

David Black, Chief Executive
Ofwat



Emma Clancy, Chief Executive
CCW



By email:  and 

16 November 2022

Dear David and Emma,

Re: Joint letter from Ofwat and CCW on supporting customers through cost of living pressures

Thank you for your joint letter of 17 October 2022 on the support water companies can give to help their customers through current cost of living pressures.

I welcome the opportunity to share with Ofwat and CCW the support Yorkshire Water gives our customers who are struggling with the current cost of living. I've also set out, as requested, our plans to do even more working with partners across the communities in our region and stakeholders nationally. Firstly, I will summarise the actions Yorkshire Water has put in place to understand how customers across our region view the increasing strain on household incomes in the context of water bill affordability and the consequential support we can offer.

Understanding our customers

We know that across our region there are people and communities facing real deprivation, even before the effects of the current UK cost of living crisis started to bite. The proportion of people in relative low income in Yorkshire and Humber is persistently well above the national average (both before and after housing costs are considered

21% vs. 17% UK average and 24% vs. 22% UK average respectively¹), equating to well over 1 million individuals.

The work we do directly with customers, their communities and through our partnerships over the years has given us great insight into the challenges many of our customers face. We undertake studies and customer research on an ongoing basis to understand better how these challenges evolve and importantly how our customers feel about paying our water bills and affordability of services. For example, in the pandemic we put in place specific studies to learn about how our customers felt financially and in respect of their safety.

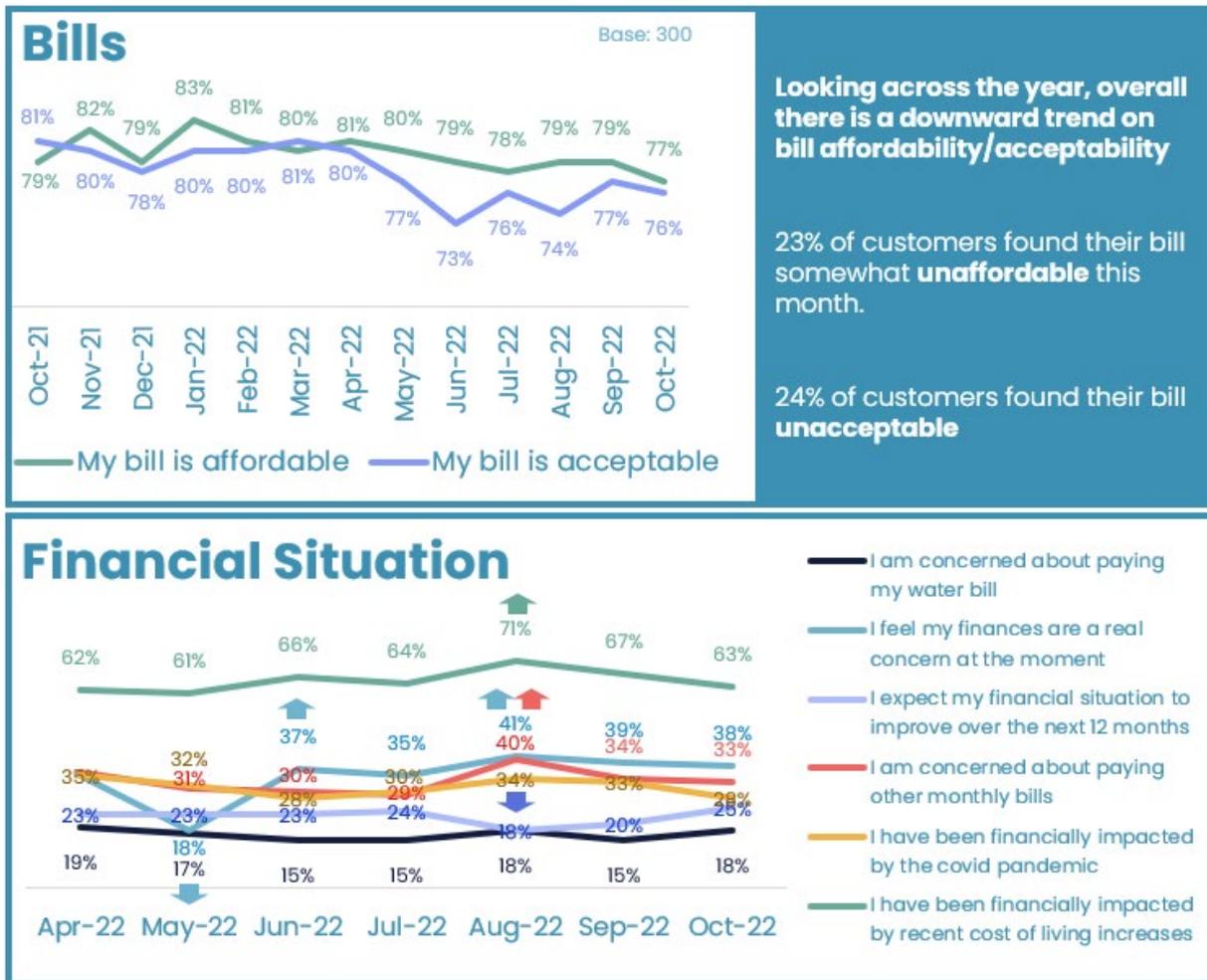
We undertake a monthly customer sentiment survey that includes questions on bill levels and customers' financial situations. The recent results echo the findings of CCW's annual Water Matters survey, with over a fifth of our customers feeling their water bills are somewhat unaffordable or have concerns about paying their water bill. In general, over 2 in 3 of our customers say they have been impacted by recent cost of living increases (see customer survey feedback in Fig 1. below). In September we saw some respite in the increasing trend. This may be a consequence of the Government energy bills support, but we will see if this is temporary in the months ahead given continuing high levels of inflation especially on core items such as energy, food and housing costs (lending and rentals).

