

south east water

CCW – Call for evidence

South East Water response

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1. Introduction

This paper sets out South East Water's (SEW) response to CCW's – Call for evidence as part of its independent review of affordability support for financially vulnerable customers in England and Wales.

Any queries in relation to this document should be sent to:

Overall comments

SEW are supportive of the review and welcome the independency of CCW in undertaking that review.

We welcome the opportunity to contribute to this important review, we are acutely conscious of the role we play in providing an essential public service and believe as a point of principle that our services should be affordable to all of our customers.

While significant progress has been made by the whole water sector in recent years, there is more that needs to be done. Our view is that support scheme arrangements could be improved as they do pose some challenges for supporting the eradication of water poverty. These schemes provide a critical support for our customers and communities but we recognise that it is difficult to see a perfect approach to dealing with those challenges.

We are supportive of removing reliance on customer willingness to pay but this should be framed in the context of a mechanism to ensure that companies can show they remain in the best interests of society and their entire customer base.

We support the collectively Water UK response to this review, our responses enclosed are in addition to those provided by Water UK.

2. Answers to questions/ response

Question 1 - What works well in terms of the current arrangements for supporting households that struggle to pay their water bills?

As part of our overall approach to supporting financially vulnerable customers we feel it is really important that a broad range of support approaches exist, to ensure that the payment of water charges is affordable for customers. This is often achieved through flexible and tailored payment arrangements that we make available for our customers to enable them to spread the cost of these charges.

We are also mindful that our historic views on customer needs and which schemes best support our customers is predominantly based on a pre March 2020 view when Covid-19 lockdown impacted on all customers across England.

Since this point we have not however, seen an increase in customers accessing our affordability tariffs and the trend of new applicants continues to be in line with our pre March 2020 applications.

We did see a significant uplift in customers seeking payment holidays and payment breaks since April 2020 but this on average has remained stable at 3.5k households over the period with currently in the region of 50 to 100 new households seeking support per month (a very low percentage of our household customer base).

We have however continued with our robust performance commitment - customer satisfaction surveys, during lockdown. This research has shown that satisfaction in the support we offer has slightly increased since April 2020 and is discussed below.

Our customer survey findings

One of our performance commitments for the period 2020-25, is to track the satisfaction of customers who are experiencing payment difficulties. These customers are in need of our support tariffs or have non-standard payment arrangements in place i.e. they are not able to afford to pay the calculated standard plan for usage. Therefore, the customer satisfaction surveys on customer samples that are experiencing payment difficulties carried out over the last eight months has provided us with insight into their changing needs, in the changing world.

Survey results pre (our baselining outcomes) and during lockdown periods showed no significant statistical change in results for the key measures, which suggests that the measures in place continue to support customers once supported through a payment arrangement.

While consistent we see 7% of customers saying that bills still remain too expensive or they believe that bills should be cheaper. Overall we have received 4.3 out of 5 in terms of satisfaction of the support or service to help customers afford and manage their water bills. We also see 78% of customers saying our schemes make a positive difference as well as saying bills are more affordable as a result. Both of these satisfaction survey results have improved by 2% and 3% respectively compared to our April to June 2020

survey results, meaning customers find our support more useful as lockdown continues.

Collaboration

To ensure our arrangements remain appropriate and to maximise exposure to those hard to reach customers, we have been working to ensure our collaboration has been good and has focused particularly on the areas of financial and non-financial vulnerability across a number of areas. As a company we have collaborated with other organisations including:

- Water companies in the South East sharing specific regional challenges as well as companies across England. This worked on joint initiatives with partners such as NHS trusts and also care homes and hospices, other utility companies including energy Distribution Network Operators and Retailers in the energy market:
 - South East water companies working with UKPN, SSEN and SGN – this resulted in SEW producing a joint vulnerability promotion video made available to the energy sector and partners
- Local Authorities and Councils, including:
 - Parish Councils – where we undertook joint communications and messaging
 - Kent County Council, where we undertook joint promotional activity and is currently focused on water efficiency for vulnerable customers
- Third sector organisation and partners across our region including:
 - Citizens Advice – to identify and promote customers who are eligible for tariffs or our PSR services
 - Food Banks – Providing promotion and signposting for customers to access support tariffs
 - Patient Kidney Care Associations – signposting and supporting the training of front line clinical and welfare teams about our affordability support

While initially we found that collaborations predominantly focused on learnings and shared experiences we have always tried to focus on how shared outcomes could be more efficiently and effectively delivered through group participants working together.

