

Response to CCW Affordability Review Call for Evidence

We have included below our response to the CCW Call for Evidence as part of the Affordability review commissioned by DEFRA and the Welsh Government. Affordability is a priority for Bristol Water, it's ingrained in our social purpose which has shaped our service since we were formed.

To summarise our response, our key thoughts are:

- Partnership working/data-sharing should be utilised as much as is objectively possible in order to ensure that the water- and related- (i.e., energy) industries are supporting all those who need help
- There should be a national promotion of support available to encourage all customers to seek help if they need it. This promotion should be generalised due to the local differences in support available and should focus on raising awareness that support exists at the local level
- We believe that the water industry should amend its focus on achieving raw numbers of customers on social tariffs, and transition to a % of customers in water poverty approach. Whilst this approach incorporates numbers of customers on social tariffs as a factor it develops a more holistic approach to supporting customers. We believe that the WaterUK work as part of the Public Interest Commitment to develop a common definition of water poverty within England and Wales is a good start to this transition
- There is also scope to update the way in which support for cross-subsidy levels are assessed. The water industry could adopt an approach similar to other sectors (i.e., energy, public transport) where support does not need to be gained explicitly from customers each time a change is required. An alternative is to utilise the Customer Challenge Groups in their role of customer representatives to assess acceptability of cross-subsidy levels.

We've utilised our customers' responses from our ongoing and previous research and engagement projects. We also took the opportunity to ask our online community of customers for their thoughts on the questions posed (and promoting the call for evidence so that any interested customers within this panel could respond individually) and we have included these separately below.

The customers we asked highlighted the following areas:

- The need for better, more wide ranging promotion of social tariffs and affordability schemes to ensure that all customers are aware. Whilst some may not need support, the awareness of this may aid them in helping another

- Companies should proactively target those customers who appear to be struggling, where debts are accruing before moving to an enforcement process
- Those who are in financial hardship but not yet in debt should also be supported. This was a view that while reinforced by the COVID pandemic, was highlighted as an issue in general
- There was support for a more thorough metering approach which targets those who may be unaware of the option to meter, or who are worried about transitioning to a meter. Some customers believed in compulsory metering, while others believed that a smart meter similar to that used for both gas and electricity could be used to help people understand their water use and reduce this usage where appropriate.

We recognise that affordability is a major concern for many of our customers, and we take our responsibilities in this respect very seriously, providing help for those households which are experiencing difficulty paying their bills. We aim to make our bills affordable to all and our services accessible to all, including for those customers who are in circumstances which make them vulnerable.

Since 2015/16 we have been reporting on the percentage of our customers in water poverty, comparing their water bills as a percentage of disposable income. Since 2017/18 we have been able to report that none of our customers are in water poverty as a result of our focus on increasing the number of customers on our social tariffs. Most recently, as part of the English and Welsh water industry's Public Interest Commitment, we committed to make our bills affordable for all households by 2030 and to develop a strategy to end water poverty.¹

Bristol Water has a robust package of social tariff schemes² to help those most in need in support in paying their bills. Our assistance packages are designed to encourage customers to improve their payment habits and to start making regular monthly payments. This helps finance investment in services that is affordable to all customers.

¹ Specifically, the [Public Interest Commitment](#), published in April of 2019, states that the water industry in England commits to working together and with others to "make bills affordable as a minimum for all households with water and sewerage bills more than 5% of their disposable income by 2030 and develop a strategy to end water poverty."

² <https://www.bristolwater.co.uk/wp-content/uploads/2018/09/Section-C2-Addressing-Affordability-and-Vulnerability-1.pdf#page=13>

We consider that financial vulnerability is often multi-dimensional and can be a transient state that affects people at different periods of time, especially considering the COVID-19 pandemic, or it can be long-term in effect. Customers' personal circumstances are not the only factors to consider; external events, or the actions or processes of companies, can equally contribute to the risk of financial vulnerability.

