

[Redacted]

Via email: yourviews@ccwater.org.uk

7th December 2020

Dear [Redacted]

Re: Call for evidence – Independent review of affordability support for water customers

We welcome the CCW review of affordability support for customers and the opportunity to provide our views.

Affinity Water is committed to supporting customers to be able to afford their water bill; providing help and support when customers struggle and working together with the industry to end water poverty.

Great progress has been made over the last few years, by us and the industry collaborating to support customers in financial hardship; but we accept that more is needed to improve outcomes for customers. Bringing the right mix of discounted social tariffs and support schemes, improving awareness, and simplifying the help available will ultimately make water bills affordable and payments sustainable for all that need them.

What works well

We have, and continue, to work and collaborate with Water UK and other water companies to reduce the financial impact of coronavirus on customers' ability to pay their bill. Our coordinated and quick response introduced 'payment breaks' for customers, helping over 6,000 since April, along with stopping legal and enforcement action. This demonstrates how effective we can be working together nationally.

In addition, our partnership with National Debt Line is designed to support customers who are struggling financially with other debt and bills. This important relationship shows our commitment to customers with more complex and severe hardship, beyond their water bill.

Social tariffs

Whilst social tariffs are only one element of affordability support, we have extended our support so far this year by an additional 12,000 customers and expect a further 10,000 to be supported by March 2021. In addition, our recent customer 'willingness to pay' research has secured funding to reach

100,000 customers with a discount tariff in 2021/22, including 3000 customers with a higher-level of discount (c.7% of our customer base being supported through the application of a lower tariff). Our application process is simple and acceptance criteria easy for both customers and debt advisors to understand. We believe that the industry should follow our example by standardising the approach, using one set of customer acceptance criteria and go further to use the same social tariff 'name' across all water companies. In summary, we believe that: -

- A single name for discounted social tariffs should be used by all companies
- Standardised acceptance criteria, based on a simple household income and/or state benefit claim
- A national campaign to increase awareness for customers and the debt advise sector

We also support and call for further work to understand how a 'fixed' priced social tariff could help remove the postcode lottery of financial support and how the requirement to obtain customer approval for social tariff funding could be improved to meet future changes in demand.

Please find enclosed our full response in support of your call for evidence. If you have any questions or would like to discuss any of the points we have raised in more detail, please do not hesitate to reach out.

Yours sincerely



CCW call for evidence – affordability

Q1. What works well in terms of the current arrangements for supporting households that struggle to pay their water bills?

Affinity Water has a range of options for customers who are struggling to pay their water bill. We believe that providing flexible help and support to customers, based on their individual financial circumstances leads to a sustainable, affordable, and ultimately fair customer outcome. Feedback from customers confirms this approach for those who are struggling with their bills.

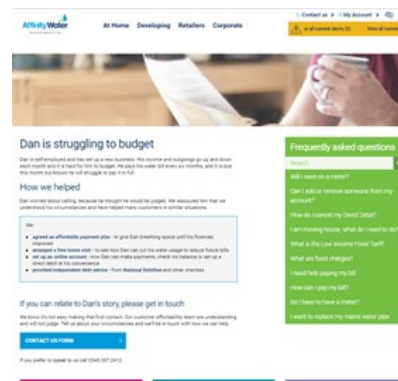
Furthermore, clear guidance and signposting of help and support for customers is required to maximise awareness. Proactive customer contact using multiple channels, early in the process is key to driving customer interaction and engagement to our help and support.

We have a multi-channel approach for customers to make contact with us, including an easy web-form to request help. Our 'Money Worries' page with 'customer personas' shows how we have helped others. All our personas are at affinitywater.co.uk/debt-help

Here is Dan's story – one of our 'personas' that describes how we helped him with his financial budgeting.

Our letters offer clear signposting where help and support can be found, either online, over the phone or by referral to a third-party debt charity.

