored by



[www.hardshiphub.co.uk](http://www.hardshiphub.co.uk)

In the context of upward pressure on the cost of living we are also working with Local Authorities to directly engage at risk customers via community drop in events in response to the cost of living challenge. These events bring together housing providers, foodbanks, other utilities and debt advice groups to provide holistic financial support for financially at risk households.



*Social media promotion of “drop in” events run in conjunction with local authority partners*

We are also co-creating a new water efficiency proposal for customers with a North West housing association. The new offer will promote water efficiency, provide targeted water efficiency audits and free leak repairs. Once developed and tested we hope to roll this out to our other housing association partners.

## External assessment of our approach

We believe that external assessments indicate that our support for customers with affordability issues is strong.

In 2021 CCW published its affordability review and a summary of recommendations of good practice for supporting customers who find their water bill unaffordable. CCW surveyed all water companies to assess their level of compliance against best practice recommendations. We received a green assessment with no recommendations for improvement. From a review of CCW's own comparative data we are one of only two water companies to provide a full suite of affordability offerings and have a strong history of providing shareholder backed support to customers.

## A detailed view: Support and assistance schemes

Company	Charitable Trust or in-house crisis Fund	Payment Matching to clear debt	Payment Breaks (Permanent schemes rather than as part of Covid-19 response)	Benefit entitlement checks	Water efficiency home audit	Lowest bill guarantee as part of meter option	Money / debt advice referral arrangement
United Utilities	✓	✓	✓	✓	✓	✓	✓

*Extract from CCW affordability review recommendations<sup>3</sup>*

We continue to benchmark our payment management and affordability support capabilities against global best practice standards. We are the only water company to have achieved and maintained the coveted Chartered Institute of Credit Management quality accreditation. We continue to win awards and most recently our affordability and collections team have won Water Team of the Year and Best Vulnerable Customer Support team at the U&T Awards. We have also won the Utility Week Cost of Living award, recognising our extensive approach to responding to customers' needs as result of increasing cost of living pressures.

### Recent awards for United Utilities' affordability support capabilities:

- Water Team of the Year, U&T Awards 2022
- Best Vulnerable Customer Support team, U&T Awards 2022
- Cost of Living award, Utility Week 2022
- Utility Team of the year, Credit Awards 2021
- Consumer team winner, CICM British Credit Awards 2020
- Best use of technology, Credit Awards 2020

## Supporting customers through cost of living pressures

We have set out above an overview of the approach we are taking to help customers with affordability concerns and issues. We attach two appendices with further detailed information:

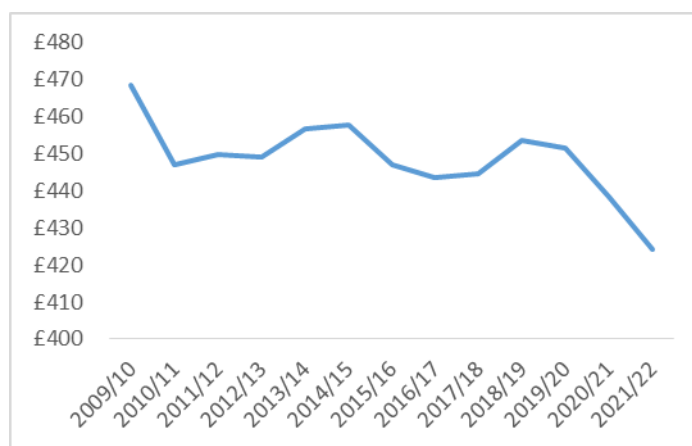
- In "Appendix 1: Providing the right support for low to middle income households" we have set out a wide range of debt support and pre-emptive measures that we have in place to help low and middle income customers avoid falling into debt. These measures are designed to help those that are likely over the longer-term to be able to afford their water charges, but who may be facing short term financial challenges, and are in need of a little support.
- In "Appendix 2: Additional financial support for those in particular need" we set out the extra measures that we take where there a clear indications that a customer is unlikely to be able to afford their water charges

<sup>3</sup> <https://www.ccwater.org.uk/affordability-review/affordability-review-recommendations/>

on a longer term basis. Measures included here embrace discounted tariffs, our payment matching scheme to help with arrears recovery, and the UU Trust Fund, that can support customers in immediate financial crisis.

We recognise that successfully implementing and executing our schemes over the coming years will be more important than ever before and we are committed to delivering these through continued management focus and investment of the necessary time, money and resources. For example, we have recently reviewed our thresholds and timelines when applying credit defaults, direct benefits deductions, and some litigation measures. Recognising the increased pressures on customers' finances we chose to raise thresholds and timelines for intervention, increasing the opportunity for customers to engage with us before further action is taken.

We also recognise that the absolute level of bills will also be an important factor for an increasing number of customers if affordability concerns begin to impact a larger number of households, some of whom may not previously have been subject to affordability constraints.



