

## 4. Driving affordability

### 4.1 Key messages

- **Building on a great track record:** In AMP7 United Utilities led the industry in the breadth and depth of our affordability support. We used a combination of social tariff arrangements, shareholder contributions and partnership work with the third sector, delivering a broad range of schemes and tools to support customers with affordability challenges. We won recognition as a leader in the industry and in the wider economy for the strength of our approach, winning awards for our innovative, effective and comprehensive offering.
- **Unprecedented package of affordability support for AMP8:** Engagement with customers demonstrates that our business plan for AMP8 will deliver services that are highly valued, but bill increases in AMP8 are material, and many customers are concerned about affordability challenges. Based on this plan UUW proposes an unprecedented £525 million of affordability support to those in need, including making direct financial contributions worth £200 million. This will enable us to increase the number of lower income households able to access reduced bills each year to c.590,000. By providing help with bills for more than 1 in 6 customers we expect we can deliver improved services without an increase in levels of water poverty.
- **A refreshed approach to affordability and vulnerability, embracing partnerships and new ways of working:** We're launching 'Water Without Worry' a holistic approach to offering affordability and vulnerability offerings, with simplified branding, improved accessibility and increased customer awareness. Our capabilities in collaborative partnership working, open data (including open banking) and data sharing (across utilities) are truly leading, meaning we can offer frontier stretching affordability support offerings. We seek to proactively identify and engage customers who may be financially stretched before they fall behind on payments, providing them with relevant and effective options to control their water charges.
- **Targeted support for schools and important community groups:** We propose a bespoke performance commitment to address affordability concerns raised by socially important non-household customers. This would deliver an extended water efficiency offering, enabling reduced water usage and therefore lower water charges for those non-household customers that are least able to meet the cost of rising charges.
- **Leading on extra help for customers in vulnerable circumstances:** We have an industry leading Priority Services scheme, and pride ourselves on being an organisation that delivers fair, flexible and inclusive services. We aim to increase positive outcomes for consumers in vulnerable situations and in March 2023 we were amongst the first water companies to earn the new Inclusive Service Kitemark ISO22458:2022 for consumer vulnerability support. We see this as a vital part of delivering against the aspirations and ambitions set by the forthcoming Customer Duty being added to company licences.

### 4.2 Structure

This chapter is structured as follows;

- **Section 4.3** summarises future bill affordability and AMP8 plans to improve support and meet new challenges.
- **Section 4.4** provides an overview of affordability and vulnerability in the North West, including how our current extensive package of affordability support is helping us to meet current challenges.
- **Section 4.5** provides details of our proposed bill changes and the expected impacts on household affordability
- **Section 4.6** sets out how our affordability services to support customers will evolve in AMP8. It also specifies the design and purpose of our proposed bespoke PC for schools and community groups.
- **Section 4.7** outlines our existing vulnerability support package and how these services will develop in AMP8.

The key supplementary document supporting this chapter is *UUW25 Affordability & Vulnerability Operational Response* which provides more detailed information about the practical assistance we offer to customers.

### 4.3 Overview of affordability and vulnerability in the North West

#### Affordability



We are proposing UU's largest ever support package by committing to increase the level of financial support by 88% from £280m in AMP7 to £525m in AMP8. Of this £200m will be company funded, an increase of £60m on AMP7. This will benefit around 590,000 (1 in 6) customers.

The introduction of a new fixed annual discount will support low income households, targeted at income deprived customers. Working with the DWP to proactively identify all eligible customers, we anticipate 16% of households will qualify.

This new support measure will, in combination with UUW's wider affordability package, mean we are able to provide discounted bills to more households than ever before.

We introduced the industry's first ever affordability summit, held in the North West, bringing together a wide range of regional stakeholders and helping to co-design a host of new affordability support services. We have continued to use such initiatives every year since 2018 to identify and deliver new opportunities for support including the public rollout of the Hardship Hub.

Following the success of our "Lowest Bill Guarantee" we plan to introduce an innovative, updated offering so low income customers can benefit for as long as they need it.

We will launch a "Better Together initiative" with the primary purpose of developing partnerships with organisations and influential community groups/leaders to work together.

Continue to offer a range of payment options including "Payment Break" and "PayAsUGo" and extending the use of our successful industry first open banking solution to identify and support customers needing help managing their financial situation.

The creation of a new WaterSure Plus tariff extending eligibility to those customers on a water meter with medical conditions or a large family to include low income customers in receipt of disability benefits.

During AMP8 we will continue to support the 154,000 customers currently benefiting from a capped lower bill. We will guarantee that future bill increases for the most financially vulnerable customers on these tariffs across AMP8 will be no more than 5% per annum. As we reform our package of support tariffs we will continue to manage transitions for those customers on legacy schemes.

We have undertaken a robust exercise to understand the long-term bill impact of our plans with 74% of all customers deeming our plan acceptable. We have acted to ensure intergenerational equity in line with customers' preferences.

We have consulted on affordability impacts and mitigation plans with customers and key stakeholders and made changes to our proposals based on their representations.

#### Vulnerability



During AMP7 we have continued to develop our multi award winning Priority Services offering. This service provides industry leading levels of support to the North West's most vulnerable customers including those facing transient vulnerability. Over 300,000 customers are now benefitting from the scheme.

We achieved accreditation to the original BSI standard in March 2020 and maintained the accreditation during year one and year two of the AMP. In year three, we successfully gained accreditation to the new ISO standard, providing UUW with the Inclusive Service Kitemark certification and will strive to maintain this throughout AMP8.

We continue to work with our Independent Affordability and Vulnerability Panel, made up of NGOs and other groups that work day to day with people in vulnerable circumstances. The group is acting as a voice for those customers who have traditionally found it difficult to raise concerns with utility service providers and playing a key role in ensuring that we deliver leading support services during AMP7 and into AMP8.

Our plan continues to develop our industry leading support for vulnerable customers, committing us to extending our Priority Services offering to 20% of customers by 2030, and improving the quality and scale of the support we provide.

The provision of financial support via an independent Trust for customers experiencing transient vulnerability with no insurance provisions who have been impacted by internal sewer flooding. The support fund will provide £1m of financial support over AMP8 to pay for repair work as a result of damage done to customers' properties.

Building on our success during AMP7, collaborative working with utilities together group will provide further opportunities to engage with and effectively support vulnerable customers. Efficient, collaborative working will save time, money and resources in putting in place customer support.

We have discussed vulnerability support plans with customers and key stakeholders and made changes to our proposals based on their representations.

This chapter sets out our assessment of the anticipated impact of business plan proposals on customer affordability in the North West. It presents the further improvements to affordability and vulnerability support we propose to put in place, building on our current industry leading and award winning offering. Through a combination of increased direct financial support, and innovative tariff and support reforms we will provide as many customers as possible access to the support they need, based on this plan submission.

Our business plan for PR24 anticipates real term bill increases, principally driven by substantial investment to achieve new statutory requirements and enhanced service levels for all customers. Whilst providing substantial benefits for the North West, these bill increases, if left unmitigated, would likely result in an increase in water poverty, and general affordability challenges in the short term. This is why our proposed package in response to this need is so important.

We are a leader in the water industry in affordability and vulnerability assistance, with a wide range of support schemes for customers. Our use of innovation has seen us deliver a number of new solutions to help customers afford their bills, and provide extra support for vulnerable customers, many of which were firsts for the industry. We have outperformed against PR19 plans, and received recognition for “exemplary” performance following Ofwat’s ‘Paying Fair’ review. We continue to be recognised as an exemplar in the wider affordability support field, receiving recognition from cross sector organisations such as the Chartered Institute of Credit Management (CICM).

Our plan for AMP8 builds on our established capability and proven track record in delivering effective and meaningful support for our customers. We are currently supporting around 230,000 customers with payment of their bill. We’ve increased the volume of customers benefiting from our Priority Services scheme. As at March 2023 over 294,000 customers were registered representing 9.1 per cent of our customer base. Increased direct customer engagement and proactive registrations through sector leading data share arrangements has enabled us to outperform our AMP7 performance commitment in this area.

Our AMP8 plan reflects a proposed £525 million of direct financial support for low income and financially distressed households, including £200 million of shareholder funded support (the largest shareholder commitment seen in the water sector to date). We estimate that this will enable us to increase the number of customers helped each year to c.590,000 (over 1 in 6 households), this significant increase in financial support means we expect to be able to avoid any increase in levels of water poverty despite increases in average bills.

Through extending other forms of affordability support - such as data led water efficiency promotions - our Lowest Bill Guarantee scheme for customers applying for a water meter and innovative tariff trials we will further extend affordability support offerings to maximise the impact of the support we offer. This will be our new holistic support scheme ‘Water without Worry’. Planned innovative tariff trials in 2024/25 - including trials of rising block tariffs - will inform tariff reform in AMP8.