We work collaboratively with many charities and community groups to understand our customers and to facilitate awareness of, and engagement with, the variety of financial assistance and support we provide. The insight we get from many of these partner organisations proves to be very useful in helping adapt and evolve our financial support offerings to better meet customers' needs.

To help set the context for the level of financial support we provide customers in need, it is important to note we have one of the lowest levels of cross subsidy funding in the sector at around £2 p.a. per customer (which is equivalent to about £4m). As we committed to for PRI9, we have greatly increased the impact of our support by boosting this with significant company contributions of around £2m p.a. across the AMP7 period.

¹ [Poverty in the UK: statistics](#) (29 September 2022) – reports on the % of people in relative low income over three years to 2019/20.

Fig 1. Extract from YW monthly customer sentiment survey (c300 respondents)



Key affordability support activities and initiatives

At the meeting on 26th October 2022 at our office in Leeds, we shared, with Ofwat and CCW, details of the support we provide and the further investments we are making to ensure more of our customers in need are helped during AMP7.

In June 2022 recognising the pressures ahead, and wanting to act in a timely manner, Yorkshire Water committed to provide an additional £15m in company funded support for customers over the remaining time in AMP7. We are focussing this support on those most affected by the rising cost of living. As requested, this next section explains how we are currently planning to use this additional money

1. In September 2022, we provided a one off cost of living payment to all customers on the WaterSure and WaterSupport schemes. This £71 payment reflected our decision to lower the eligibility threshold for these schemes to customers on low incomes with an annual bill value greater than £350 (down from £420). Going forwards this will

mean more customers are assessed as eligible to obtain this form of financial help, and the help we give will be more significant for those already on these schemes.

2. We have also introduced additional support for customers being referred to us under the 'Breathing Space' legislation that requires debt respite. For all in debt customers who are eligible for the Breathing Space scheme, Yorkshire Water will now be funding their water and wastewater charges within the 60 day respite period to ensure these customers do not have their water bill debt grow during this time.

This helps impacted customers focus on working with their debt advisor to find a solution to debt problems. This initiative is going beyond our obligations and has been supported by CCW as best practice in the industry. Of the initiative, CCW said *"Giving customers this additional breathing room, while also covering their charges, will provide them not only with much needed peace of mind while they try and access support but also sends a clear message that their water company is on their side."*

3. Yorkshire Water continues to support the existing WaterSupport social tariff with £2m of company funds each year (before the injection of the additional £15m commitment). For 2021/22 the customer funded subsidy was £4.3m, equivalent to around £2 per customer. As mentioned earlier, we have increased the support eligible customers receive via the WaterSupport social tariff for 2022/23. Consequently, we expect to outturn a level of customer subsidy support of around £8m this year.

In common with some other water companies, we are undertaking further 'willingness to pay' research to ensure our understanding of our customers preferences is up to date. Once concluded, we hope this can allow us to maximise the support we are able to give customers impacted by the cost of living crisis. We would be happy to provide outputs of our willingness to pay research later in the year. The results of our latest research will be factored into next year's charges in order to deliver financial support to those in need.

