



The voice for water consumers
Llais defnyddwyr dŵr

**CCW's response to
Ofgem's Call for Input
Affordability and debt in the domestic
retail market**

April 2024

Introduction

1. CCW is the independent voice for water consumers in England and Wales. Since 2005, we have helped thousands of consumers resolve complaints against their water company, while providing free advice and support. All of our work is informed by extensive research, which we use to champion the interests of consumers and influence water companies, governments and regulators.
2. We are pleased to share our thoughts on this Call for Input. Our response is limited to the aspect of the consultation on which we can most usefully contribute.

Question 7: What lessons can we learn from other sectors and countries on managing affordability and debt? And how should they be applied to the energy sector?

3. Since our establishment in 2005, CCW has worked extensively with the water sector to help transform support to financially vulnerable households. A key element of this has been widening the focus of support. Water companies had previously tended to focus primarily on debt as a sign of financial stress, given that was often the time it presented to them as a problem. Through our work we have emphasised the importance of helping customers before they fall behind with bill payments.
4. Providing support proactively at an early stage of financial stress can help to:
 - prevent the hardship of households sacrificing essentials such as food in order to pay their bill
 - reframe consumers relationships with companies – being seen as a source of help rather than problems
 - help avoid households falling into debt

5. In 2021 CCW conducted an independent review of water affordability support for Defra and Welsh Government.¹ The actions we recommended to improve support spanned the following key themes:

- Customers should be given greater choice and control over how they pay their water bills
- Support should be tailored to customers' individual needs
- A wider range of support options should be offered
- Support should be adequately funded
- Customer information should be clear and accessible
- Water companies should take a proactive approach to identifying those customers who may need support
- Water companies should improve their understanding of their customers and the communities they serve
- Data sharing should be used to improve the identification of customers in need of financial support
- A single consistent social tariff should be introduced to eliminate water poverty in England and Wales

6. Since the review, we have worked with water companies and other stakeholders to ensure our recommendations are put into practice. In 2022 we published a report on progress achieved in the year following the review.² Further updates have been provided through our website³.

7. We believe there are a number of areas where progress and learnings from the water sector could be usefully applied to energy. Specific examples of this follow.

A wide range of support options to reflect differing customer circumstances

8. Water companies offer a suite of options (beyond social tariffs) to help support customers facing a wide range of different circumstances, from those just about

¹CCW Independent review of water affordability
<https://www.ccw.org.uk/our-work/affordability-and-vulnerability/affordability-review/affordability-review-recommendations/>

² CCW Independent review of water affordability – one year on. <https://www.ccw.org.uk/our-work/affordability-and-vulnerability/affordability-review/affordability-review-one-year-on/>

³ <https://www.ccw.org.uk/our-work/affordability-and-vulnerability/affordability-review/affordability-review-outcomes/>

managing to those in debt across multiple household bills. Measures include payment breaks, benefit entitlement checks, water efficiency support, debt support schemes and financial Hardship funds. An overview of the schemes offered by companies can be found on our website.⁴

9. We know that National Energy Action has proposed the introduction of a “Help to Repay” scheme to support energy customers in debt. Most water companies do already utilise debt support schemes where they will match (or in some cases more than match) customer repayments in order to help clear arrears. Feedback from companies is that they find the schemes to be an incredibly useful tool in re-establishing engagement with struggling customers and in re-establishing a regular pattern of payment from them.
10. Our research⁵ has also found that customers generally value such schemes. They are generally considered to be helpful to those needing support whilst incentivising them to continue to make payments at an affordable level. It is also felt that they demonstrate a caring and helpful attitude from the water company. A customer in our research sample who had received help of this kind shared that they were very grateful that the company had “met me half way”. This had enabled him to pay off his debt much sooner than would otherwise have been the case.
11. Many respondents to our Affordability Review Call for Evidence⁶ also highlighted payment matching schemes as best practice and suggested that all companies should offer these as a minimum.

⁴ <https://www.ccw.org.uk/our-work/affordability-and-vulnerability/affordability-review/affordability-review-outcomes/>

⁵ <https://www.ccw.org.uk/app/uploads/2021/05/Affordability-research-report-2021.pdf>

⁶ <https://www.ccw.org.uk/app/uploads/2021/05/Call-for-Evidence-Thematic-Analysis-Affordability-Review.pdf>

12. Water companies now refer to these as ‘Debt Support’ schemes in line with our review recommendation that companies adopt common descriptors⁷ for the assistance they provide.

Making it easier to apply for support

13. As one of the pilot schemes from our affordability review, Wessex Water undertook research with customers and stakeholders to co-create a simplified application process covering multiple aspects of support. The pilot examined what type of language and imagery to use in ensuring that application forms are easy to understand and complete.

14. A key message was that applying for help should be a positive experience for customers and raising awareness of the assistance that is available remains the most important improvement that companies can make. The report⁸ from this project is available on our website.

