

CCW Independent review of affordability support for financially vulnerable water customers in England and Wales

CONSULTATION RESPONSE FROM AGILITY ECO SERVICES LIMITED, December 2020

Thank you for the opportunity to respond to your independent review of affordability for water customers.

About AgilityEco

Agility Eco Services Ltd (AgilityEco) is a leading organisation in the area of low carbon and energy and water efficiency services, providing practical support and advice to customers in vulnerable circumstances with affordability issues. As a sector leader in our field, we have significant first-hand experience of the benefits that utility companies can provide to these consumers, through their licence obligations, price controls, business planning and partnership working. (Please see appendix 1 for more information about AgilityEco).

We believe any organisation that comes into contact with a vulnerable household has the responsibility to take action, to safeguard and offer impactful support to address their main issues.

We welcome CCW's Affordability Review and their vulnerability manifesto commitments.

Our Response

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

Importantly, households don't face the risk of their service being disconnected if they fall behind with their water bill payments and we believe this is critical for such an essential service as water.

We also think that it is commendable that most water companies have a flexible approach to supporting customers through the WaterSure scheme, social tariffs, payment breaks, payment matching, debt advice, benefit entitlement checks and also support through trust funds and crisis funding for a small number of customers. This has been much needed, particularly during the challenges of COVID-19 when not only have the most vulnerable of households needed prompt support but also a significant number of households have been forced to reach out for help for the first time.

Whilst the water companies have made some plausible commitments to support vulnerable customers in their PR19 business plan, such as increasing take up of the Priority Services Register (PSR), increasing the number of people on a social tariff and providing support for some people who are in debt, we don't think this goes far enough.

CCW estimate that 1 in 10 customers find their combined water and sewerage bill to be 'unaffordable', with around 3 million households currently needing help. At the end of 2019 almost

900,000 financially vulnerable customers in England and Wales were receiving help through reduced water bills. This delivered annual bill reductions of approximately £150 million.

As part of their business plan commitments, water companies have said they will increase the total number of customers they support through lower bills to 1.4 million by 2025 and another 90,000 will get debt support and assistance through emergency funds. This is leaving a huge gap which is only going to increase once Covid-19 payment holidays come to an end and the debt is still owing with interest due. What's more, the number of people failing into debt due to job losses and employment instability is increasing, as the UK is likely to go into recession.

When this support is compared with the energy industry, water companies are a long way behind.

The overall Warm Home Discount spending obligation on energy suppliers for 2018-19 was £341 million to support vulnerable customers, including £140 rebates to over 2.2 million consumers.

In addition, the Energy Company Obligation (ECO), was introduced to reduce the UK's energy consumption and support people living in fuel poverty. It does this by funding energy efficiency improvements for those struggling with affordability, worth around £1.3 billion every year.

The number of customers registered on PSR in the water industry is currently around 600,000. As CCW note in their 'Water for All' report, Nov 2019, all companies have a lot of work to do to reach Ofwat's target of 7% of household customers registered. As a comparison in energy, at the end of 2018, there were 5.6 million gas customers on the PSR and 6.6 million electricity customers on the PSR.

We believe there is a huge amount of learning that can be shared between the energy and water sector.

Inability to pay for energy and water and experiencing vulnerability are common threads for many households. Engaging these customers and providing basic assistance on both energy and water services when possible makes economic sense, as well as serving customers better.

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

We support CCW's vulnerability manifesto and their commitments, to ensure the most vulnerable customers get the support they need, but there needs to be the sufficient resources and funding available for this to happen.

One in 10 customers are finding their water bills unaffordable and as CCW has highlighted, some customers continue to pay for their water and sewerage services even if they cannot afford them, by sacrificing other necessities, such as heating, clothing and food.

It is a postcode lottery as to if and how these households receive support, depending upon where they live, who their water company is and the actual capacity of the support schemes available. This is confusing for customers.

In the water sector, funding to support the most vulnerable is mainly calculated by what customers are prepared to pay as cross subsidy and also for larger companies what stakeholders are prepared to contribute. This creates the wide variation and level of support across the nation and we believe there needs to be more a more consistent approach across the industry.

There needs to be a more targeted and automatic support.

This could only be achieved by Government subsidiary funding, or an increase the statutory requirements, which are currently only in place for the WaterSure scheme. Each company would pay an amount proportionate to their customer volume to enable support for more vulnerable customers. Additional voluntary funding could also come from organisations which could afford to supplement more.

As we have experienced from the energy sector, the way to really drive a fair and consistent approach to tackle water poverty, is by imposing mandatory obligations on water companies to fund them.

The Warm Home Discount has proved to be successful in the energy sector, where data sharing has taken place with the Department of Works and Pensions (DWP) and the most vulnerable on benefits are given an automated discount on their bills. Importantly the industry initiatives element of the scheme enables the development and delivery of wider innovative financial and energy efficiency advice and measures, free to those who most need it.