4. Yorkshire Water is reviewing its annual charge and eligibility criteria for the company social tariff to ensure it continues to meet the needs of those customers struggling the most financially. The impacts of this review will be implemented in the next 12 months to ensure benefits have the chance to be deployed when the need is expected to be intensifying.
5. For the last few years, we have directed Rateable Value (RV) bill payers to how much they could save by switching to a measured metered bill. On our bills we show through a graphic the range of bill levels different household sizes could expect to pay for their water and sewerage through a metered tariff. This can help RV billed customers compare their actual bill size with similar households when on a meter.

We also present this information on our website, including an easy link to apply for a new meter.²

6. Yorkshire Water continues to expand its proactive Community Engagement programme. We target our efforts into communities likely to need the most affordability and vulnerability support, and/or where customer groups are under represented within the current support mechanisms we provide:
 - For example, we work with debt charities, social housing providers, local councils, Job Centres, and other bodies active in communities who can provide customers access to financial and non financial support on our behalf. We help these organisations either direct those in need to our services or apply directly on behalf of the customer. The aim is to be available and accessible through this extended network where our customers need us to be or are more comfortable engaging. This wider engagement model includes tailored face to face activity with hard to reach communities, so there is less reliance on our direct contact channels for customers to access the support we can offer. We believe around £1m of support for customers has been facilitated by the partnerships in our Community Engagement programme.
 - We are exploring new schemes with councils that aim to support local authority housing tenants through the targeted promotion of water meters. We know many tenants remain on RV charges when customers in neighbouring metered properties have significantly lower bills in comparison. We hope to have a pilot programme launched within the next 12 months.

7. The effectiveness of our support so far in AMP7 can be evidenced by the out performance delivered against our bespoke performance commitment 'Direct support given to customers'. We have surpassed the target number of residential customers who receive financial support through our approved schemes. Our current schemes include:
 - **WaterSupport** helps customers on lower incomes, with income based benefits, pay water charges. The average annual saving for customers on WaterSupport is more than £200.
 - **WaterSure** can help low income households where there are larger families, or customers who need to use additional water for a medical condition.
 - **Community Trust** an independent charity at Yorkshire Water supporting customers who have arrears.
 - **Resolve** helps those who are struggling with debt to catch up on previous bills.

8. 

9. Under our plans for AMP8 we will continue to be ambitious in supporting and enhancing customer affordability. We will look to evolve the social tariff and debt

² [Could I save with a water meter?](#)

support schemes, as well as the promotion of metering where customers would benefit financially. To identify and support more of the estimated 170,000 households currently deemed to be in water poverty across our region, we will target creative promotional activity and campaigns of our bill reduction schemes and metering rollouts (including, where feasible, Smart metering). We also plan to extend the activities we deliver within communities to ensure customers can find and access our support more easily and in the most appropriate way for them.

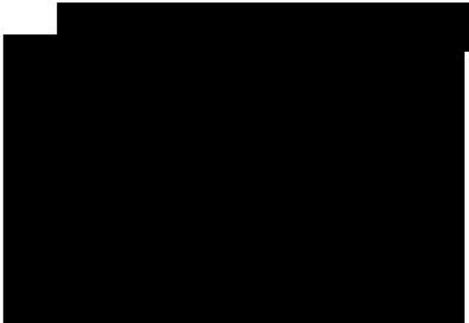
We thank Ofwat for its recent consultation on charging innovation to support affordability and we anticipate running a trial in a pilot area where we are installing Smart meters, this may assist in developing future charging innovation if we are able to significantly increase our coverage of Smart meters over AMP8.

10. We are reviewing Ofwat's new Paying Fair guidelines that set out how companies should support customers in debt or struggling to pay. We support the principles outlined in the guidelines and will respond to Ofwat on the details by the end of December.

We support the Single Social Tariff and have worked provided our input to the development group. We also work with Water UK's debt network to help.

I hope the above examples of material actions and initiatives we have already put in place, and continue to develop, provides you both with a clear demonstration of how Yorkshire Water are looking out for the interests of our customers.

We look forward to seeing an early view of your collated findings in advance of the proposed publication. Should you have any questions in relation to this response or would like to set up further discussions on supporting customers, please contact me or our Director of Customer Experience, Zoe Burns Shore, at .



Nicola Shaw CBE
Chief Executive