In addition to shareholder contributions, we propose an innovative and stretching bespoke performance commitment linked to the number of socially important non-household customers supported to afford and pay their water bill through water efficiency interventions. This measure is designed to provide meaningful help to a group of customers that would not receive help otherwise. By further extending water efficiency support to those customers that currently qualify for one of the 2022/23 UUW concessionary schemes for schools and other non-household community groups, we would enable reduced water usage and therefore lower water charges for those non-household customers that are least able to meet the cost of rising charges and provide confidence to all customers that we are addressing bill affordability challenges across all customer groups.

We have an industry leading Priority Services scheme. We were amongst the first water companies to achieve the new Inclusive Service Kitemark certification ISO22458:2022, and take pride in being an organisation that delivers fair, flexible and inclusive services. Our focussed and flexible approach to providing extra help will ensure that all customers, regardless of their specific needs, will find they can engage with their water and wastewater services in a way that works for them. In particular, we will pursue further opportunities for partnership working and scheme promotion, meaning that vulnerable customers find it easier to access support than ever before, and to remove the need for customers to engage with multiple service providers to make their needs known.

## 4.4 Understanding affordability & vulnerability in the North West

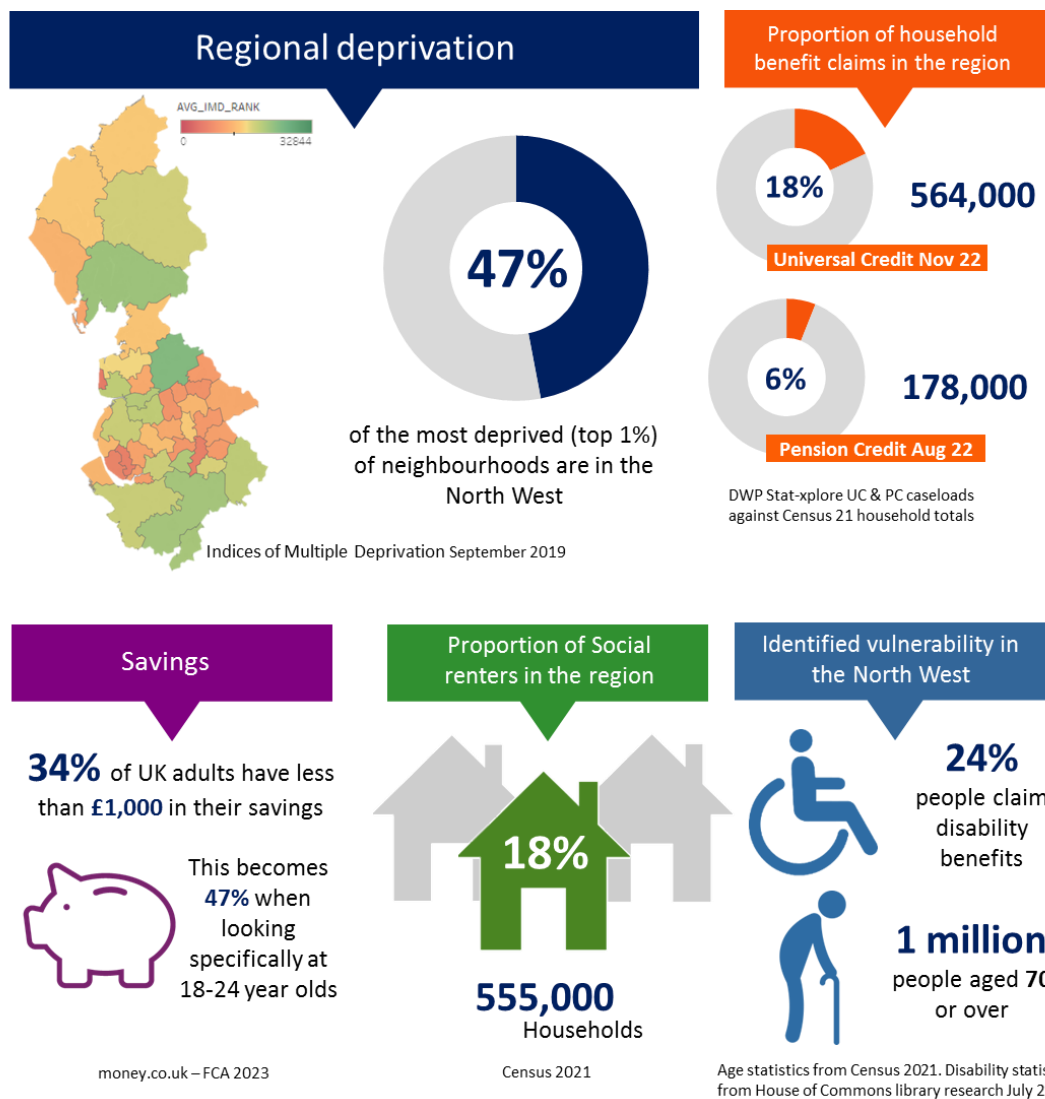
Understanding customers is crucial to helping us design appropriate services and support. In chapters 2 and 3 we have provided some insight into the nature of customer demographics in the North West, and what we have done to understand customers’ needs and expectations. In this section we look specifically at the factors driving vulnerability and affordability challenges, including the impacts of Cost of Living challenges. We also show how our current extensive package of affordability support is helping us to meet current affordability challenges.

### 4.4.1 Scale of the challenge

The degree of socio-economic challenges in the North West means the need for affordability support and Priority Services offerings to help customers is greater than in many other areas of England and Wales. This is why we place particular emphasis on delivering effective customer assistance schemes providing financial and non-financial support to customers who need our help.

Key to understanding how deprivation and other factors affect individual customers is the ability to segment the customer population in a granular and dynamic way. As customers’ needs and expectations change, we are increasing our understanding of how different groups of customers can best be engaged with and supported.

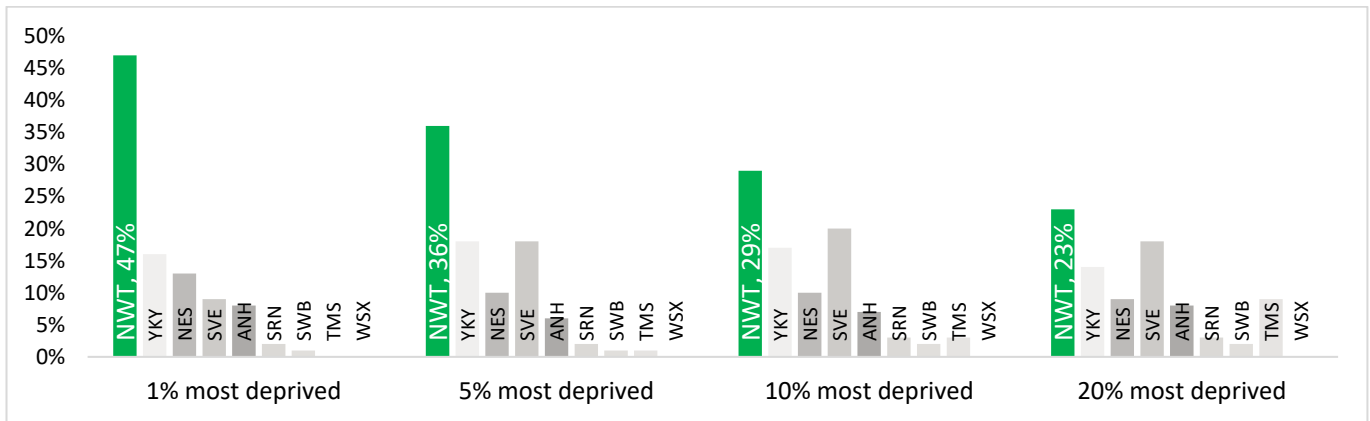
Figure 4-1: The socioeconomic landscape impacting UUW affordability and vulnerability planning



Like others in the water industry, we are being challenged to improve the scale and effectiveness of the support we offer against a background of rising household costs, economic uncertainty and a decrease in the percentage of people of working age. How we respond to this challenge will be crucial to securing and maintaining customers’ trust and confidence in the sector in the years ahead.

There are many features of the national and North West financial and social landscape that UUW has considered in developing our PR24 proposals. The North West has the largest percentage of economically deprived households in England. According to data compiled by Public Health England, the North West is below national averages for several other key indicators of deprivation, spanning not just financial, but also educational, physical and mental health indicators. 24 per cent of people in the North West need disability support payments, and regional weekly earnings are £29 below the national average<sup>1</sup>.

