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**SUBMISSION FROM NORTHUMBRIAN WATER**

Thank you for the opportunity to respond to this important review and to contribute to the development of future support for financially vulnerable customers.

For the purposes of this response we are responding on behalf of the Northumbrian Water Limited which supplies 2.7 million customers in the North East with both water and sewerage services, trading as Northumbrian Water, and 1.8 million customers in the South East with water services, trading as Essex & Suffolk Water.

We have answered all the questions outlined below. We are happy to be contacted by CCW and that our response may be published by CCW as part of your findings.

**RESPONSES**

**1. WHAT WORKS WELL IN TERMS OF THE CURRENT ARRANGEMENTS FOR SUPPORTING HOUSEHOLDS THAT STRUGGLE TO PAY THEIR WATER BILLS?**

Northumbrian Water has a range of support in place for households struggling to pay and we draw on these to offer a tailored approach to helping those customers who are financially vulnerable – whether that be a longer term or transient situation. Our personal assessment approach allows us to understand our customers' circumstances, both financially and in terms of water, sewerage and service needs. We can then signpost customers to the best tariff, so household bills are affordable, and any wider support where that is appropriate.

Where customers are experiencing short term difficulties, payment breaks, and restructured payment plans are proven to keep customers engaged and paying. During this year's COVID-19 pandemic over 7,500 customers took a payment break – 90% of these have now ended and customers have restarted new arrangements. Customers welcomed our support and the ease at which they were able to set up these temporary arrangements.

Where customers with longer term difficulties are identified, full income and expenditure reviews are completed to provide bespoke and affordable arrangements which include, where appropriate, a direct link to broader debt advice.

Identifying the best tariff for our customers is a key focus, including the promotion of metering where appropriate – this can often save customers money. As part of customer engagement sessions, we have delved into customers views on metering, and whilst deemed the fairest method of charging, there remains a degree of nervousness about measured bills. Concerns raised include changes in household set up, customer side leaks and an inability to budget with changing bills. Our metering calculator can alleviate some concerns, as can the option to revert to unmeasured bills within two years of switching.

Partnering with charities such as Citizens Advice, Money Advice Trust and StepChange offers a holistic approach to customer support which is important as invariably water bill arrears represent only one element of wider financial challenges many households face. We also work hard to nurture relationships with regional and local organisations based in the communities we serve as they provide an invaluable role supporting and signposting households to help. They are often a conduit to reaching the hardest to reach households who are reluctant to make direct contact with us about the difficulties they face.

Our self-funded debt write off scheme, has proved very effective in encouraging customers to both engage with us and restart regular payments. Our Arrears Support scheme, which is offered alongside our reduced tariff, offers customers affordable bills and in return where payments are made regularly, we will write off water debt over a two-year period. The scheme is regularly promoted by our partner organisations as part of a wider package of debt solutions.

Across our operating regions in the north east and south east of England, we have 17 agreements in place with local authorities and housing associations where they collect water charges on our behalf as part of tenant's rent. We work closely with these organisations who complete tariff assessments on our behalf – for many customers this process is included as part of tenancy changes so reduced bills can be provided with immediate effect. One partnership of note is with Gateshead Council, where we are providing reduced bills to 3,250 of their 19,500 tenants (17%).

Our customer cross subsidised tariffs are allowing us to provide more affordable bills to 27,000 customers (in addition to the 8,500 households we support through our company funded scheme). Our bill discounts are based on a sliding scale dependant on household income to remove customers from water poverty. This allows us to maximise the number of customers on these tariffs. We offer two income-based tariffs, where the eligibility and discount amount are directly linked to our water poverty calculation. To be eligible, customers water bills need to be in excess of 3% of their net income, and discount of between 10% and 50% are offered.

Whilst cross subsidy schemes, which seek wider customer approval do bring with them inconsistencies in support at a national level, we do see a benefit of targeted schemes which can be reviewed and flexed as our customers' needs change and the demand for support fluctuates.