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

There are number of ways in which the current arrangements work well as evidenced through an increasing number of customers signing up for social tariffs. Here we consider the strategies and approaches which work well at our local level; therefore, we include both general considerations and the specific ways which we have found to be effective within our supply area:

- The COVID-19 pandemic has shone a light on the current arrangements used by water companies and propelled their promotion and uptake to new levels. Since the outbreak of the pandemic, Bristol Water received circa 15,000 contacts to the end of August regarding payment breaks (covered by our flexible payment plans/breathing space), this highlights the possibilities for the current arrangements to support transient financial vulnerability at a local level
- Continually identify opportunities to help customers and offer our support in difficult times, such as the NHS rebate scheme that Bristol Water and Wessex Water offered to all NHS staff during the COVID-19 pandemic. These customers were entitled to £50 discounted from their water and sewerage bills.
- Local support (financed via cross-subsidies) rather than national funds or top/down initiatives – there is an argument that social tariffs are primarily a matter of social policy, and there is therefore a legitimate expectation that Government should provide guidelines on who should benefit and how much non-beneficiaries should contribute. Water companies also do not have the information to collect cross-subsidies in a “progressive” manner (e.g. as akin to income or council tax) and so the level of support cannot fully reflect individuals' ability or willingness to pay. However, the nature of affordability problems varies across the country, both in terms of the customer groups that are affected and in terms of the scale of the problem. Likewise, the availability of public funds is limited (and is likely to be even more stretched post COVID-19),

so addressing affordability should largely be a matter for companies, through company social tariffs and other measures

- Flexibility of support – our customers consider a flexible approach to helping households to be needed, and trust Bristol Water and debt advice agencies to decide who to help, and how best to help them. When previously asked, our customers are less in favour of a rigidly applied social tariff regime but would rather allow Bristol Water the flexibility to apply a reduction that is case specific.³ Overall, our customers have indicated that Bristol Water should have flexibility to adapt support to the individual customer's needs. We maintain our long-held view that water companies are best placed to design and implement social tariffs through their charges schemes. This is why we use a variety of discounted tariffs and assistance schemes to help customers with affordability problems and consider these to be vital tools in both maximising revenue collection (by reducing bad debt) and maintaining a good relationship with our customers
- Widening support rather than deepening support – our customers are in favour of offering support to a greater number of people, rather than concentrating more resources on a smaller number of beneficiaries
- Customer support and trust - the level of cross-subsidy that is acceptable should be defined by views of customers, which can be investigated through researching their willingness to pay
- Partnership work:
 - Bilateral partnerships: a customer in water poverty, given the comparatively lower cost of water, is likely to also be in fuel poverty and financially vulnerable as well – this means collaboration and working in partnership with a range of organisations is absolutely key. To effectively reach out to customers in need of financial assistance we work jointly with Wessex Water to partner with a number of charities. Our support

³ Draft determinations customer research: Social tariffs (draft determination response ref. A39 “Social Tariff Research August 2019”)

is offered as a wide range of options when the charities help customers with their finances

- Social contract partnerships:
 - Hard to reach projects: To assist those customers who most need our help to make their bill affordable, trying new ways to reach out to those customers who are struggling to pay their bill or who are vulnerable
 - Partnerships with debt charities: To ensure low income customers receive full debt advice from charities and organisations within their own communities and not just help with their water bill
 - Resource West: one of the goals of the project is to support vulnerable customers (via for example joint communication campaigns)
 - Bristol One City Plan, particularly the economic recovery strategy, which is aimed at meeting the needs of the most vulnerable and in reducing poverty

What our customers think:

Sixty-two percent of the customers we asked believed that the current approach to help those who are struggling is working well, with only three percent thinking that they were not working well. The remaining 35% were unsure as they had little personal experience of affordability schemes. Our customers thought that the current arrangements provide a comprehensive, wide range of options that provide a fair and flexible solution to many differing individual circumstances with no judgement. They are easily accessible, cater for everyone and have the potential to answer the problem of affordability issues within the water industry and allow customers to “get a grip” on their finances.

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

Whilst we believe that current arrangements and our approach to addressing affordability, there are ways in which they could be improved. This belief is driven by research and insights from data:

- Smarter and targeted data – The first port of call for a customer facing financial hardship is unlikely to be their water provider. Measuring, targeting and actioning water poverty alleviation will all be more effective in the presence of robust and detailed data sets. These data sets may **partly** be developed by water companies, but improvements can be only achieved if this is aided by government departments (such as housing costs) and potentially by companies in other sectors. The potential for increased data collaboration, both within- and cross-sector, offers an important opportunity to improve proactive water poverty identification. Whilst we will need to ensure that we have effective processes for collecting, storing and using data, an important enabler will also be the ability to access these third-party sources. There are significant challenges with accessing of data from government agencies. The ONS is currently engaged in a long-term project called Connected Open Government Statistics (COGS), which aims to consolidate and streamline government data to make it easier to publicly access and understand.⁴ As this develops, the data readily available for water providers to employ should grow. However, this is dependent on DWP, ONS and other government bodies being able to successfully overcome the challenge of coordinating and integrating significant amounts of data. Our preference is that any data reporting requirements are targeted and proportionate, so as to be useful to companies and regulators
- Promotion of support – Whilst the numbers of customers on social tariffs are increasing, the rate of uptake on certain schemes are below what we would expect. Additionally, the CCW Water Matters research repeatedly highlights the low awareness of affordability schemes across the water industry, and the same is true for Bristol Water. In addition, our research on the barriers to uptake of our Pension Credit Discount highlighted the promotion of the tariff as one of the main factors preventing registrations. Therefore, a more thorough promotion of affordability options at both a local and national level is required. As part of this, co-creation research with our customers has the potential to 'unlock' the most appropriate avenues of promotion for each type of social tariff
- Partnerships – as alluded to in response to question 1, partnerships are key to addressing affordability issues within the water industry. No water company

⁴ [Connected Open Government Statistics \(COGS\)](#)

can eliminate water poverty on its own in its region – we all need strong partnerships with advice agencies and voluntary organisations that support our customers, to promote our services and refer those who need additional support

- Customers in low income hardship rather than on benefits – there is a potential that some customers who are in employment are experiencing financial hardship, however they often do not meet the eligibility requirements for social tariffs. Therefore, creating a new suite of schemes to support these customers would be beneficial
- Proactive support for those who are not yet in debt but may fall into debt due to their circumstances. Current arrangements work on a more reactive basis when someone is identified as being in debt.

What our customers think:

Customers suggested that more, and proactive, communication and promotion, as well as a more easily accessible suite of tariff options could improve the current arrangements. Some customers believed that the number of options should be reduced to provide a more individualised approach, with a few plans which can be flexible to each circumstance.

There was a suggestion that the current schemes should be amended to include those facing financial hardship, but who are not in debt, especially in light of the COVID-19 pandemic.

Metering was also a focus of the customer panel, who suggested that there should be proactive communication with those who may be unaware/worried about metering. Some customers supported compulsory metering while others believed that utilising smart meter technology similar to that used within the energy sector could be utilised to help people manage their water use, where appropriate, by giving a real time view of how their water is being used and the cost of this use.

Customers also believed that increasing education around reducing water usage should be coupled with any assistance provided (i.e., educational materials/modules which should be completed as part of the application process).

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?

The assumptions made within this question are inherently difficult for a water company to answer. Our aim to make our bills affordable to all and our services accessible to all mean that if we were aware of gaps or limitations of our approach, we would develop strategies to close these gaps and challenge the limitations. Similarly, if we were acutely aware of the households, types of households or areas of housing which are currently missing out on support we would work to rectify this.

For example, in collaboration with Wessex Water, we recently identified that there was a gap between the number of customers who are registered for our Pension Credit Discount and the number of customers we believe to be eligible for this social tariff. To counteract this, the two companies have conducted research to co-create strategies with customers and expert charity partners which can improve both the uptake and the customer journey of those customers who do register. This approach means that if a gap is identified, they are proactively closed at the local level.

Additionally, as this local approach is taken to closing gaps in the current affordability schemes, it is difficult to comment on the approach (and any potential gaps) experienced by other water companies.

One avenue of progress which has been limited and has created a gap in the current arrangements. A datashare with the Department for Work and Pensions was expected, which would aid in automatically identifying customers who needed support. This has not taken place yet, and when it is in place, this will close this major gap. By using data to make the support we can offer more efficient and reaching all those who need it, we can ensure a level of 0% water poverty.

What our customers think:

Seventy-seven percent of the customers we asked believed that there are no gaps in the current arrangements, with some suggesting that no scheme or system will ever be 100% effective and be able to help all those who need it.

Of the 23% of customers who believed there were gaps in the current approach, the top three gaps highlighted were the need to help those who are

in financial hardship but not yet in debt, more promotion and proactive communication to increase awareness and ensuring promotion is not just in a digital online format.

An acknowledgment of the lack of awareness/knowledge of metering was also evident within the online panel, with some suggesting that compulsory metering should be introduced, and others suggesting support for single occupier households, the best of which would be to have a meter installed.

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?