**Figure 4-2: Percentage of most deprived neighbourhoods<sup>2</sup> by service area and decile, IMD 2019 data, for all English WaSCs**



Source: *Indices of multiple deprivation*

#### 4.4.2 Cost of living challenges

In addition to longer term affordability challenges, we also recognise the cost of living pressures experienced by customers in the North West right now. Recent rises in the cost of living are increasingly putting pronounced pressure on household budgets. Through our own interactions with customers, we increasingly see the evidence of this growing challenge. More customers are telling us that they struggle to afford utility and food bills, including water charges. In our regular “State of the Nation Customer Research<sup>3</sup>” customers are telling us that they are becoming increasingly worried that they may not be able to pay their household bills, particularly energy, food and council tax. Energy price increases are disproportionately hitting poorer households, as they spend a larger share of their household income on gas and electricity. The bottom decile of households (of income) spend almost three times as much of their budgets on gas and electricity as the highest-income decile (11 per cent versus 4 per cent). Many small businesses also tell us they have also been impacted by rising prices, particularly energy costs.

Water bills affect every household and business, and it is incumbent on all stakeholders in the water industry to consider what actions we can take to help alleviate the pressure these bills place on customers’ ability to meet the rising cost of living. Due to the higher levels of deprivation in the North West region, many United Utilities customers are being hit disproportionately hard, experiencing price rises higher than the headline inflation rate in the short to medium term. For example, a recent report by Centre for Cities (“Out of pocket, the places at the sharp end of the cost of living crisis”) identified that English cities with the lowest average wages, such as Blackburn and Burnley, have experienced the highest levels of inflation.

#### 4.4.3 AMP7 affordability support offerings

In the face of these challenges we have invested to develop a leading level of affordability support. Alongside a comprehensive suite of direct financial support offerings, our capabilities in open data and data sharing are truly innovative, meaning we currently offer a best in class package of overall affordability support.

<sup>1</sup> ONS statistics

<sup>2</sup> Lower Layer Super Output Areas

<sup>3</sup> Explain on behalf of UUW “[State of the nation- April-2023](#)”

A summarised view of our current AMP7 support for customers and communities is included in this section. This will be the bedrock of our support in AMP8. Further information on the extensive focus and range of support options available for our customers who need help with payment of their bill is provided in supplementary document *UUW25 – Affordability and Vulnerability Operational Response*, section 3.1.5.

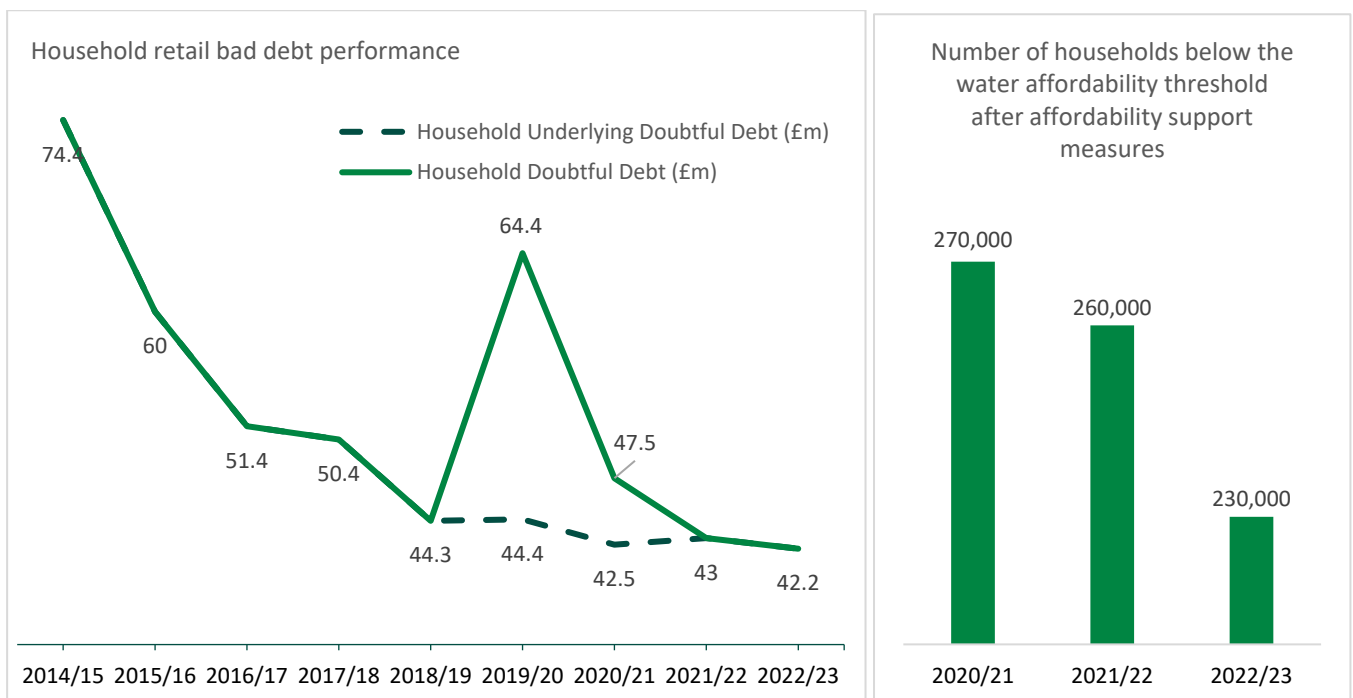
**Figure 4-3: UUW AMP7 affordability support offerings**

**AMP 7**

<p><b>Comprehensive affordability support options available</b></p> <ul style="list-style-type: none"> <li>£280m financial support; £140m company funded</li> <li>Currently providing active support to 230k customers through industry leading schemes:             <ul style="list-style-type: none"> <li>✓ Back on Track</li> <li>✓ Help to Pay</li> <li>✓ WaterSure</li> <li>✓ Payment matching</li> <li>✓ Trust fund</li> <li>✓ Water Direct</li> <li>✓ Payment Break</li> <li>✓ PayAsUGo</li> </ul> </li> <li>Free meter option supported by Lowest Bill Guarantee</li> <li>Mobile app</li> <li>Dedicated affordability visits through town action plan</li> <li>Water Efficiency visits, advice and free devices</li> <li>Accessibility focused approach – simplified application process</li> </ul>	<p><b>Engaging with our stakeholders</b></p> <ul style="list-style-type: none"> <li>CCG ‘YourVoice’ affordability and vulnerability panel </li> </ul> <p><b>Understanding our customers and communities</b></p> <ul style="list-style-type: none"> <li>Cost of living support via MP led localised events</li> <li>Regional and national partnership working via outreach activity</li> <li>Partnerships with IE Hub, Turn 2 Us and Money Wellness</li> </ul> <p><b>Co-creating collaborative solutions</b></p> <ul style="list-style-type: none"> <li>Annual Affordability summits with 3<sup>rd</sup> sector</li> <li>Hardship Hub – centralised debt advice repository </li> </ul>	<p><b>Data led innovation</b></p> <ul style="list-style-type: none"> <li>First water company to use Open banking</li> <li>First water company to data share with DWP</li> <li>Full reciprocal data share with CRA’s gives access to detailed customer insight</li> <li>Early intervention campaigns utilising external data</li> <li>Predictive analytics – scorecards and indicators to drive comprehensive collections strategy</li> <li>CACI customer segmentation embedded into billing system </li> </ul> <p><b>Driving industry leading practices</b></p> <ul style="list-style-type: none"> <li>Full compliance with CCW affordability review</li> <li>Full suite of affordability schemes offered</li> <li>Multi discipline industry award winners over multiple years</li> </ul>
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We have a robust and consistent track record of investing in affordability support for UUW customers. We have a strong history of providing shareholder backed support to customers alongside effective use of customer supported social tariff cross subsidies. Using advanced data and analytic capabilities we’ve been able to focus our efforts on identifying and supporting the customers at greatest financial risk, proactively promoting the support available and encouraging customers to contact us if they are struggling to pay. We are now supporting around 230,000 customers with payment of their bill, representing around six per cent of our household customer base.

**Figure 4-4: Household retail bad debt and water poverty performance**



Our extensive support package has helped bring down levels of water poverty in the United Utilities region, and combined with our comprehensive debt management processes, helped ensure that levels of underlying household debt have been reduced and remain stable despite difficult economic conditions more generally.