## **2. IN WHAT WAYS COULD THE APPROACH TO SUPPORTING FINANCIALLY VULNERABLE HOUSEHOLDS IN THE WATER SECTOR BE IMPROVED?**

### **2.1 Social tariffs**

The current approach to customer endorsement for social tariffs brings many challenges and is not without its flaws. The regional approach drives vast differences in the value of support customers are willing to give others, and therefore the amount of help individual companies can offer those households struggling to pay varies hugely and is often described as a 'postcode lottery'.

NWL are in a unique position across the sector. Our north east and south east of England operating regions cover significantly different demographic areas. In the north east, where income deprivation levels are some of the highest in the country, we have found it hard to get approval for cross subsidies – evidence shows customers in more affluent regions are willing to support more. In the south east, our water only area, we have experienced challenges helping customers understand they receive separate cross subsidies from ourselves for water and either Anglian Water or Thames Water for sewerage depending on where they live.

So long as a regional approach to customer engagement and cross subsidies is taken, this 'postcode lottery' across the country will remain. Exploration of how a national approach could work is worthy of consideration to improve fairness. A national model could allow

funding to be distributed more fairly to those households with the greatest hardship and the existing social tariff legal framework should be reviewed.

## **2.2 Customer effort**

Minimising the degree of effort customers must make to apply for support could also be improved. Providing evidence of income and personal circumstances can be challenging for customers, especially for the most vulnerable and those who do not have access to internet or the confidence in applying for support.

Providing schemes where verification is made easy, for example a national model, linked into Credit Reference Agencies, or government data would provide a fair and consistent approach for all water companies, and potentially provide easier renewal processes.

At present, 40% of our customers are asked for additional evidence as they have not provided all the necessary information in their first application. External verification could remove double handling and reduce effort, releasing teams to spend more time engaging with customers and key stakeholders directly.

Indeed, there would be merit in exploring this type of approach for broader household bill support.

## **2.3 Data sharing**

Data sharing is a significant challenge, not only for the water sector but for the whole utility industry. There can be challenges for vulnerable customers in talking to multiple organisations to ensure they are receiving the right support for their needs. Exploring opportunities for the sharing of customer data across sectors would transform the experience for our customers, increasing those benefiting from the assistance they require and reducing customer effort.

The Government could do far more in this area to facilitate safe and secure data sharing arrangements.

## **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?**

### **3.1 WaterSure**

Customers share frustrations about the statutory WaterSure tariff and its links to income-based benefits which they are not in receipt of. This is especially prevalent where customers must use more water due to medical conditions.

There is a feeling of unfairness because unlike other customer groups, they are unable to take steps to limit their usage for health reasons. Working with our customers, we have been able to support those most in financial hardship. We would like to see consideration to either an extension of the WaterSure scheme to make it more inclusive, or development of a new scheme for those with high medical water usage.

### **3.2 Customer Cross Subsidies**

As mentioned earlier, at NWL we have a significant challenge to move our customers out of water poverty. We have continuously developing plans in place to address this between now and 2030, however the ability to provide greater support through social tariffs would make a huge difference.

The current postcode lottery based on regional support is far from fair and often fails to support those households struggling the most. A legal or policy framework which looks at this nationally should be developed.

A minimum funding level would allow companies, and customers, to have a degree of consistency across core support tariffs, with the potential to extend funding locally for special circumstances or to reflect local issues.

If there was a standard of transparency for application and proof of income for customers, that would increase the ease of application.

It would be beneficial to the industry to set a bold consistent standard that applies to all and therefore alleviates the current postcode lottery (and the double impact this can have for customers with different water and sewerage suppliers).

### **3.3 Retail Cross Subsidy**

The current approach to the social tariff cross subsidy is that this is a retail cross subsidy, meaning application is to the smaller retail proportion of a customer's bill. Spreading the cross subsidy across retail and wholesale prices would allow for more flexibility in how the incidence of any cross subsidy is applied for different groups.

### **3.4 Supporting those hard to reach**

Awareness of support available continues to be an area where the water industry, and wider sectors can do more. With the current approach of affordability tariffs generally only being offered to those who get in touch, there is a gap especially with those customers and households who are hard to reach.