*UUW average household bills (2021/22 prices – CPIH)*

As shown above, since 2010, average bills for UUW customers have declined in real terms by 9%. We note that Ofwat and CCW have asked that we should carefully consider how to manage and mitigate any significant inflationary increases in customers' bills for 2023/24. We have reviewed our latest charges forecasts for 2023/24 and although bills will increase in nominal terms, we believe that for both average bills and typical bills this increase will be less than inflation. Our current expectation is that average bills are likely to rise by around 3% below CPIH inflation and typical bills by 1% below CPIH inflation. We will continue to keep this under review when finalising charges for the coming year and will maintain our strong support for customers with affordability issues through the coming year.

We believe that we have implemented an industry leading affordability support offering for customers here in the North West. However the level of need remains pronounced, and we know that many homes will continue to find meeting the cost of their water charges a challenge. That is why we endorse the findings of CCW in its recent affordability review. In particular we agree with the need for a revised set of standardised social tariff arrangements for the industry. We will continue to work closely with government, companies and regulators on developing the case for a new single water social tariff for England and Wales.

We would be happy to discuss further any of the comments or observations we have presented. Likewise, we always welcome collaboration and sharing of best practice within and beyond the sector and we will continue to pursue this going forward.



## Appendix 1: Providing the right support for low to middle income households

Our engagement with customers has revealed that some can, over the long term, afford their water charges, but find they need to manage their household budgets closely in order to do so. Unexpected changes in bills, or other financially challenging life events can be difficult to cope with. We anticipate that growing cost of living pressures will push more homes into a situation where unexpected household bills can mean they fall behind on their water charges.

Key to understanding how wider economic factors affect individual customers is the ability to segment the customer base in a granular and dynamic way. As customers' needs and expectations change we are increasingly seeking to understand how different groups of customers can best be engaged.

We provide support to customers that may find affording water charges difficult through a range of different payment plans and support options. For example we offer a wide range of payment day options to help adapt to customers' income profiles. Using nudge techniques and other behavioural economics informed strategies mean we are increasingly able to help customers manage to stay on top of their water charges.

However we recognise that we can develop these approaches further. In the last few years we have engaged extensively with a wide range of customers and stakeholders, including debt advice groups, customer champions, and the Independent Challenge Group for the North West (YourVoice) to better understand how we can help address affordability challenges for customers, including low to middle income households.

We are using customer data, and data sharing with Credit Reference Agency partners, to help us identify those households likely to be under financial strain. Through the use of our own information on customers' payment history and information on individuals' payment patterns held by our Credit Reference Agency partners we are increasingly able to identify those customers at risk of falling into debt. This new information is helping us to actively target new payment support propositions for those customers most likely to benefit from them, and so pre-empt many customers from falling into arrears. We currently have in place a range of options for customers to help them manage their payments and home finances:

### *United Utilities offers a wide range of discount tariffs and other financial assistance schemes*

Payment Breaks	A key support option for helping customers to manage short-term financial pressures. Introduced initially to help customers manage the transition onto Universal Credit, we have been steadily increasing the flexibility and accessibility of the Payment Break offer to enable more customers to benefit from it. This offer proved particularly important in helping some customers manage financial uncertainty during periods of COVID related economic disruption, and has the potential to be particularly important over the coming years.
Lowest bill guarantee	Aimed at unmeasured customers that would likely benefit if they moved onto metered charges but who may need more confidence about the impact on their bills before they can commit to a switch. The guarantee makes a promise to customers that if they elect to take up a Free Meter Option (FMO), we will monitor their charges, and will charge them the lesser of their new measured charge or their old rateable value based unmeasured charge.
Supporting a wide range of payment channels	We offer a wide range of ways to pay, including direct debit, payment card, online, over the phone, via our mobile app, through customers' banks or by cheque. Supporting a wide range of payment channels helps to make sure that customers have an option that is easy, accessible and convenient for them.

Flexible payment patterns	We believe we offer one of the widest range of payment plan options in the industry, including any day weekly, fortnightly, ten monthly, twelve monthly, and four weekly payments. This means we are able to easily match automatic payment patterns to customers' income patterns. For many customers this makes it easier to manage household finances. Just over 70% of customers are paying by Direct Debit.
Swift refunds direct to bank account	Where we hold a customers' bank account details we can make a direct refund of account credits direct to their account. This is particularly helpful when a customer moves home and the account on their previous property is in credit. Moving home is often associated with some big one off bills, and swift hassle free refunds is one way we can help.
Improved process for proactively engaging customers with high bills	We have taken a proactive approach to help customers manage unexpected bill spikes. When a customer is heading towards a bill substantially higher than historic trends we will proactively contact them, and where appropriate offer allowances for internal leaks, revised payment plans and/or seek to spread payments over longer periods. We will also actively promote water saving devices and offer advice on how small changes in behaviour can help reduce bills in future.
Promoting metering for bill management	We actively promote the advantages of water meters, which can save money for many customers. Tools such as our online calculator can help customers decide if a water meter is for them, and we offer an extended two year period in which they can revert back to unmeasured charges if they turn out not to save money.

We are trialling new customer payment frequency options. On the 20th September 2021 we launched a new digital payment plan which will give customers more flexibility over how and when they make their payments. 'PayAsUGo' gives customers the option to pay at whatever frequency suits their personal circumstances as long as they meet the agreed payment milestones as shown on their payment schedule. We've recently updated our reminder letters including 'PayAsUGo' as one of the available payment support options and we're also promoting the scheme in our early intervention emails.