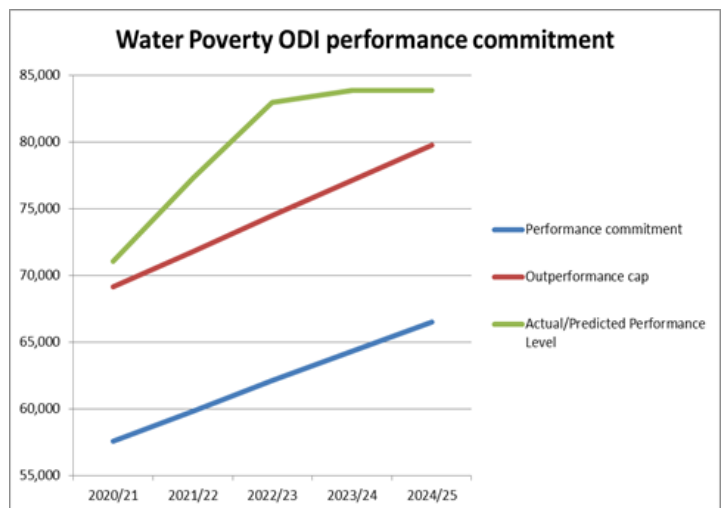
The wide range of different support options means the widest possible range of customers can access appropriate support from early intervention, debt collection and arrears clearance. For other customers we can help manage the cost of water charges through a wide range of payment options, and providing help and advice on ways customers can reduce their water charges. For those most in need we offer direct financial support through bill reductions, payment matching and hardship grants via the UU Trust Fund.

We have continued to innovate throughout AMP7, introducing:

- **Open Banking assessments:** Enhancing our affordability assessment process utilising open banking technology has improved both efficiency and accuracy of support applications. We were the first water company to utilise this capability and plan to utilise open banking capabilities in other processes to further drive effectiveness.
- **New DWP data share provisions** to proactively identify customers eligible for Social Tariffs and WaterSure. Again we were the first water company to utilise this capability and we are continuing to work with the DWP to identify further opportunities to drive further value from the data share relationship.
- **A single affordability support application form and process** which proactively ensures customers are supported via the lowest possible bill and simplifies the application process.

We have consistently outperformed commitments in this area, providing targeted wide ranging support to those that need it. For example, we have repeatedly over delivered against our AMP7 “Lifting customers out of water poverty” performance commitment, providing support to customers beyond the incentive cap.

External assessments and benchmarks demonstrate that our support for customers is strong. In 2021 CCW published its affordability review, including recommendations of good practice for supporting customers who find their water bill unaffordable. We received a green assessment, no recommendations for improvement, and were one of only two companies to provide the full suite of affordability offerings expected.



Source: Annual performance reports

Our range of affordability support meets best practice standards and in some instances exceeds them, being held up as best in class. We have been repeatedly recognised as industry leading for the wide range of support offerings available to our customers. We were recognised for “exemplary” performance following Ofwat’s ‘Paying Fair’ review into company provision and customer access to affordability schemes, debt management and cash collection processes.

Practices such as our new flexible PayAsUGo scheme, extensive partnership working including our annual Affordability Summit and use of insight and intelligence to anticipate the needs of customers and target action have been highlighted by both Ofwat and CCW as representing good practice for others to follow.

We challenge ourselves against the best in the country, not just the water sector, and over the last 5 years have been recognised as not just water or utility industry leaders but best in class against a wide range of industries.

In February 2023 we won the prestigious CICM Excellence in Credit Management Award; the Chartered Institute of Credit Management’s highest accolade. The professional body awards this accreditation only to organisations that can demonstrate they meet specific challenging criteria as confirmed by the Institute’s Executive Board. We are one of only seven organisations across the UK to hold this status.



Over the last 5 years we've won twenty five awards recognising our approach to supporting vulnerable customers, our innovative use of technology and overall collections performance. The awards are judged by a wide range of leading industry experts and recognise our outstanding performance. Most recently our affordability and collections team have won B2C Collections Team Award at the British Credit Awards 2023; Water Team of the Year, Best Code of Conduct and Culture and Best Vulnerable Customer Support team at the U&T Awards 2022; and the Utility Week Cost of Living award 2022; recognising our extensive approach to responding to customers' needs as result of increasing cost of living pressures.

## 4.5 Affordability – assessing the impact of our proposed bill changes

We have sought to understand the impact our business plan proposals have on customer affordability and value for money, both in AMP8 and over the longer term. In structuring our assessment of impacts on affordability we have focussed on a number of key customer segments, including 'average' household customers, households where water bills may already be unaffordable and customer groups (both household and non-household) where there is evidence that water bills could become unaffordable.

We have also considered customers' views on whether they judge our overall business plan proposals to be acceptable. Our proposed business plan requires real terms bill increases up to 2030, with indications that they may continue to rise in real terms beyond this date. At the same time levels of deprivation and general financial stress in the North West are amongst the highest in England. Given necessary water bill increases and the general level of financial stress in the North West, we know that there are some customers that will find day to day household expenses, including water charges, difficult to afford.

Following engagement with customers and stakeholders we can demonstrate that the AMP8 business plan proposals are supported by customers, with high levels of customer acceptance. However, there are a substantial number of household and non-household customers who say they will struggle to afford increased charges, and our own water poverty analysis also indicates that water bill affordability will worsen without intervention. We propose therefore to build upon our leading affordability support programme, offering further financial help and wide ranging support.

At the heart of our proposals is £525 million of direct financial support for low income, and financially distressed, households, including £200 million of shareholder funded support (the largest shareholder commitment in the water sector to date). This substantial intervention will increase the scale and scope of support that we can offer, and help prevent an overall rise in levels of water poverty.

We have consulted with the independent challenge group 'YourVoice', including its Affordability and Vulnerability sub panel, about the affordability impacts of our plans for both average customers and financially stressed customers. Details of the YourVoice panel and the Affordability and Vulnerability sub panel can be found in supplementary document *UUW25 - Affordability and Vulnerability Operational Response*. Their views have helped inform our proposals, and have directly led to a number of changes to our future plans. For example, following consultation with YourVoice we have reformed the way that we engage with customers about the potential benefits of switching to a meter.

### 4.5.1 Assessing levels of affordability in 2025-30

Assessing the likely affordability of future customer bills for household and non-household customers is an important factor in understanding the overall acceptability of our PR24 Business Plan proposals. In AMP8 we forecast that there will be real term bill increases. Our business plan anticipates a real terms increase in average household bills of £110 (+25 per cent), which implies a forecast £185 increase in nominal terms from 2024/25, based on our CPIH forecasts.



Bill changes are presented including the impact of DPC schemes, including the Haweswater Aqueduct Resilience Project, but before potential in period adjustments for ODIs or revenue correction mechanisms.

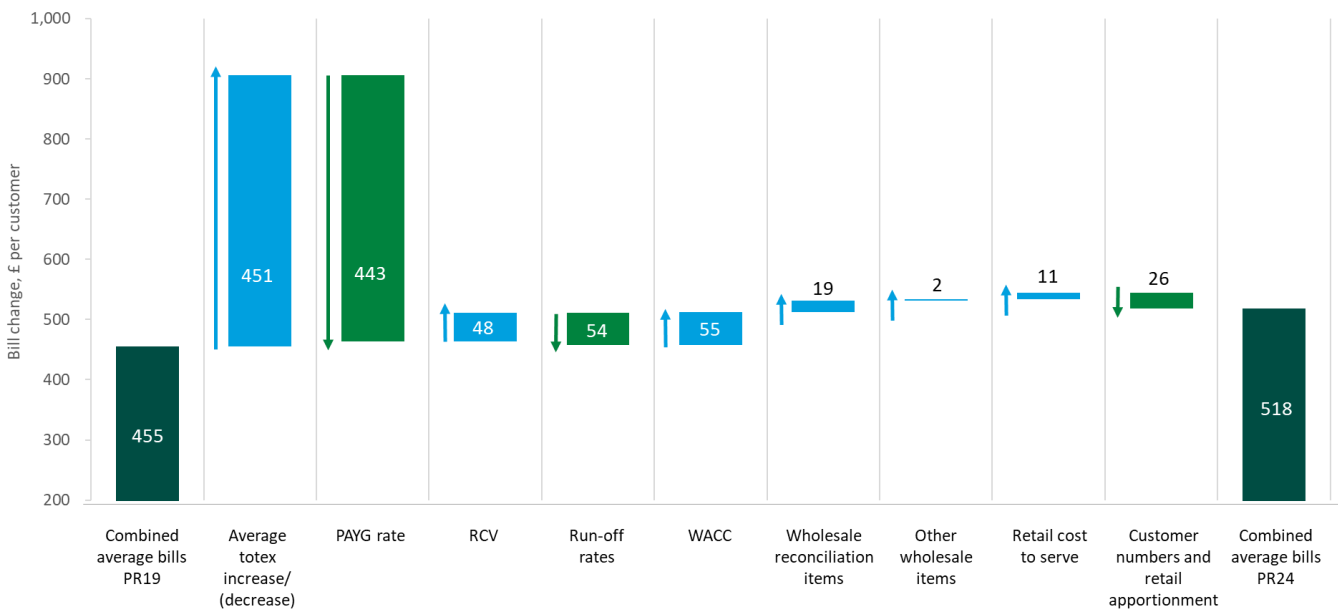
**Table 4-1: 1 End of AMP bills 2024/25 to 2029/30**

	2024/25	2029/30	AMP8 change
Average Household bill (2022/23 FYA CPIH)	£447	£556	£110
CPIH inflation	£39	£114	£75
<b>Average Household bill (nominal)</b>	<b>£486</b>	<b>£670</b>	<b>£185</b>

Source: PR24 data table RR14

Average household bills will increase in AMP8. Across the five year period, they will average £518 in 2022/23 prices, compared to an annual average of £455 in AMP7.