At NWL we proactively add customers to our Pension Credit tariff based on previous information shared with us, and we are also working alongside several other water companies to utilise the public service delivery provisions of the Digital Economy Act.

Use of the powers to share data under the Act will enable us to more pro-actively identify customers who would be eligible for some of our tariffs. There are limitations with this approach around any income-based schemes or obtaining Universal Credit data currently.

### **3.5 Understanding levels of water poverty**

NWL are active participants in the Water UK project to agree a common measure of water poverty and this is essential to allow for fair and measurable understanding of progress across the industry. At present, there is no consistent measure, although there is a collaborative cross sector approach to move towards one.

**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?**

Our projections demonstrate that the current arrangements whilst sustainable, even with a potential recession, do have a huge element of growing risk in meeting the water poverty gap which is expected to increase. Our ambitious goal to eradicate water poverty is a moving target and this has greatly increased with the impact of COVID-19.

Whilst we have not seen a dramatic increase in customer applications for social tariffs during 2020, the volume of affordability conversations we are having is growing and we do anticipate a notable rise during 2021. Unemployment levels correlate closely with affordability issues, and as customers feel the long-term impact of reduced incomes and difficulty in finding new employment, we expect to see an increased demand for support.

To fulfil the requirements of our customers in the months and even years ahead, we foresee a national approach to support, at least in part, as being the fairest way to address the situation.

Supporting financially vulnerable customers is more than just addressing water bills and for many reducing their water bill, whilst welcome, will not solve a household's financial vulnerability. Sustainability of these arrangements will depend greatly on what other sectors, and government are doing to support the same households. The success or not of the water industry's approach will therefore greatly depend on the UK's overall approach to the economic recession and support for households, as well as housing costs and benefit payment values.

**5. ARE THE CURRENT ARRANGEMENTS FOR FUNDING SOCIAL TARIFFS FIT FOR PURPOSE? IF NOT, HOW SHOULD THEY CHANGE?**

We have shared some of the challenges securing customer endorsement for schemes and it is clear this can differ across regions and demographics.

The survey-based approach itself leads to significantly different outcomes. Surveys are developed by individual companies and whilst questions may be similar, they can be asked in subtly different ways. They can also be carried out across different timeframes and lead, as is evident, to different results. If this approach was to continue the survey approach needs to change perhaps moving to either a standardised survey or one carried out nationally with regional results, otherwise it is difficult to see how consistent outcomes can be achieved.

Alternatively, as mentioned in question 2, a standardised approach to funding across the sector could be important in removing regional variation. If there was national funding for the schemes this would improve fairness across bills to support those in water poverty.

**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 process could be made simpler with easy online systems and the ability to check financial information with appropriate partners rather than heavier evidence-based requirements.

Simplifying the income verification process would allow companies to ensure they support the most financially vulnerable. If there was a partnership in place where all customers signed up to a platform like Experian this could share income and other information consistently for all utilities to use and check customer eligibility for WaterSure, Water Direct, Pension and Support Plus tariffs etc.

The process for applying for WaterSure could be made more accessible by adding a banding approach offering incremental levels of support up to fifty percent. This ideally would be weighted to income deprivation.

**7. ARE THERE ANY LESSONS FROM OTHER FIELDS OR SECTORS, WHICH MAY BE TRANSFERABLE, THAT THE WATER SECTOR SHOULD TAKE ACCOUNT OF IN SHAPING ITS FUTURE APPROACH?**

A lesson could be learnt from the energy sectors, government funded Warm Homes Discount. The Warm Homes Discounts has got the distinctness of eligibility criteria and that customers have got to be in receipt of specific benefits, on low income or Pension Credit. The ease of qualification and clarity of the scheme has benefits from both customer and partner organisations in sharing messaging and promotion.

Northumbrian Water is partnering with NEA to look at the links between water and fuel poverty. We believe a more joined up approach would benefit customers in many ways, making it easier for them to receive support.

**15 December 2020**