Recognising the scale of financial impact the cost of living crisis is having on our customers we developed a 'Water Without Worry' initiative, its primary focus being to bring together all of our affordability support offerings into a more easily accessible structure. Raising awareness and accessibility of support for customers who are just about managing to pay their bills is really important to prevent them falling into debt. The 'Water Without Worry' initiative has enabled us to extend the reach of support to customers who may be experiencing financial difficulties for the first time.

## Appendix 2: Additional financial support for those in particular need

Some customers have persistently low household incomes, with correspondingly low ability to afford their water charges on a continuing basis. For these customers, in addition to payment support options, a meaningful discount to tariffs is the most effective way of boosting water bill affordability. We are increasingly seeing that the growing cost of living pressures mean more homes are at risk of falling behind on their water charges.

We are using innovative proactive debt engagement practices to help prevent customers falling into debt and so avoid putting customers under financial strain. For those customers who are struggling to afford their bill we promote a culture of rehabilitation back into making payments and offer several avenues of assistance. If any customers are registered for Priority Services fall into debt we have a segmented approach which allows us to offer them a more sensitive and tailored customer experience.

We are receiving external recognition for best practice in collections and debt management. Our affordability and collections team have won Water Team of the Year and Best Vulnerable Customer Support team at the U&T Awards, and we have also won the Utility Week Cost of Living award, recognising our extensive approach to responding to customers' needs as a result of increasing cost of living pressures. These awards recognise excellence across the utility and credit industries, not just the water sector. We have also recently engaged with CCW, as part of their assessment of water companies' response to their recent Water Affordability Review. United Utilities was found to be implementing all key measures highlighted by the review, and we have no further improvement actions.

By utilising the latest Credit Reference Agency and open source data on customers' financial circumstances, coupled with dynamic insight into customers' perceptions and expectations, we have developed a set of support schemes to help those customers that may find paying their full water charges challenging.

Underpinning our affordability offering in AMP7 is our £71m commitment to provide company funded support to discount tariff schemes and the UU Trust Fund. Typically these schemes are targeted at households with incomes in the lowest 10%-20% of the population. The substantial affordability challenges faced by our customers has resulted in us offering a range of different social tariffs and financial support schemes, representing industry best practice.

### *Our financial assistance schemes as presented to customers*

Back on track support tariff	If you're finding it difficult to pay your bill and you're either receiving benefits or on a low income following a recent change in financial circumstances, we can help.
Help to pay social tariff	Our Help to Pay scheme provides a bill discount for low income pensioners receiving Pension Credit.
Payment matching+	If you need debt support, our Payment Matching scheme means that for every £1 you pay, we'll match it with £1 too, with our contribution increasing to £2 if you continue to make payments until your debt is cleared.
UU Trust restart grants	If you're in real financial difficulty, you could qualify for a one-off payment from our Trust Fund to help clear your debts and start afresh.
WaterSure	If you have a water meter and receive benefits, and use a lot of water due to ill health or having a large family, our WaterSure scheme caps your annual bill, regardless of how much water you use.

Last year over 200,000 customers received financial support from United Utilities. Over the course of AMP7 we have been substantially increasing the number of customers helped through our support schemes. This represents a near doubling of the levels when we began AMP7.

One key route via which customers can find support is the United Utilities supported Hardship Hub. The trip advisor style Hardship Hub is a one stop shop for debt advice. The hub was co-created with members of the money advice community, and is the only product of its kind with a region specific focus. It hosts information on debt support schemes offered by councils, financial services, utilities and smaller local charitable organisation. It is regularly utilised by housing associations, money advice workers and wider support organisations.

We will continue to develop and embed a range of new support initiatives, including expanding our trial of Open Banking capabilities. Working with our Credit Reference Agency partner Equifax, we are proud to be the first water company in the UK to roll out an Open Banking solution for social tariff applications. Introducing Open Banking into our affordability assessment process has simplified the application process for customers, improved the accuracy of data capture to ensure customers benefit from the lowest tariff, and has improved first time completion rates, meaning customers are given a decision on tariff eligibility there and then rather than after a longer application process.

Additionally we've simplified the way customers apply for support through the introduction of a single affordability support application form to improve accessibility and enables customers to be assessed against all support schemes simultaneously, ensuring they receive the lowest possible bill.

Over the coming year we plan to further embed and expand the scope of this new capability, helping us quickly and effectively find the right support solution for individual customers. For example, we are:

- Targeting water efficiency interventions using household income data, consumption data, continuous flow alerts to identify instances of high consumption/leaks at lower income properties as a way to help lower water and energy costs. We include water efficiency messaging on envelopes and collection letters signposting our new Get Water Fit platform. For customers with affordability challenges we offer specialist home visits, helping resolve supply issues and recommending water efficiency devices.
- Introducing a quarterly billing option for self-service customers, designed to improve customers understanding of their usage, avoid bill shocks and help with budgeting.