**Figure 4-5: Change in water bill components from AMP7 to AMP8**



Source: Ofwat bill waterfall model

The principal factor acting to increase bills in AMP8 is a relative rise in totex, reflecting substantial enhancement investment to deliver improved customer service. Additional increases in RCV, WACC and reconciliation items are also putting upward pressure on bills. These increases are substantially mitigated through reductions to PAYG and RCV run off rates. A projected growth in the number of customers is also helping to mitigate average bill rises.

**4.5.2 Impact of changes in bills and household income on levels of water poverty**

Understanding the scale of the affordability challenge in the North West of England is crucial when attempting to develop interventions. It is important to consider how water and wastewater charges and bill movements affect customers on low incomes. Measures of water poverty can be a useful quantitative way of observing affordability pressures for the lowest income households and how they could change over time.

Between 2019/20 and 2022/23 water bills have fallen markedly in real terms, reflecting the outcome of the PR19 process. These real terms falls have acted to reduce levels of water poverty in the North West, despite widespread economic challenges which have reduced real term household incomes over the same time frame.

Building on the latest water poverty assessments developed by Frontier Economics on behalf of WaterUK<sup>4</sup> we have projected how levels of water poverty in the United Utilities region are impacted by expected changes in water charges and household incomes. This work uses the definition of water poverty set out by Frontier

<sup>4</sup> Frontier Economics “Single social tariff for water and wastewater in England and Wales” – June 2022

Economics, specifically defining a household as being in water poverty when water charges exceed 5 per cent of household income, after housing costs.

Based on their assessment of household incomes and bills Frontier Economics identified that in 2020/21 some 300,000 (10 per cent of households in the U UW region) are likely to have been classified as living in water poverty. This compares to around 6 per cent of homes in water poverty in England and Wales as a whole, indicating that levels of water poverty are c.60 per cent worse in the North West than the national average.

From Frontier’s analysis we observe substantial variance in levels of water poverty across household make-up and economic circumstances. For example Frontier Economics estimate that the mean adjusted income for a North West household in water poverty was £8,996, compared to an average income for a home not in water poverty of £25,041<sup>5</sup>.

We have sought to understand how increases in household bills over AMP8 will impact levels of water poverty, and have simultaneously considered the impact changes in household disposable income (after housing costs) will have.

**Table 4-2: Projected levels of income growth, bill change, and levels of water poverty before support**

	2020/21	2022/23	2024/25	2029/30
Household bill growth (real cumulative growth from 2020/21)		-£75	-£45	+£64
Household income after housing costs (real cumulative growth from 2020/19)		-3.4%	-3.8%	+4.5%
Households in water poverty (5% threshold) – before financial support	299,000	266,000	297,000	360,000
Households lifted out of water poverty through support (5% threshold)	25,000	34,000	33,000	128,000
Households in water poverty (5% threshold) – after financial support	274,000	<b>232,000</b>	264,000	<b>232,000</b>

Source: UUW data and OBR household income forecasts

We project that growth in water charges in AMP8 will result in an increase in levels of water poverty if UUW does not take action to provide customers with financial support. Increases in bills of around £139 from 2022/23 to 2029/30 would result in around 94,000 additional households moving into water poverty, an increase of around 35 per cent above current levels.

However through UUW’s proposed £525 million of support (see section 4.6) we forecast that growth in levels of water poverty can be avoided, can be returned to levels seen today, and lower than the level in 2020/21.

Household income forecasts from the OBR suggest that whilst in the near term incomes are projected to fall, a degree of regional economic growth in the medium term will help deliver some real terms increase in household incomes. If the forecast proves accurate, real incomes (after housing costs) will be 8 per cent higher in 2029/30 than in 2022/23. The impact of the proposed increase in household bills will therefore be somewhat offset by these anticipated increases in household income.

### 4.5.3 Testing acceptability and affordability of bills

Based on Affordability and Acceptability surveys with customers in August 2023, 36 per cent of all customers have found it difficult to keep on top of their current utility bills. This is consistent with our own regular surveys with customers that indicate 43 per cent of customers are struggling to pay household bills<sup>6</sup>.

In line with joint Ofwat/CCW guidance on testing customers’ views on business plan affordability and acceptability, we presented AMP8 bill impacts to household customers, alongside a description of proposed service improvements through a series of qualitative customer focus groups. (see Chapter 3)

After being presented with service level improvements and associated bill changes<sup>7</sup> in AMP8, 74 per cent of all customers found our overall proposals to be acceptable. 70 percent of households thought the plan acceptable.

<sup>5</sup> Adjusted income is calculated as disposable income after housing costs, excluding disability benefits.

<sup>6</sup> Explain for UUW “[State of the Nation Wave 6](#)”

<sup>7</sup> Bill projections presented as part of Affordability and Acceptability testing differed from UUW PR24 Business plan projections due to small changes in final plan construction and inflation forecasts between the times of customer testing and final business plan submission.

In contrast 16 per cent believed that the plan is not acceptable, with the affordability of higher bills a principal point of concern for this smaller group of customers. Business customers were supportive of our plans, with 85 per cent feeling plans are acceptable.

When given the option of choosing between UUW's proposed plan, and a lower cost 'must do' version, which only included mandated investments, 64 per cent of household customers stated they preferred the UUW proposed plan, reflecting the higher service levels and proactive investment in service areas that they value highly.

However, 43 per cent of all customers stated that the proposed bill increases will be difficult to afford, with only 22 per cent believing it would be easy to afford. This set of results strongly demonstrates that proposed service improvements are highly valued by customers, but a substantial proportion of customers are concerned about their ability to afford future bills.

**Table 4-3: UUW affordability and acceptability research results – Key customer segments**

	Acceptability	Affordability
All customers	74% acceptable	43% difficult to afford
Household customers	70% acceptable	48% difficult to afford
Financially struggling	59% acceptable	87% difficult to afford
Vulnerable customers	69% acceptable	53% difficult to afford
Non-household customers	85% acceptable	30% difficult to afford

Source: UUW23 and SUP14

Financially struggling household customers were particularly concerned about affordability. 87 per cent of customers in this group said they would find the new bills difficult to afford.

Business customers expressed similar views to residential customers on plan acceptability. However, on average they were less concerned with increases in future bills, and more concerned to see even further improvements in service levels. Nevertheless, 30 per cent of business customers expressed concern about future bill affordability, a marked increase from PR19<sup>8</sup> when only 15 per cent of non-household customers were concerned about proposed future water charges. Notably micro-businesses appear less likely to find plans acceptable. There is evidence that these non-household customers feel particularly poorly served by current retail arrangements, which may be leading to a reduced confidence in delivery of service improvements.

A discussion of the methodology and findings of our Affordability and Acceptability testing is presented in Chapter 3 and a full breakdown of results supplementary document *UUW22 – Affordability and acceptability testing reports* and our PR24 data table SUP14.

We have clear evidence that individual discretionary investment proposals to improve service attracts customer support when considered individually (see supplementary document *UUW21-Customer Research Methodology, section 5.8*). A clear majority of customers value our commitment to deliver service improvement in the service areas they value most, with direct evidence of customer willingness to pay for such improvements. Nevertheless, a large proportion of customers have concerns around their ability to afford the increased water bills that will result from these plans.

Acceptability testing of the UUW plan excluded the potential impact on AMP8 bills of in period ODIs. Customers have been asked separately about the value they place on outcomes from proposed ODIs, with results showing that customers endorse proposed performance commitments and incentive rates (see Chapter 5).

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Customers' views are judged to remain valid, as variances between tested and proposed bills have been assessed as immaterial, in line with Ofwat /CCW guidance.