Once engaged, understanding a customer's financial circumstances ensures appropriate help and support is offered. This ensures that either long-term or short terms solutions are provided, or more complex customers in severe hardship are signposted to a third party such as CAB, National Debtline or StepChange). Here benefit entitlement checks will help customers maximise income, along with advice on appropriate availability of cash grants and how to propose affordable payments.



We believe that agreeing affordable repayment plans aligned to the customer's circumstances and reviewed as frequently as required is the most beneficial way to help customers reduce debt. Both Breathing Space and Payment Breaks work well in providing a customer with an appropriate amount of time to either formulate a repayment arrangement or to cover unexpected financial difficulties.

Social Tariffs currently support c. 5% of Affinity Water customers with an affordable and discounted water bill. We believe that our simple acceptance criteria and application process are key to ensuring we maximise the number of customers supported. We use household income or state benefits to accept customers onto our social tariff (household income of \leq £16,150 or receipt of one of the following government benefits: income related employment and support allowance, income support, job seeker's allowance, housing benefit, universal credit or pension credit). Customers can apply via the telephone, online or via a third party det charity.

Water Direct has been successful for certain customers who claim benefits and find it difficult to budget their money. This is a simple way to assist customers and ensure they make regular payments towards their bill and reduce debt.

The promotion of water efficiency for metered customers can lead to lower consumption and bills. Our home water efficiency checks are a key element of helping customers to understand and reduce their consumption, ultimately making bills more affordable.

Lastly, helping customers via our Crisis Fund will provide additional support for customers in severe hardship. Up to 500 customers per year will be helped by this fund from 2021/22.

Q2. In what ways could the approach to supporting financially vulnerable households in the water sector be improved?

Affinity Water is a water only company, thus our customers wishing to apply for social tariffs are required to apply to both ourselves and their wastewater company. The criteria for acceptance onto social tariff and the level of discount provided by us and the wastewater companies are different. In addition, some customers who can benefit from a water discounted social tariff are not eligible for the social tariff offered by the wastewater only company. This process can be confusing for customers and provides unnecessary barriers and complexity for customers who are often some of the most vulnerable in society.

Affinity Water has simplified its application process for social tariff but has no control over the wastewater company's social tariff policy. Whilst companies have increased collaboration in this area, the level of discounts available on social tariffs is subject to the individual company's policy and customer acceptance of cross-subsidies, and creates a 'postcode lottery'.

Improving awareness of support schemes available both locally and nationally is key to helping more customers. A national approach involving all companies would promote and achieve greater awareness with both customers and 3rd party debt advisors. The use of a standardised 'names' for all social tariffs and affordability schemes is one way to achieve this. In addition, the simplification of customer application processes, use of DWP data to support company decisions could all improve the outcome and experience for customers. We need to make it easy.

Affinity Water promotes the Water Direct payment service provide by the Department for Work and Pensions "DWP" to customers. This process works well for certain customers in receipt of benefits who struggle to budget their expenditure and pay bills. However, DWP policy makes this service available to customers who are in arrears with their water bill by >£50. Customers who struggle to budget and want to remain out of arrears are not allowed to use the DWP Water Direct payment service. We know that this can cause unnecessary stress and anxiety to customers and can lead them to missing payments so that they may then become eligible to benefit from the use of Water Direct. We believe that all customers in receipt of benefits should be offered the DWP Water Direct payment service.

Lastly, allowing customers to 'port' the support schemes they are using between water companies (when they move between supply areas) would benefit customers. This would ensure that they didn't lose entitlement to social tariffs or Water Direct etc. during a house move and would remove the need to re-apply and provide similar evidence of their circumstances to support any application for help.

Q3. 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?

Contacting customers who are 'hard to reach' is a challenge for all water companies, and customers in other sectors.

The use of data can help identify similar groups of customers and provide focused effort to make contact. By blending internal and external demographic data we have been able to identify customers who are likely to be vulnerable and need help. Customers in this segment will likely require a multi-layered engagement approach, using a campaign of communication (digital, social media and more traditional comms) and local partners to support our message of help and support. The transient nature of this segment can mean a significant minority of customers struggling to pay can 'dip' in and out of financial vulnerability over the medium term.