A focused approach by water companies working together was seen as highly successful in delivering an aligned approach to Social Tariff eligibility. This was seen as extremely important for partners who often covered multiple water company areas due to the fragmented supply regions in the South East region. By working together all companies adopted the same eligibility approach ensuring simplification for front line service delivery for our partners. Similarly, the approach adopted across all water companies in England to suspend recovery activity at the start of Covid restrictions was very positive.

Maintaining simplification

Our insight and research tells us that both customers and partners supported the simplification of both tariffs and eligibility rules. We have historically focused on simplified rules that customers can easily understand too, alongside a simple discounted tariff approach to an average bill position which did not require lengthy and detailed analysis of customers income and expenditure to establish discounting.

Regional approach

There is a general view that a postcode lottery exists for customers in terms of the support that they receive. It is clear however that many regional influences also exist and should be considered. These range from affluence levels, employment levels and housing costs all being primary examples that can impact on customer need.

There are undoubtedly benefits of standardising approaches or setting minimum requirements, however, enabling companies to tailor tariffs and support in a way that meets the needs of their customer base ensures that factors relating to the region are not discarded or normalised in an effort to find a single approach.

Question 2 - In what ways could the approach to supporting financially vulnerable households in the water sector be improved?

Question 3 – Are there gaps or limitations in the current arrangements, if so what? Which households in need of support are currently missing out on it? What evidence can you provide in relation to this? How could it be addressed?

We have responded to questions 2 and 3 collectively.

Funding through willingness to pay

Many cross subsidies that are applied in other areas of life including taxation and benefits, are not subject to willingness to pay acceptability testing, they simply exist because of a reasonable need. We however, recognise the need for checks and balances to be carefully applied in this type of change to ensure that application of tariff design and cross subsidy remains reasonable and necessary.

Specifically the risk always remains that with our focus on the eradication of water poverty that this cannot be achieved as discounted or support tariffs will form a key component to the solution. On this basis reliance on customer acceptability of the value of support creates a risk to delivery.

Awareness, eligibility and understanding need

An area which is particularly difficult is around raising awareness of eligibility with customers. Annual research by CCW suggests that awareness of customers around affordability support is declining and we also know that establishing the level of need requirement can be difficult for us to achieve.

Recognising that as a company we have realised that we cannot deliver improved awareness in isolation we have refreshed our partnership programme and enhanced our Vulnerability Strategy Team skills recruiting a strong skill set for delivering this aspect of our strategy.

The utilisation of data enabling centralised horizon scanning to truly recognise and understand need, should be seen as a more effective and consistent approach for companies to establish need and effectively set company tariff design and support. Additionally this ensures risks are managed in a more effective way. Currently companies all rely on differing datasets delivering different answers. The regional factoring would need to be understood in this approach.

The provision of vulnerability services, while enhancing customer trust and satisfaction for companies, is also one of the most difficult areas to engage with customers around. This is despite for many years the inclusion of messaging on bills, partnership promotions and tailored messaging and marketing to customers. This may be seen as unnecessary cost to customers when a single co-ordinated centralised promotion could be far more effective. Examples of this could be benefits targeting or utilising data such as ‘the blue badge’ mobility scheme for PSR and household income data to flag to customers who are highly likely to be eligible for water company schemes.

Speed of change

Historically due to the business plan funding and research requirements, companies have generally set tariff funding and need on a 5 year business plan period. The recent Covid-19 impacts are clearly supporting that there is a need for shorter periods of planning to enable companies to react to the emerging economic landscape and needs.

Research skewing design

Current methods require the fundamental social tariff design to be acceptable to customers through Defra guidance and with the support of CCW. We agree with the importance of the latter check and balance as part of the tariff design and implementation process and agree citizen support is an important feature for validity.

During PR19 however, we saw a customer bias being raised around the tariff design area with our customers and a view from some, that customers may be ‘choosing’ to remain in the benefit system rather than work. This resulted in particularly strong views about which customers should be supported and which should not i.e. a view of customers who have found themselves to be in a financial position rather than choosing to be. As a company this emerging bias was a concern as whatever the design of future tariffs we would not wish to find ourselves in a position that an inherently biased or assumptive design was the only one that could be implemented as a result of customer demand and which could create future gaps.

Households needing support but missing out

Companies working with WaterUK, as part of our Public Interest Commitment to eradicate water poverty by 2030, are currently working towards a new definition of water poverty and it is our belief that many more customers will fall under the criteria of needing support. Additionally it is anticipated that up to 3 million additional customers in the UK will require additional support as a result of economic impact due to Covid-19.