<sup>8</sup> Boxclever for United Utilities, "Customer Research engagement reports: S1001", 2018 -page 48 [unitedutilities.com/assets/ViewerJS/index.html?filename=S1001\\_Customer\\_research\\_summaries.pdf#..../globalassets/z\\_corporate-site/pr19/supplementary/s1001\\_customer\\_research\\_summaries.pdf](https://www.unitedutilities.com/assets/ViewerJS/index.html?filename=S1001_Customer_research_summaries.pdf#..../globalassets/z_corporate-site/pr19/supplementary/s1001_customer_research_summaries.pdf)

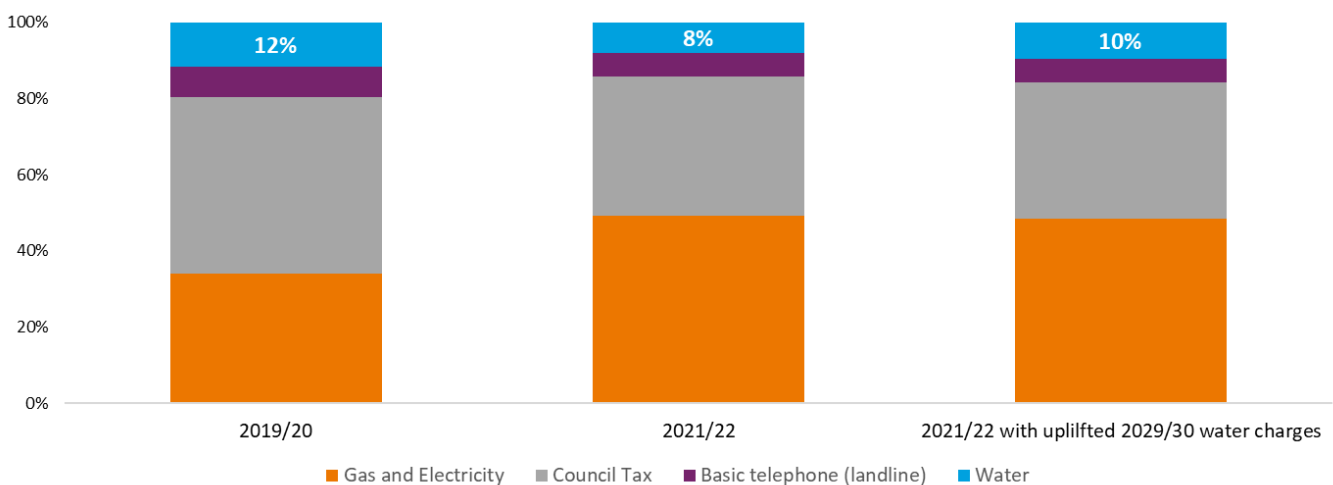
#### 4.5.4 Bill changes in the context of wider household costs

Whilst planned bill changes represent an increase from charges in AMP7, overall costs remain relatively small in comparison to other household utility costs. In 2019/20 UUW water charges were, on average about 12 per cent of household utility costs (composed of water, sewerage, electricity, gas, telephone line rental and council taxes).

Even after accounting for AMP8 increase, water remains a relatively small proportion of household costs. If we consider projected average water charges in 2029/30 alongside current costs for other utilities, water remains a small proposition of total costs at 10 per cent of the total. This is less than the percentage of costs the average household experienced in 2019/20.

During qualitative research as part of Affordability and Acceptability testing a notable proportion of customers were reassured that water charges will remain relatively low compared to other household costs<sup>9</sup>, and that rises are only in line with increases seen in other household costs.

**Figure 4-6: UUW water bills as a percentage of comparable average utility and service charges over time**



Source: UUW estimates

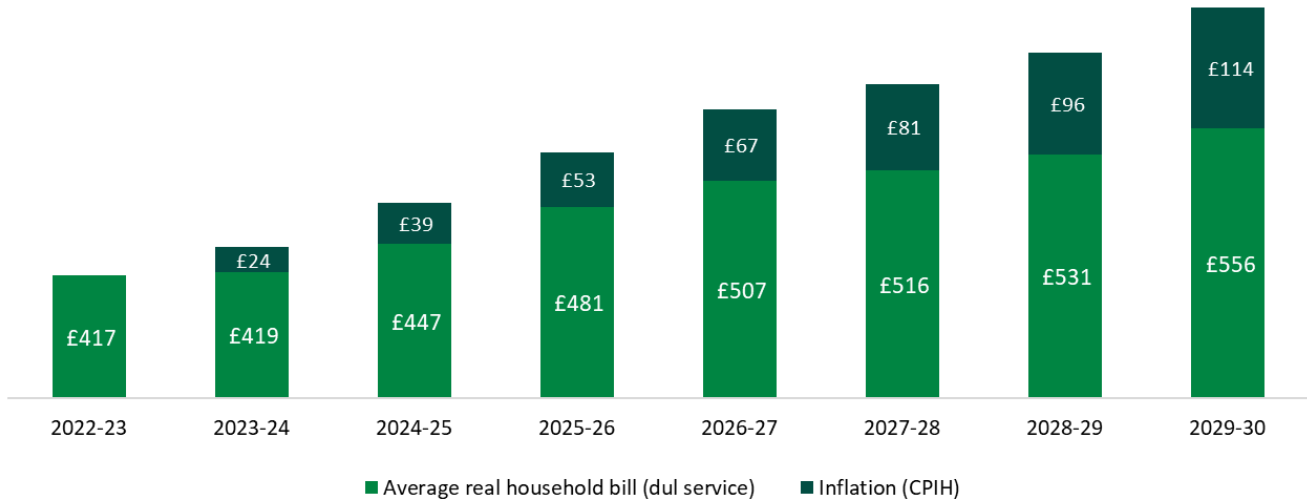
#### 4.5.5 Bill profiling and affordability post 2030

We engaged with customers to understand their preferences for bill phasing as part of wider testing of overall Business Plan affordability and acceptability and LTDS research<sup>10</sup>. Both household and non-household customer groups told us that they prefer stable bills, with predictable incremental adjustments in charges, rather than large upfront or deferred bill changes. A minority of customers expressed a preference for earlier investment in services, and a willingness to accept higher bills in the short term to finance this. An option to delay investment and associated bill increases until an unspecified later date was not well supported, and remained a clearly minority position in all customer groups. It is clear that UUW's proposed approach of spreading investment, and recovering revenues on a gradual but continual basis over multiple AMPs is supported by the majority of customers.

Based on customers' views we have considered the profile to average bill changes in AMP8, conscious of a need to avoid larger than necessary increases or reductions in bills in any given year, whilst ensuring that overall financability of plans can be maintained (see Chapter 9). We have concluded that the natural profile of annual bill changes leading into and across AMP8 is relatively stable, and that interventions to smooth annual increments is therefore not needed.

<sup>9</sup> UUW22 – Affordability and acceptability testing reports – A&A P1 Qualitative report

<sup>10</sup> SHED research for UUW "[Long-term delivery strategy: Customer insight synthesis](#)"

**Figure 4-7: Average household bill £/property**

Source: Ofwat table RR14 adjusted for UUW inflation estimate

Assessing the likely long term affordability of future customer bills for household and business customers is an important factor. We have projected future customer bills from 2030/31 to 2049/50. In generating these forecasts we have used 2029/30 projected bills as a base point, and then considered future investment requirements highlighted in long term service improvement and investment plans (see *UUW12 – Long Term Delivery Strategy* and *data table LS7*). We have considered a range of alternative pathways, in line with Ofwat guidance.

Based on these projections we forecast real terms annual bill rises will continue over the planning horizon under all alternative pathways. The principal factors driving these increases in charges are ongoing investments to reduce spill frequency at CSOs; improvements to river water quality identified in the UUW WINEP; delivery of the UUW Revised WRMP (including water resilience and demand reduction investment); and wider investments for service improvement. As the majority of long term cost drivers are linked to mandatory legislative drivers we see only relatively small variances in future bill impacts across alternative pathways.

In generating these long term bill forecasts we have included projected growth in customer numbers, but have not applied adjustments for wider factors that may affect future bills, such as future innovations and efficiencies, changing legislative and customer requirements, changes in the prevailing cost of capital, or other wider external factors that may influence future bills.

Whilst it is difficult to test future bill affordability directly with customers we have sought to test our long term plans and service aspirations with them (see supplementary document *UUW12 – Long Term Delivery Strategy, Section 2.2*). This work has shown that investment over the long term is linked to customers' priorities, and that there is strong evidence of customer willingness to pay for proposed investment in areas where there is a degree of UUW discretion (see Chapter 3, section 3.6).

However it remains the case that our current post AMP8 bill projections represent a material AMP on AMP increase in the real terms cost of water services. The overall affordability and acceptability of these changes will need to be repeatedly tested with customers as part of future price review processes, and additional plans to help support bill affordability may well be required in future.