Engaging hard to reach vulnerable customers

15. In another pilot scheme Severn Trent Water experimented with ways to engage with communities to find out what works best to encourage engagement and awareness raising. The trials included working with schools to inform children, so that they can influence adults in their household, and exploring whether community centres and places of worship can help spread information. It also investigated how behavioural science can be used to increase take up. The company published a Playbook detailing findings from the pilot.⁹

⁷ <https://www.ccw.org.uk/our-work/affordability-and-vulnerability/affordability-review/affordability-review-outcomes/>

⁸ Support schemes pilot Industry report
<https://www.ccw.org.uk/app/uploads/2023/03/Wessex-Water-Support-Schemes-pilot-Industry-report.pdf>

⁹ Engaging hard to reach vulnerable customers
<https://www.severntrent.com/content/dam/stw-plc/innovation/innovation-vulnerable-playbook.pdf>

16. We can see that companies are taking account of these principles in their work to engage with customers, particularly those who have traditionally been harder to reach.

Addressing affordability through water efficiency

17. A Thames Water pilot scheme examined how much its Smarter Home Visits (SHVs) could reduce households' water use whilst also cutting their bills. The company found this to be most effective when targeting households with higher levels of water use, those using over 500 l/d. This constitutes around 20% of Thames Water's household customers. The biggest savings were found to come from terraced houses, with the most significant being in deprived areas and households using more water due to higher occupancy levels. The report¹⁰ from this work can be found on the Thames water website.

Other Initiatives

18. Other examples from pilot schemes and company initiatives include:

- Messaging about support options on envelopes to raise awareness even where consumers are fearful of opening bills
- Payment breaks for those awaiting their first Universal Credit payment
- Highlighting financial support options in Priority Service Register welcome packs
- Dŵr Cymru Welsh Water delivers free training and awareness-raising sessions to partner organisations, including Citizens Advice and Job Centres
- Bill reductions for care leavers to help support their transition out of the care system.

¹⁰ Smarter ways out of water poverty <https://www.thameswater.co.uk/media-library/home/about-us/responsibility/affordability/water-saving-affordability-study.pdf>

- Water companies are using the Digital Economy Act data sharing powers to access information from both the Department of Work and Pensions and local councils to help them identify households in need of financial support.

Innovative Tariffs

19. In April 2023, Ofwat modified charging rules to enable water companies to carry out trials of alternative charging structures that might better encourage water efficiency whilst also helping to make bills more affordable for those struggling to pay.

CCW is working with companies as they develop and implement the trial schemes. We will also be helping to ensure that learnings from the trials are disseminated. Details of the latest progress is available on our trials web page¹¹.

Single Social Tariff

20. The social tariff schemes currently operated by water companies vary in terms of eligibility criteria and the support they provide. And, aside from a small number of company contributions, the funding available in each company region is limited by what research finds local customers are willing to contribute as cross subsidy through bills.

21. Our affordability review highlighted that these arrangements negatively impact the outcomes delivered by the schemes in the following ways:

- A postcode lottery means a family in one region might see their bill reduced by 90% whilst a family with the same circumstances in another region might receive no help at all
- Few schemes are well targeted at addressing water poverty (as calculated by those spending more than 5% of equivalised household income (after housing costs) on water and sewerage charges). Water companies in England and

¹¹ <https://www.ccw.org.uk/advice-and-support/households/trialling-different-household-charges/>

Hafren Dyfrdwy are signed up to a public interest commitment¹² to address water poverty at the 5% level by 2030

- The funding available for social tariff schemes, and the amount which customers contribute through bills, varies between water company regions
- The lack of a single recognisable industry-wide support scheme impedes the ability for promotion at a national level. And advice agencies supporting households face greater complexity in navigating available support options.

22. CCW recommended that these issues be addressed by the introduction of a single social tariff scheme targeted on eliminating water poverty. In the absence of the scheme being funded from public expenditure we have called for a shared funding pot to be used to ensure costs are shared more evenly between water customers.

23. Our single social tariff proposal received wide industry and stakeholder support. Following our review Defra and Welsh Government initially established groups to explore the implementation of the scheme, but at this point the recommendation has not been taken forward.

24. CCW believes that implementation of a single social tariff will be essential in addressing the problem of water poverty. Its implementation would ensure an adequate safety net is in place for those who need it as they face the prospect of rising bills to fund investment in infrastructure to improve resilience and deliver environmental improvements.

25. There are clear parallels here with the energy sector. We know that there have been calls from stakeholders for the introduction of an energy social tariff, but that this is not currently being progressed. We believe a more joined up approach on social tariffs across water and energy sectors could prove powerful in ensuring those with the lowest incomes are protected from the risk of significant price fluctuations across their core essential services.

26. Having a clear suite of bill support measures across these services would provide consumers with important reassurance during uncertain times. It would also enable joined up promotion, helping to raise awareness and take-up of assistance. There

¹² <https://www.water.org.uk/wp-content/uploads/2019/04/Public-Interest-Commitment.pdf>

might also be opportunities to tap into efficiencies in terms of collective data sharing to help proactively identify and support those household in need of help.

Enquiries

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