

Ofwat Consultation – Service for all: Ofwat’s draft vulnerability guidance for water companies supporting customers who need extra help.

A response from Scope

October 2023

About Scope

We’re Scope, the disability equality charity. We won’t stop until we achieve a society where all disabled people enjoy equality and fairness. At home. At school. At work. In our communities.

We’re a strong community of disabled and non-disabled people. We provide practical and emotional information and support when it’s needed most. We use our collective power to change attitudes and end injustice.

We campaign relentlessly to create a fairer society. And we won’t stop until we achieve a society where all disabled people enjoy equality and fairness.

Context

Scope welcomes the opportunity to respond to this consultation on a draft vulnerability guidance for water companies to support customers who need extra help. Our response sets out areas for Ofwat to consider.

The cost-of-living crisis, including rising water bills, is the biggest issue disabled people are facing right now, and we know that life already costs more if you’re disabled. Accounting for inflation over 2022/23, extra costs for disabled households rise from £975 to £1,122 a month.

The average extra monthly costs rise to £1,248 where there are two disabled adults in the household and at least two children. And for households with one disabled adult, one non-disabled adult and at least one child, the average extra cost is £634¹.

¹ Scope (2023), Disability Price Tag – Policy report, <https://www.scope.org.uk/campaigns/extra-costs/disability-price-tag-2023/>

Scope's offers free energy and water advice to disabled people through our Disability Energy Support service (DES). We know from this service that vulnerable disabled people are being particularly affected by higher costs associated with their water usage. Disabled households use more energy, but also use more water. Reasons for higher water usage within disabled households included additional drinking water, sensory regulation, pain management, extra washing, and multiple extra uses within the household.

Between 30 September 2022 and 30 September 2023, 882 people had an energy or water appointment with a DES adviser.

101 of these customers were in some level of water debt:

- In debt with water only: 39%
- In debt with water and gas: 8%
- In debt with water and electricity: 11%
- In debt with all three utility types: 43%

45 customers shared their water debt amount:

- £1 - £500: 47% were in this debt bracket.
- £501 – £1000: 24% were in this debt bracket.
- £1001 - £2000: 18% were in this debt bracket.
- £2001 - £7000: 11% were in this debt bracket.

38% of these customers had no repayment plan in place, and 39% were not on the water PSR.

21 customers rated their level of debt:

- Manageable debt: 57%
- Problem debt: 43%

Worryingly, 50% of Scope's DES customers in water debt earned or received less than the national living wage; this includes customers who work and those in receipt of disability and other benefits.

The most common barrier to disabled households receiving help from their water supplier is qualifying under the eligibility criteria. DES customers told Scope that despite explaining their circumstances to their suppliers, they continued to be ignored and fall behind on their bills. Many reported that simplifying the application process to receive help, or being auto

enrolled would remove the additional barrier of having to repeatedly 'prove' their disabilities to qualify and receive discounts they are entitled to.

Based on the information above, we have identified three key recommendations and we have set out further suggestions for Ofwat to consider. We have chosen only to answer the questions on which we have expertise.

1. for Ofwat to consider Scope's suggestions on improving the draft vulnerability guidance and PSR.
2. for Ofwat to consider the level of debt disabled consumers accrue, and factor in the lower-than-average annual income amongst disabled households in water debt.
3. for Ofwat and the Government to work together in developing a new method for recording/sharing customer data.

1. Do you agree that we should retain the vulnerability definition we set out in our 2016 Vulnerability Focus report?

Yes. While a prescriptive definition should be avoided where possible, Scope agrees that individual consumer circumstances must be considered with respect to accessing and receiving an inclusive service from water suppliers.

Ofwat are obligated to protect the interests of groups more likely to be considered vulnerable; including those who are disabled or chronically sick, those of pensionable age, low-income households, and those living in rural areas.

It is promising that Ofwat recognise and acknowledge that consumers in vulnerable circumstances have specific needs that require additional support. As mentioned in the Walnut report, vulnerable individuals may be prone to worry, less able to access water in supply outages, be less confident in dealing with bills and reluctant to contact their supplier.²

With those circumstances in mind, Ofwat's objective to 'challenge water companies to meet the needs of vulnerable customers' should also relate

² <https://www.ofwat.gov.uk/wp-content/uploads/2023/05/Customer-licence-condition-research-report-final.pdf>, Page 25

to the need for improved customer service standards, especially during this cost-of-living crisis where bills are considerably higher.