## 4.6 Affordability – United Utilities' services to support customers

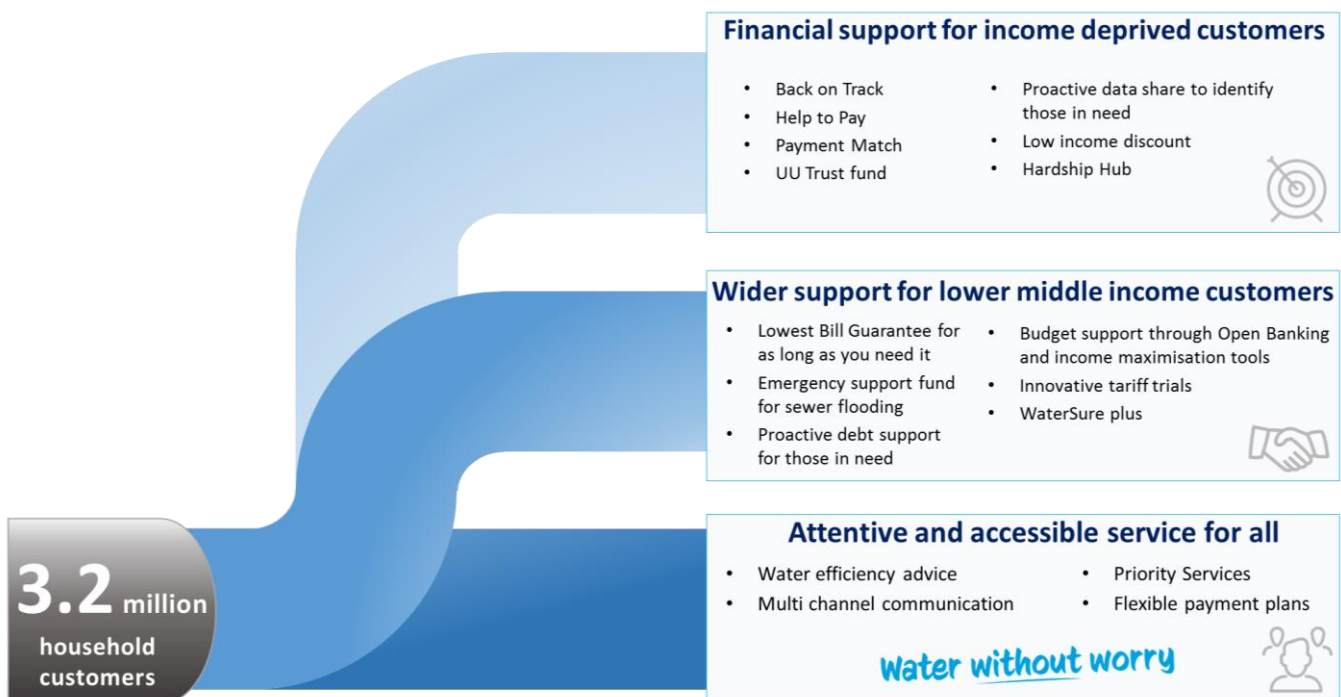
The degree of socio-economic challenges in the North West means that the need for financial support for customers is greater in our region than other areas of England. This is why United Utilities has consistently placed significant emphasis on delivering effective customer assistance schemes to support people in financially difficult circumstances. Over AMP7, we have focussed significant effort and resource to ensure that we have a leading approach to providing solutions to address affordability challenges. In response to proposed bill increases in

AMP8 we commit to go even further to support those that need it, bringing together our range of support schemes under a unified “Water without worry” banner.

We want to ensure the widest possible range of customers can access help appropriate to their circumstances, that’s why our plan for AMP8 would see us nearly doubling the level of financial support available to £525 million, providing our most extensive range of support options and helping 590,000 customers with their bill payment. Our strong track record in delivering industry leading affordability support provides the foundation for our plan.

Through extending other forms of affordability support, such as data led water efficiency promotions, our Lowest Bill Guarantee scheme for customers applying for a water meter and innovative tariff trials we will further extend affordability support offerings to maximise the reach of the support we offer. Planned innovative tariff trials in 2024/25, including trials of rising block tariffs will inform tariff reform in AMP8, and help further increase the number of customers that can access a measure of support appropriate for their circumstances. Providing a wide range of support options can help those on the very lowest incomes, and also assist customers that may not qualify for direct financial assistance but who nevertheless could do with help meeting day to day costs.

**Figure 4-8: A comprehensive package of support, with measures in place for all customers**



As we move into AMP8 we have considered measures we can take to support key groups of business and other non-household customer groups that are increasingly concerned about water bill affordability. As set out in Chapter 3, we have seen an increase in affordability concerns amongst smaller businesses. We have also heard stakeholder concerns about water charges faced by schools and not for profit community groups. In response we have put in place plans to offer water efficiency advice to non-household customers, supported by a bespoke PC to enable us to fit water efficient devices and repair leaks for schools and small socially important community groups. These new measures can be offered in partnership with Retailers or directly by UUW. More detail on this bespoke performance commitment proposal (BSP02) is provided later in this section.

**4.6.1 Direct financial support for those most in need**

Our plan for AMP8 reflects a proposed £525 million of direct financial support for low income and financially distressed households, including £200 million of shareholder funded support. This direct financial support would build on existing support packages, which have been effective in managing levels of water poverty in AMP7. By increasing the levels of financial contributions from both customers and shareholders we believe we will be able to provide appropriate levels of support for those most in need, and ensure that a new wide ranging social tariff scheme, designed to reach all customers on the very lowest incomes can be implemented.

"I've had support in the past. I was in debt with my water and got the debt cleared. It was such a big help and felt like a weight was lifted off me. I didn't get that kind of help for other bills."

**Household customer, Merseyside**

As we move from AMP7 to AMP8 we propose to introduce new support tariffs, whilst managing transitions for customers on existing UUW schemes. Our proposed plan reflects £200 million of shareholder support to maintain existing UU financial assistance schemes, matched by £325 million of social tariff contributions from customers. We plan to

maximise support offered through our existing social tariffs, and utilise increased customer support for social tariffs to provide a new c.£90 million discount scheme, specifically designed to provide a measure of support to as many income deprived customers in the North West as possible.

Overall this package will increase the number of customers helped each year to c.590,000 (compared to a projected 230,000 in 2025). Without help we foresee levels of water poverty increasing by 35 per cent, but with these interventions we expect to avoid any increase in levels of water poverty, despite real terms bill rises.

**Table 4-4: UUW affordability support scheme value**

	AMP7(£m)			AMP8 (£m)			Increase (%)
	UU funded	Customer funded	Total	UU funded	Customer funded	Total	
Back on Track	51	78	129	69	114	183	42%
Help To Pay	8	26	34	10	42	53	53%
Payment Match	79	-	79	100	-	100	26%
UU Trust Fund	15	-	15	20	-	20	39%
WaterSure	-	54	54	-	82	82	53%
Low income annual discount	-	-	-	-	88	88	-
<b>Total</b>	<b>154</b>	<b>158</b>	<b>311</b>	<b>200</b>	<b>325</b>	<b>525</b>	<b>69%</b>

Source: PR24 table SUP15

**Table 4-5: Affordability schemes: number of customers receiving financial support annually**

	2024/25	2029/30
WaterSure	30,000	30,000
UU Trust Fund	4,000	4,000
Payment Match	43,000	43,000
Back on Track	117,000	117,000
Help To Pay	38,000	38,000
Low income annual discount	-	361,000
<b>Total</b>	<b>232,000</b>	<b>593,000</b>

Source: PR24 table SUP15

The proposed affordability programme for AMP8 would substantially increase the number of customers receiving support. Maintaining support for the c.230,000 customers expected to be on support tariffs by 2024/25 will cost c.£440 million across AMP8. Customers not in receipt of a discount will see average cross subsidy contributions increase by c.£5.50 from 2024/25 to 2029/30 (Table SUP15.9).

As part of our AMP7 support programme we have designed discounts offered by our social tariffs to help alleviate water poverty, where water poverty is defined as bills being larger than 3 per cent of disposable household income. Since putting in place our AMP7 tariffs, CCW has conducted a review of water industry affordability. This work has concluded that a definition of water poverty based on bills exceeding 5 per cent of disposable income is more suitable than the current 3 per cent definition. We believe that this new definition is more appropriate given the importance of ensuring available financial support reaches those that are most in need, and that

support tariffs are available for all those that qualify for them. As such we will redesign discount levels for our current social tariffs for new customers moving onto these schemes, and put in place transitional arrangements for customers already receiving a social tariff.