In any case, there is a need for wider secure data sharing and more use of the data sharing options opened up through the provisions of the 'Digital Economy Act'. Water companies should optimise the use of the data they hold, such as payment patterns and they should contact customers early, when it is becoming evident that a customer may be struggling to pay and see what support they need with their payment plan.

Wider data sharing with DWP, local authorities and outreach organisations such as AgilityEco, is key for effective targeting of customers needing the support.

As CCW have highlighted in their "Water for All" report, November 2020, only 42% of customers are aware of the additional support that water companies offer and only 49% of customers rank their company as 'good' in terms of how it communicates about services, plans and availability of additional support services.

We believe there needs to be more collaboration across the sector for a consistent approach in the strive towards ending water poverty, working with charities and community outreach intermediaries, such as AgilityEco, who already have a trusted relationship with customers needing the support. With their hands-on experiences, these organisations and their networks can help in the communications and delivery of the right support, when it is most needed.

We strongly believe that working in partnership with other intermediaries who are already engaging with disadvantaged groups, could also support water companies in reducing the mounting customer water debt (£2.2bn in 2018, adding £21 to the average customer bill). These trusted partners are able to agree the best repayment arrangement which is affordable to the customer and eventually pays off the debt.

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?

Last year, Ofwat's final determinations set out the 5 year price and service package for this PR14 period. This includes a reduction in all bills at a time when water companies are faced with challenges to do more to support those struggling to pay their bills.

There is therefore a need for more innovation to eradicate 'water poverty' and reduce per capita consumption, at a time when there are further challenges for the sector.

We are pleased that Ofwat's £200 million Innovation Fund is encouraging innovation and collaboration, for new business models and service that benefit customers, including those in vulnerable circumstances. We are also pleased that the companies themselves have an emphasis on vulnerability in their Water Innovation Strategy, in one of their seven themes 'Providing the services our customers and society expect and value'. There is a great opportunity here for some joined up thinking and partnership working across sectors, to co create and deliver impactful programmes, in the strive to eradicate water poverty. We would urge the industry to ensure that a fair share of the Innovation Fund is targeted on helping support customers in vulnerable circumstances and struggling with bills.

Many households who struggle with affordability issues with their water, also struggle to pay for their energy and many of these households have other vulnerabilities. Providing basic assistance to these households on both energy and water services makes economic sense, as well as serving customers better.

We believe tackling water poverty should be paired with the emphasis on water efficiency to reduce consumption per capita and save money. This can be achieved with water saving measures and behaviour change programmes, to help reduce water usage and water deficits at a national level, as we strive towards the net zero carbon targets.

Installing water meters is key to reducing water use per capita, as households pay for the water they use, rather than a standard fixed rate. However, no vulnerable customer should be adversely affected by having a water meter fitted. Therefore, AgilityEco fully supports lower bill guarantee schemes, that allows vulnerable customers to switch to a water meter, to be guaranteed no increase in bills.

Again, there is an abundance of learning that the water sector can take from the energy sector and the Energy Company Obligation, a government energy efficiency scheme in Great Britain to help reduce carbon emissions and tackle fuel poverty.

It places legal obligations on larger energy suppliers to deliver energy efficiency and cost saving measures to domestic premises. For the period April 2015 – September 2018, the total delivery across all suppliers meant that the total obligation targets set by Government were achieved. The total lifetime cost savings achieved under the Affordable Warmth element (focused on low income, vulnerable and fuel poor households) were £6.89 bn.

We are surprised that a similar scheme for delivering affordability and water efficiency has not been introduced and this maybe a concept that Defra, Ofwat, CCW and other key stakeholders could develop for the next price review, if there is a need to stimulate more progress at pace and at 'least cost', as we move towards the net zero target.

Taking a step further, there could be a cross energy and national water co-ordinated programme to tackle poverty and carbon emissions, which would support customers as we move through the energy transition and towards the net zero target.

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.

We don't believe the current arrangements are sustainable.

AgilityEco understands the challenges that water companies have in identifying people who are eligible for the PSR and signing them up and identifying the people who need financial support.

From experience, the most successful programmes are those where a company works with the local network – local authorities, medical professionals and local charity and intermediaries and where a referral network is co-ordinated with one central hub. Customers needing support are referred in by any one partner and the customer receives a holistic package of support.

This model reflects AgilityEco's 'HelpHub' platform, which combines our highly experienced advisors and programmes, with a flexible IT and web-based system. This enables us to provide holistic support to households in need, wherever they live, with effective, localised advice services.

Households referred to our HelpHub are 'triaged' to quickly understand their circumstances and their needs. They are provided with immediate assistance where appropriate and offered a programme of support based on their household circumstances and needs. Some of these additional services can be provided by the funding company, some directly by AgilityEco, and others will be offered by local authorities, social landlords, charities, etc. The details of these local and national services are held in AgilityEco's AIRPORT database and regularly updated. As restrictions on travel and contact are relaxed, follow-up face to face and home visits can be arranged.