Water companies alone cannot address the problems facing financially vulnerable households. Water companies will play a central role in achieving water poverty eradication, but the wider stakeholder community is also critical in supporting us. This could include other utilities (e.g. energy companies), government (at a local, regional, or national level), and third sector organisations (such as debt and poverty charities).

Due to there being no threat of disconnection from a water supply, there is a potential for customers to consider paying their water bill as the lowest priority and last living cost to pay. Increased pressure on household budgets in recent years has been caused by the economic downturn and the impact of welfare reform, which may mean that even more customers will struggle to pay their bills. Real wages have not kept up with inflation in recent years and some consumers are even maintaining living standards through unsecured debt. COVID-19 and Brexit could also have longer-term systemic impacts on the economy.

Presently there is national social support provided via the WaterSure scheme (which is a cross-subsidised cap for certain customers with large families or medical conditions on a water meter, rather than a social tariff). The balance the Government must strike between using public expenditure to assist financially vulnerable households over water affordability problems is essentially a matter of public policy and is rightly for the Government to decide. Whilst it is not the place for Bristol Water to dictate such policy it might be helpful to consider whether there are lessons that could be learned from other sectors, such as in the energy supply market.

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

We use a combination of approaches to support customers who are at risk of water poverty. Bill and income support measures (including our social tariffs) provide a direct route for support. However, the extent of support that can be provided by these measures is dependent on the extent to which water customers are willing to cross-subsidise support. Analysis of 'willingness to pay' suggests that a proportion of customers:

- are unwilling to support the bills of others
- believe that water companies make sufficient profit to provide support themselves; or
- are concerned that support would be poorly targeted such that those who need support would often not receive it.

The introduction of social tariffs (or extension of the support) may not be popular with those who do not benefit but would fund the tariff through cross subsidy. This is particularly the case where customers have affordability difficulties but do not qualify for the tariff (i.e. customers just above the boundary to be the recipient of help). Whilst the case can always be made that a social tariff will reduce bad debt costs, those customers may be similarly unhappy that they are funding bad debt through their bills. Given these concerns, customer acceptance of the introduction of a social tariff (or extension of the support) may prove difficult to obtain, especially in a climate of economic uncertainty.

There is a disparity between the performance commitments requiring companies to increase the number of customers on social tariffs (or to maintain 0% of customers in water poverty), the resulting increase in cross-subsidy to allow for this, keeping non-benefited households satisfied with their value-for-money, and maintaining acceptability through willingness-to-pay studies.

A potential alternative to solely relying on customer support, via willingness to pay, is to balance such support with the views of the Customer Challenge Groups (CCGs) (in addition to balancing with the view of CCW). CCGs currently act as a conduit to ensure that the views of customers are heard and

are is reflected in water company policies. There may be scope, in consultation with Ofwat, to expand their role.

By amending the process required to agree on cross-subsidy levels, there is the potential to improve this process to become more reactive and flexible to situations which arise that may require a change in cross-subsidies. This would ensure that support is available to all when it is required.

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?

The perceptions of customers may be influenced by the wider narrative surrounding the water industry, including public debates over ownership and legitimacy. While the portrayal of the sector in the media may be difficult to control, a joined-up strategy introduced between companies may help to align messaging – this is why water companies in England and Wales committed to the PIC objective develop a strategy to end water poverty. This project aims to firstly ensure a national 'definition' of water poverty and a standard method of calculating water poverty, and then to develop a strategy to end water poverty within England and Wales. This highlights how the industry is already working together to achieve 0% water poverty and help all those who are struggling to pay their water bills.

Whilst we support such a strategy and it is aligned with our own, it is important to recognise that the nature of affordability problems varies across the country, both in terms of the customer groups that are affected and in terms of the scale of the problem. This is why localised (not standardised) support is essential. The strategy should not be a prescriptive approach to delivering support, but instead allow local flexibility, as local companies are best placed to take decisions around the design of company social tariffs, taking account of local circumstances and the views of their customers.

We believe that changing the focus of performance commitments from raw number of customers on social tariffs to a more holistic approach focusing on number of customers in water poverty may help to alleviate some of the performance driven behaviours of companies. Social tariffs act as an enabler

to achieving 0% water poverty but this form of commitment requires a more comprehensive approach than just driving up numbers.

The increased and improved promotion of affordability schemes is central to increasing awareness of the help that companies can provide. Understanding the barriers which prevent people from registering for current tariffs can help to inform the future promotion of these schemes.