Ofwat's PR19 reporting guidance³ for the Priority Services Register (PSR), states that suppliers are required to achieve a minimum level of 7% of households on the PSR by 2024-25, and report on the variety of services that households receive, and the number of households added and removed from the PSR annually.

Considering both the 2016 Vulnerability Focus report and the PR19 guidance, there is clearly an expectation that suppliers identify and support consumers in vulnerable circumstances⁴. However there is no requirement to follow a set policy or procedure in identifying and offering support to these consumers.

Without a consistent approach from suppliers, vulnerable consumers may not be identified and subsequently fall through the system. Scope's data on PSR registrations has found that 39% of water customers in debt were not registered with a PSR.

Ofwat's PR19 guidance requires suppliers unable to meet any part of the guidance to explain why and how the shortfall(s) will be addressed. For Ofwat to easily identify what is not working in protecting vulnerable customers, a comparison of supplier activities and procedures should be carried out with guidance amended accordingly. Scope would urge Ofwat to consider introducing this as a mandatory requirement.

Scope's suggestions:

Based on Ofwat's guidance on services for disabled, chronically sick, or elderly consumers⁵, suppliers should already be recording information on consumers with specific requirements. However, Scope's findings seem

³ <https://www.ofwat.gov.uk/wp-content/uploads/2019/12/PR19-final-determinations-Reporting-guidance---Common-performance-commitment-for-the-Priority-Service-Register.pdf>, page 2

⁴ <https://www.ofwat.gov.uk/regulated-companies/vulnerability/paying-fair-guidelines/paying-fair-guidelines-to-support-customers-in-vulnerable-circumstances/>, Identify and support customers in vulnerable circumstances, 2.3.

⁵ https://www.ofwat.gov.uk/wp-content/uploads/2015/10/gud_pro_specialassistsept08.pdf, Register of consumers with specific requirements, 2.1 – 2.12.

to highlight potential gaps in consumer protection, specifically for those in water debt (39%) and those in debt with all three utility types (43%).

Of the consumers that shared their debt amount, 11% were in debts of up to £7000; of those who shared their perceived level of debt, 43% described it as 'problem debt'.

A non-prescriptive and social model approach to defining vulnerability remains Scope's preference - one that looks beyond specific medical condition. To strengthen the relationship between water suppliers and consumers that may need extra help, Scope would suggest the following circumstances be considered as part of the draft vulnerability guidance:

- Water PSR status and consumer age.
- Disabilities/impairments/conditions/chronic illnesses.
- Dependents.
- Employment status.
- Occupancy type (tenancy/mortgage/outright owner).
- Debt amount/risk.
- Property type and age.

Whilst water suppliers may already record some of the above information, Ofwat should encourage suppliers to adhere to a set list of considerations. Such considerations would help prevent consumers slipping through the system as evidenced from Scope's findings.

For example: utilities and Government having knowledge of consumer age, disabilities, employment status or property type/age, could allow people to be auto enrolled onto services that would better support them, as opposed to consumers having to be proactive or being unaware of the support they qualify for.

Scope would urge Ofwat and the Government to work together in implementing a new data collection/sharing method, to better protect and support consumers who may need extra help.

2. Do you agree with our approach to nomenclature, particularly our use of the term 'extra help'?

Yes. However, some of Ofwat's Paying Fair⁶ guidance around identifying consumers who need extra help should be mandatory requirements rather than guidelines, such as supporting consumers in debt⁷.

Where creating a requirement or condition for suppliers is not practical, Ofwat should reiterate the expectation that suppliers contact consumers who are in or are at risk of falling into water debt⁸. Suppliers being more proactive in this area could help address debt issues before they arise and allow for repayment discussions to begin.

As shared above, there is an alarming number of disabled consumers coming to Scope in water debt. 39% told Scope they were not on the water PSR, 38% in water debt did not have a repayment plan in place, 11% were in debt up to £7000, and 43% of consumers described their perceived debt level as 'problem debt'.

3. Do you agree with our proposed approach to applying the guidance to new appointees and the Welsh non-household sector?

N/A

4. What impact do you think our draft guidance will have of the experiences of customers who need extra help?

It is encouraging that Ofwat recognise that change is necessary to improve the experiences of customers in vulnerable circumstances.