AgilityEco have been running a version of the Helphub called Connect for Help, since July 2020 and over the last six months it has provided over 1500 clients across England and Wales with energy and money advice, along with referrals for other support to reduce their bills and stay warm and well. The ultimate lifetime financial benefit for these low income and vulnerable households will be over £600,000.

The funding for the service comes from National Grid's £150 million Warm Homes Fund which is administered on their behalf by Affordable Warmth Solutions and which supports projects tackling fuel poverty across Great Britain. Connect for Help is available to homeowners, social tenants and people living in privately rented properties and provides in-depth help for those on low incomes, or with health conditions or other vulnerabilities.

This model could work at a water company level, a national level for all water companies that would like to commit to it, or at a regional level to enable a collaborative approach across Water and other utilities, such as network companies and energy suppliers.

The services would include:

- water efficiency advice and sending out/fitting water saving devices
- registering eligible customers onto the water company's PSR register
- assessing customers for a social tariff and enable access to other bill payment support
- supporting customers in understanding the benefits of a smart meter and providing assistance during and after installation
- combining water and energy home assessments to discuss home retrofits and water efficiency
- providing comprehensive outcome and impact reporting, with case studies of customers helped

We believe this type of innovative approach will help many thousand more customers, whilst helping water companies achieve their commitments. It would also optimise funding from different sources. Ultimately, it is generally the same households that utility companies are trying to engage with and support. This is one of the most cost-effective ways to achieve this.

Overall cost savings would be realised through;

- a joined-up approach of identifying those households most in need of help, through utility customer information, overlaid by local authorities and local agency knowledge
- joined up messaging and campaigns
- integrated services and joined up engagement with the customer by trusted intermediaries, for example a home advisor providing assistance to households on energy and water.

Question 5: Are the current arrangements for funding social tariffs fit for purpose?

This has already been answered in question 2.

Question 6: How could the sector's approach to promoting and delivering support (rather than the mechanisms they use) be improved?

We believe stronger partnership working is key and we truly believe in the model described in response to question 4, which has been trialled and tested.

The promotion and delivery of support is through the central HelpHub and the established local network who are already engaging with the 'hard to reach' and often isolated, low income, vulnerable groups.

Conclusion:

AgilityEco believes in making every contact count and we believe every organisation that interacts with people on low income and in vulnerable circumstances, has a responsibility to provide support.

We recognise and welcome how water companies have increased the financial assistance they offer and for putting emergency measures in place to support some of the most vulnerable during the pandemic. However, the type and level of support varies from company to company. We believe there should be a consistent national approach, to enable more effective awareness of the support available.

We believe the funding and resources for PR14 are inadequate and we believe there should be more Government funding. Mandated obligations on water companies, would enable a fairer system.

We welcome Ofwat's Innovation Competition and we urge water companies to partner with innovators to co design programmes to tackle affordability and water efficiency, providing a much wider reach and cost effectiveness.

There is 20 years of experience in the energy sector, addressing fuel poverty and energy efficiency and the learning and best practices should be shared across the water industry.

Water companies need to work with existing networks of trusted intermediaries such as AgilityEco and charities who are already working at grass roots with households needing support.

Thank you again for the opportunity to respond to this important consultation.

I would be pleased to discuss with you further.

Yours sincerely

Gearoid Lane, CEO AgilityEco





Appendix 1 - About AgilityEco

About AgilityEco

We are a market leader in the field of energy efficiency services and providing help and support to vulnerable and fuel poor customers. We plan, manage and deliver innovative services to support households that need a helping hand:

- We provide practical help with energy and water efficiency, household finances and vulnerability
- We work closely with councils, housing providers and charities to reach those most in need
- Utility companies rely on us to fulfil their social and environmental obligations by funding our services
- We deliver these services through our carefully chosen national network of trusted and experienced energy efficiency partners.

Our fuel poverty and vulnerability programmes are currently running in over 180 local authority areas and we are expanding them each year:

<p>Our LEAP service and Connect for Help service offer energy and money advice to vulnerable residents of all tenures, register them to their PSR and signpost to other help and support</p>	
<p>We deliver Warm Homes Fund schemes across England that install fully-funded central heating.</p>	
<p>We provide funding for insulation and heating measures, which can be accessed by private households and support agencies across the country</p>	
<p>We remove old, inefficient white goods appliances such as fridges, freezers and washing machines and provide fully-funded replacements</p>	
<p>We offer emergency heating system repair and replacement to the most vulnerable households who are in a 'no heat, no hot water' situation</p>	

We are also looking to extent our services to include the provision of smart technology. The aim is to support vulnerable customers save energy and water, as we progress on the journey towards a net zero carbon future. For more information on our achievements please see our Impact Report for [2019/20](#) which we have mapped against the UN Sustainable Development goals.