Q4. 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?

Most current arrangements are sustainable and capable of meeting future customer demands, such as reduced payment arrangements, access to Water Sure, breathing space and payment breaks etc. However, the current funding arrangements for social tariffs may need to be improved to meet future demand. The current financial impact on customers from COVID-19 may lead to increased unemployment over the next 12 months, thus increasing demand for social tariffs.

Affinity Water believes that a national discounted social tariff, using the same tariff/campaign name and acceptance criteria could help customers understand what help is available and access the support. In question 5 we provide more detail on how social tariffs could change to support more customers in financial difficulties.

Q5. Are the current arrangements for funding social tariffs fit for purpose? If not how should they change?

The funding model for social tariffs uses a cross-subsidy on customers' bills to provide a discounted bill for those who would struggle to pay the full tariff. The current model requires customer support for the cross-subsidy and therefore it can limit the total value of support available. In addition, customers of different water companies do have different views on the acceptability of the cross-subsidy support, leading to the 'postcode lottery' with more or less help provided to customers with similar financial circumstances in different supply areas.

Whilst Affinity Water customers have supported the cross-subsidy in the past, extra demand for social tariffs caused by the financial impact from COVID-19 could exceed the cross-subsidy in the next 1-2 years. Affinity Water has recently tested customer support for an additional cross-subsidy. This has shown clear support from customers to increase the cross subsidy, however the reliance on customer support could stop the future extension of the scheme if support is not forthcoming.

We believe that certain changes to social tariffs could help improve both awareness and take-up from customers who need help. Simplifying the tariffs across all companies is key to the successful take-up from customers. Currently companies use different names for their affordability social tariffs and

have different and, in some cases, complex acceptance criteria. We believe that the use of a standard name and acceptance criteria for customers across all companies would improve understanding and awareness in both customers and independent debt advisers who support customers in financial difficulties.

Linking the acceptance to benefit(s) would simplify understanding of who is eligible and remove complex application processes and links to disposable income which may not be relevant or obvious to all customers who struggle financially.

We support additional work to review a 'fixed' price social tariff used by all companies and the requirement for customer to support for such tariffs. This could result in a standard priced water bill for all customers who qualify and therefore remove the current post-code lottery of support and remove the requirement to conduct customer research every time a change to the cross-subsidy is proposed.

In summary, we propose the following:

- A single name for discounted social tariffs to be used for all companies
- Standardised acceptance criteria, based on a simple household income and/or state benefit claim
- A national campaign to increase awareness for customers and the debt advise sector
- Further work to understand how a 'fixed' priced social tariff could help remove the postcode lottery of financial support
- Further work to understand how customer research to support changes to the cross-subsidy could be changed or the requirement removed

Q6. 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?

Success with promoting and delivering affordability support to customers is ultimately measured by customer awareness of support available and volumes helped. Working in collaboration with other companies and partners such as energy suppliers, charities, and the debt advice sector will provide a more joined up approach and maximise opportunity to promote our schemes.

Using a standard name for the support scheme and a national, standard approach would allow the industry to work as one, ultimately benefiting from the awareness that would be created at scale. This would also support customers who move between supply areas and allow for a joined up, industry wide awareness campaigns.

The use of DWP data to support the application of support schemes, such as social tariffs would greatly benefit both customers and companies. Further work with DWP is required so data exchanged can be done in the most productive way, supporting types of benefits claimed by customers and how long.

Q7. 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 energy sector's 'Warm Home Discount Scheme' allows for eligible customers to receive direct notification from the DWP. This maximises awareness of the scheme and promotes customer take-up to receive £140 discount on energy bills.

Open banking is a secure way for customers to provide their financial information. This process can make provide affordability evidence required to apply for certain support schemes easy and simplify the application process.