Ofwat's proposal to develop a specific criteria to request from suppliers is promising. Strengthening reporting, and regularly analysing supplier data on PSR and vulnerability, should enable suppliers to improve their services and improve consumer experiences.

⁶ <https://www.ofwat.gov.uk/regulated-companies/vulnerability/paying-fair-guidelines/>

⁷ <https://www.ofwat.gov.uk/regulated-companies/vulnerability/paying-fair-guidelines/paying-fair-guidelines-to-support-customers-in-debt/>, 4. Be proactive in contacting customers in debt.

⁸ <https://www.ofwat.gov.uk/regulated-companies/vulnerability/paying-fair-guidelines/paying-fair-guidelines-to-support-customers-in-vulnerable-circumstances/>, Use all reasonable efforts to predict and support customers at risk of falling into debt, 2.1.

5. Are there further lessons from other regulated sectors that could be incorporated into our draft guidance?

N/A

6. Do you agree with our proposed approach to enforcing our customer focused licence condition by reference to our draft guidance?

Yes. However, regular auditing of supplier customer service performance and adherence to the guidance would encourage greater compliance from suppliers.

In scenarios of non-compliance, or in the case of severe breaches, the introduction of financial or reputational incentives would encourage better performance and delivery of supplier services.

7. Do you agree that our draft objectives cover the broad areas of vulnerability support activities that companies should be considering?

N/A

8. Do you agree with the proposed list of minimum expectations we have set out?

Objective 1: Scope agrees with these expectations but would urge Ofwat to consider the importance of ensuring disabled people's needs are met, particularly when planning for emergencies.

Ideally, Ofwat, suppliers and Government should consult widely with disabled people and/or organisations representing the interests of disabled people to ensure in the event of emergency incidents, their needs are sufficiently accounted for.

Objective 2: Scope agrees with these expectations.

Objective 3: Scope agrees with these expectations but would reiterate the need for Ofwat, water suppliers, and the Government to work together

on implementing a new way of sharing data on consumer circumstances between utilities and Government, to better protect and support consumers who may need extra help.

This would then allow water companies to have access to the relevant information to help identify consumers who are not currently being supported.

Objective 4: Scope agrees with these expectations.

Objective 5: Scope agrees with these expectations. While this consultation focuses on vulnerability, with the recent news⁹ that water suppliers wish to further increase already high bills to upgrade the infrastructure and better manage sewage, it would be remiss not to highlight the correlation between vulnerability and costs.

The ongoing cost-of-living crisis is making utility bills unaffordable for disabled households, and any added increases will only push already struggling disabled households into further debt.

9. Do our draft minimum expectations offer a good balance between making clear the minimum standards we expect from companies, and challenging companies to innovate and find new ways to meet the needs of their customers?

Yes.

10. Do you agree with the proposed approach and timeline around companies' vulnerability strategies?

Yes.

11. Do you agree with our proposed approach to how water companies should use our guidance?

Yes.

⁹ BBC News (2023) – Water firms want bill rises to cut leaks and spills, <https://www.bbc.co.uk/news/business-66979271>

12. Do you agree with our proposed approach and timelines for setting out our detailed expectations around the design of priority services registers in a separate standards document?

Yes. Ofwat acknowledges that currently there is no licence requirement for water suppliers to hold a PSR, however given the level of debt consumers are in with the current energy and cost-of-living crises, consideration should be given to the potential development of a standardised PSR licence requirement for all water suppliers to support vulnerable consumers.

As stated,¹⁰ water suppliers have been given a level of discretion in how they operate and the specific methods they use to comply with Ofwat's guidance. Innovation is a positive step but should not be prioritised above the need for a consistent approach between suppliers. Unlike energy suppliers, domestic consumers cannot choose their water company¹¹.

Scope agrees with stakeholders that voiced the need for specificity in the application of the guidance¹², and hopes that post April 2025, Ofwat will be able to publish standards for how suppliers should operate PSRs and the expected level of performance.

For more information, please contact:

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¹⁰ <https://www.ofwat.gov.uk/wp-content/uploads/2023/07/Ofwat-vulnerability-guidance-con.pdf>, Page 26

¹¹ <https://www.ofwat.gov.uk/households/your-water-company/changesupplier/>

¹² <https://www.ofwat.gov.uk/wp-content/uploads/2023/07/Ofwat-vulnerability-guidance-con.pdf>, page 26