Building data share relationships with organisations such as the Department for Work and Pensions to identify those who are automatically eligible for a social tariff but may be unaware of their existence offers the opportunity to proactively help our customers before they get into debt with their water company.

Whilst we believe that a localised approach should be utilised for the actual support offered to our customers, a national approach to the promotion and marketing of the schemes which are available may be beneficial. This does not preclude a 'national cross subsidy' as the needs of certain areas may disadvantage the customers of other areas disproportionately.

At Bristol Water we have implemented a number of ways to increase awareness of the support we offer:

- Community outreach events where we discuss our affordability schemes with customers directly through attendance at events such as the Blue Monday Event (Annual event held on the 3rd Monday of January as it is statistically the most psychologically challenging day of the year) where we can engage with our customers on how we can help them
- Hard to reach projects with local charities where we support these organisations and in turn, they are able to help their clients to register for appropriate social tariffs
- Targeted communication campaigns

There are a number of ways which we have also made our application process more accessible:

- Upcoming new billing platform
- Achieved Audit and Accreditation standard for website accessibility
- Launch of new online application forms
- New web platform incoming

What our customers think:

When asked how the water industry could better promote affordability schemes, the highest response was simply to produce more promotion and increase the publicity of schemes so that all customers are aware of the support available. The most commonly suggested methods of increasing promotion were through company websites and social media accounts, providing information on bills, and proactive engagement with customers who may be struggling before they fall into debt. Customer also believed that TV advertising, postal correspondence and working with external agencies (i.e., Citizens Advice, JobCentre, elderly day centres) were also useful avenues for promotion.

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

The UK Regulators' Network (UKRN) has commissioned a number of recent projects thinking about how affordability concerns might be dealt with across several sectors. These have noted the opportunity for, and evidence of, greater collaboration particularly between water and energy companies. This is why we are proud that in November 2018 we established a data sharing arrangement with Western Power Distribution to enable the transfer of customer data, (with consent), in order to increase the number of customers on our priority services register. The success of this partnership highlights the efficacy and opportunity for datasharing. Whilst it may not be possible to enter into an 'affordability datashare' with individual energy retailers, there is a possibility to engage with organisations such as the Department for Work and Pensions, to ascertain those individuals who were automatically eligible for a social tariff. There may also be possibilities to partner with other sectors such as the banking sector. Banks have acute knowledge of their customers finances, and in particular when they may be struggling. It is data which they use to target their customers with relevant products. Therefore, if a partnership were to exist, these corporations could target their customers who were struggling financially (e.g., continuously going into their overdraft) with advice and support on affordability schemes offered by all utilities, not just the water industry.

What our customers think:

Our customers predominantly believed that companies should collaborate to develop a comprehensive suite of support schemes for those who need it. They suggested that the water industry should collaborate with the energy sector, councils, government departments, debt advice agencies, banks, community support projects and other similar entities.

The development of smart meters to track water use in real time was a concept supported by some customers who believed that mirroring the energy sector could help to support customers to become more aware of water usage.

Considerations on the CCW Call for Evidence Document

We note the reference on page 4 of the consultation to the independent Walker Review. Our view is that there is a need to reconsider these conclusions as the Government at the time concluded that company driven social tariffs were the right answer. The reasons were:

- Pricing with water efficiency support didn't help to solve affordability. However, we believe that the Government needs to make more effort on water efficiency as part of this support (e.g., the recent decision by DEFRA to de-prioritise water efficiency labelling due to COVID-19 pressures)
- The variation in water bills across the country was right (as it was cost reflective, e.g., South West), and a national social tariff that rebalanced between regions would be complex and reduce acceptability. The solution for the South West was driven by the cost base (i.e., the £50 Government household contribution reflecting the historic bathing water investment)
- In parallel, the Government asked companies therefore to develop company specific social tariffs – these have been very successful. There needs to be a clear rationale for standardising such arrangements, as otherwise a) it risks the local partnerships that built up; and b) it is likely to be more costly overall and less targeted
- In contrast to what is implied in the consultation, we do not see a big “postcode lottery” call from consumers, other than from national consumer groups. Customers understand regional service levels and engagement, something that is felt to be appropriate for the water sector. Comparative regulation has also been successful, and Ofwat have increased transparency. The industry continues to work together to share knowledge on what works. This would be lost with a move to standardisation.



It's what we're made of.

- Standardisation either costs more for everyone, or some consumers will lose the protection they currently get. This was the logic from the Government in allowing company specific social tariffs to thrive.