As well as the additional volume of customers requiring support, we expect to see a significant different segment of customers who require that support meeting eligibility due to family needs. Recent research by CACI suggested that there was a high number of segment AB in socio-demographic classifications that would be subject to redundancy and whilst previously having larger incomes are ill prepared for such a decline in income or awareness of where to turn for support. This will create a potential new tier of customers, some needing short term and others needing longer term support with higher housing costs and higher potential risk of falling into arrears.

Available evidence

Much of the current view on future need is qualitative in methodology. To support our post Covid-19 view we are bringing forward our planned horizon scanning activities on vulnerability and we are happy to share any supporting evidence views that we acquire as part of that horizon scanning.

Question 4 – Are current arrangements sustainable and capable of meeting likely future needs in terms of supporting financially vulnerable households? If not how should this be addressed?

Question 5 – Are the current arrangements for funding social tariffs fit for purpose? If not how should they change?

We have responded to questions 4 and 5 collectively.

Whether the current arrangements for funding support is fit for purpose is a complicated assessment. Our assumption is that based on the current arrangement of a local willingness to pay acceptability and the potential assumed need, the current arrangements are not sustainable. We base this thinking on the acceptability of willingness to pay based on our PR19 research (both qualitative and quantitative).

However, the alternative of a national approach will create explicit or implicit transfers between regions and this would not necessarily be more appropriate. We also believe this type of approach is a policy decision for Government.

We believe companies should be able to review schemes against needs and where necessary develop schemes to meet the needs of their customers, within agreed constraints (including review by CCW as currently exists).

In terms of whether arrangements are capable of meeting future needs, we refer to our responses to earlier questions with regards to changing and understanding needs.

Question 6 – How could the sector's approach to promoting and delivering support (rather than the mechanisms they use) be improved? How could households' awareness of assistance options be raised, including hard to reach households? How could the process for households to apply for financial support schemes be improved to make access easier?

We promote our support schemes through a wide range of channels, including directly with customers via bill messages or inserts, social media promotions, community partnership programme and working with a wide range of stakeholders and third sector organisations, including for example national organisations like Citizens Advice. Despite multiple channels, there remains a challenge in reaching the hard to reach.

Awareness

A significant challenge for all companies is the ability to identify and reach out to customers who need our support. This is particularly the case where transient affordability exists and customers have affordability for shorter durations i.e. less than 1 year.

Joined up promotion and awareness activity is difficult currently due to the eligibility

differentials that exist between water companies. Feedback from our vulnerability partners is that they would like companies to be aligned on eligibility primarily but as a secondary element the alignment of support discounts as well.

Targeted promotions by companies, even when collaborating, is difficult to target and the opportunity for potential centralised agencies supporting customers, raising awareness of schemes would we believe be highly effective.

Application process

We have been able to maintain a simplistic approach to tariff applications. We believe more complex and detailed application processes are not in the best interests of the customers and creates unnecessary protocols and barriers in the process.

With our challenge on water poverty, it remains unlikely that we will be able to maintain that simple application as we require more data to assess the potential water poverty impact, however we feel that schemes should focus on a customer first approach to activities and the additional demands and challenges that can result through more complexity.

Vulnerability stakeholder event

As part of our engagement with vulnerability stakeholders we undertook our annual vulnerability network event in November 2020, which focused on how we could improve our working partnerships to deliver joint outcomes

Key themes from these events indicate a need and appetite to see:

- Joined up messaging across utilities- our partners from the third sector spend much of their time giving multiple complex detail on schemes and tariffs to their service users.
- Improved digital platforms – online forms and access for quick and easy signup
- Support of network events that focus on specific areas such as affordability to support the co-creation of accessible services
- Move away from the “do this focus for us” culture to the “how can we support you in developing your services to access more people” – systems, processes, access.

It is clear that partners provide the sector with a broader reach and expertise along with being customers trusted partnerships of choice.

Question 7 – Are there any particular lessons from other fields or sectors, which may be transferrable, that the water sector should take account of in shaping its future approach?

The Warm Home Discount scheme, which operates in the energy sector to support affordability customers, is a good comparison to take account of when shaping the future approach for the water sector. This tariff is not part of any willingness to pay but instead rebalanced across customer groups.

Additional Comments

The questions asked in this call for evidence are focused on the effectiveness of the existing process. We trust that CCW in its wider plan for this independent review will also find as part of additional engagement the opportunity to explore the following areas:

- The need for a more consistent approach in the sector and cross sector to debt signposting
- A more rounded approach to affordability i.e. the wider impacts of water and water bills and the impacts on affordability
- Opportunities to improve ways of sharing and identifying customers through more joined up thinking. For example the Digital Economy Act was intended to support water companies in this area but does not currently appear to be having the impact that the sector hoped. Maybe more targeted legislation could support making sure awareness was really targeted at those most in need.

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