There is strong support for our proposed affordability support package with 64 per cent of household customers who would qualify for social tariffs or are ‘just about managing’ believing that social tariff schemes offered are sufficient in supporting those in need, and 73 percent believe that the additional support proposed beyond social tariffs would make water bills more affordable. Customers believe the enhanced affordability support offers are appropriately scaled, and extending customer cross subsidies further, attracts customer support<sup>11</sup>.

### **A new social tariff**

We propose to introduce a new tariff for low income groups in AMP8. CCW, in its recent review of water industry affordability support<sup>12</sup> arrangements identified the need to extend affordability support to many more households. CCW did not define precisely the criteria that should be used to target support measures, but highlighted that the lowest income households should be a priority for support. CCW also identified social tariff scheme awareness as a major barrier to getting support to those that need it most.

When generating analysis on deprivation levels across England, Government use a measure called income deprivation. This measure identifies the percentage of households in a given area that are in receipt of one or more specific government benefit only available to households on very low incomes. There are currently around 510,000 households in the North West which are defined as income deprived (see *PR24 table SUP15.22*).

Working with the DWP we propose introducing the new tariff through automatic enrolment for all income deprived households in the North West. The new tariff would be available to any and all households that meet government definitions of being income deprived but who are not yet in receipt of a UU social tariff or WaterSure. By working with the DWP we will be able to proactively get support to all qualifying customers, and so overcome existing concerns around low levels of water industry social tariff awareness.

In order to meet the cost of this new social tariff we would utilise some of the additional customer cross subsidy support recently endorsed by UUW customers<sup>13</sup>. Based on our proposed plan we project that a £50 bill discount, a little over 10 per cent of current water bills, for every income deprived customer in the UUW region can be sustainably supported by the new social tariff cross subsidy maximum limits. A discount of £50 aligns well with recent CCW work looking into options for a more consistent approach to social tariffs across water companies, and is aligned to existing government funded bill discounts in the South West Water region. Whilst research with customers<sup>14</sup> indicates that many believe a £50 reduction may not be sufficient to fully alleviate affordability concerns, a substantial majority of customers would see it as a positive step nonetheless.

### **Transition arrangements for existing social tariffs**

Of the near 230,000 customers in receipt of financial support c.154,000 customers are registered for ongoing social tariff discounts. Tariff levels have been set to alleviate water poverty at a 3 per cent level. The new tighter definition of water poverty creates a need to reduce the level of discount offered by our existing social tariffs until the discounts align to a new 5 per cent definition. In developing our PR24 proposals we have developed a set of indicative transitional arrangements that gradually reduce the scale of discounts offered to customers until they align to the objective of reducing bills to the point that they are no more than 5 per cent of household disposable income. In developing these indicative arrangements we have had to consider the importance of avoiding unaffordable year on year increases in bills for some of our lowest income customer groups. When considering underlying real terms average bill increases and projected levels of inflation we anticipate that it will take between 5 and 10 years to fully transition all customers currently in receipt of social tariffs to the new tariff levels. Tariffs aimed at the very lowest income households may take longer to transition, as these customer groups are most sensitive to bill increases.

<sup>11</sup> DJS for UUW “[Affordability & Customer Support Research 2023](#)”, slides 21 and 26

<sup>12</sup> CCW ‘[Independent water affordability review](#)’, May 2021

<sup>13</sup> DJS Research for UUW “[Social Tariff Cross Subsidy Research 2023](#)”

<sup>14</sup> DJS for UUW “[Affordability & Customer Support Research 2023](#)” slide 28



### 4.6.2 Wider support offerings

We are also launching our new holistic umbrella concept of “Water Without Worry”, which is a new way of communicating our affordability support package, encompassing all affordability and vulnerability support offerings under one headline. The simplified branding will make engaging with UU to access support schemes, priority services, metering and water efficiency even easier by simplifying and automating application processes. The concept resonates with our aim to ease customers’ concern about their water bill and the clear brand will help aid customer recall.

A summarised view of our proposed AMP8 plan that builds upon our existing capabilities is shown in Figure 4-9 below, further information regarding our support proposals is provided in supplementary document *UUW25 – Affordability and Vulnerability Operational Response*.

**Figure 4-9 UUW AMP8 affordability support package**



### 4.6.3 Tariff innovation in AMP8

We propose to trial and then, if successful, widely roll-out a range of new tariff reforms. Beginning in AMP7 we are systematically testing and iteratively developing a new package of household tariffs. These new tariffs seek to support water bill affordability, whilst also incentivising sustainable customer behaviour.

#### Rising block and standing charge reform

In 2024/25 we will be trialling a new rising block tariff. These tariffs can offer strong water efficiency incentives for metered household customers. Whilst such tariffs have been tried in the past we anticipate that smart meters may offer a route to overcome some of the barriers that these types of tariffs have traditionally faced.

We are also reviewing our existing standing charges for metered customers. Standing charges for measured customers can have the unintended consequence of limiting customers’ ability to reduce charges through improved water efficiency. We are considering reducing standing charges to help customers maximise the financial benefits of water saving. However in doing so we will consider, and seek to mitigate, impacts on high occupancy, low income homes.

In a similar vein we will also trial a new Assessed Volume Charge for pensioners. AVCs are needed where an older property cannot have a meter fitted due to pre-existing plumbing arrangements. They have traditionally been based on average customer consumption rates. Pensioners are more likely to be single occupiers, and more likely to be on a lower income than working age households. An assessed charge specifically for this customer group may help reduce tariffs and be more reflective of actual usage pattern.

### **Expansion of our Lowest Bill Guarantee scheme**

In September 2020 we formally launched our new Lowest Bill Guarantee scheme, delivering on our PR19 commitment to do more to support our customers with affordability issues. Building on the success of our current scheme which has seen c90 per cent of customers save money when compared to their old unmeasured charge, we will trial and expand our Lowest Bill Guarantee, removing time limits on the duration of the guarantee for low income customers. This scheme will, for example, be targeted at customers in receipt of means tested benefits who have not yet had a meter fitted, enabling them to access the benefits of water metering, but without the fear of unexpected bill shocks. Offering a longer term assurance would also address concerns amongst social housing providers who can be reluctant to install meters due to changes in household composition and consumption that can occur as a result of change of tenancies.

### **Sustainable behaviour incentive schemes**

Taking learnings from innovations in the energy sector, we are developing a range of new options to encourage all customers to reduce water usage and use drains responsibly. One idea that we will pursue in 2024/25 is an action based reward scheme. Customers that take action to reduce their water usage, or improve the sustainability of drainage arrangements will be entered into a monthly draw. The types of activity that may qualify a customer for entry could include fitting water efficient or sustainable drainage devices, reducing levels of water usage, or fixing customer side leaks. The draw could include traditional physical prizes, but could also include current year bill discounts.

The initiative is planned to be trialled in 2024/25. Although principally aimed at encouraging sustainable water usage these incentive schemes may also prove effective at helping lower income households reduce their water charges, by giving customers a simple and fun route to engaging with sustainability messages.

### **Community-based incentive schemes**

Learning from others in the water sector we are investigating the potential for community based incentive schemes. These schemes provide an entire community with the opportunity to access reduced bills by collectively adopting more sustainable behaviours. Building on community engagement trials<sup>15</sup> in 2021, new tariff trials are planned for AMP8.

An example scheme could offer a community-wide bill discount in the event that the community in aggregate took action to reduce sewer blockages in their local area. We anticipate individual communities that suffer from pronounced sewer flooding or other service issues would be offered the opportunity to access reduced charges in return for a generalised change in behaviours.

Whilst the scheme is not specifically designed to support water bill affordability we anticipate that many lower income communities could potentially access reduced charges. Many income deprived communities suffer from blockage and flooding issues, and may be offered access to these community based incentive schemes.

### **WaterSure Plus scheme**

Taking learnings from others in the sector we plan to introduce a new WaterSure Plus tariff extending eligibility for customers on a water meter with medical conditions or a large family beyond the current legislative scheme to include low income customers in receipt of Disability Living Allowance, Personal Independence Payment or Attendance Allowance.

## **4.6.4 Partnership driven improvement**

We will launch a “Better Together” initiative with the primary purpose of developing partnerships with organisations and influential community groups/leaders to work together and provide support to customers.

Building on the established relationships with the independent YourVoice Affordability and Vulnerability panel we will build strategic partnerships to proactively identify and support customers that need our help. We aim to enable members of the panel, including organisation such as Macmillan, MIND, and AgeUK to help UUW identify customers in need of support. Through working with these organisations we will increase our ability to quickly offer a full package of support in a way that we are unable to do on our own.

<sup>15</sup> UUW, Wastewater Spider Trials, [unitedutilities.com/globalassets/z\\_corporate-site/about-us-pdfs/p121-ww-spider-trials/final-report.pdf](https://unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p121-ww-spider-trials/final-report.pdf)

We also plan to work with social housing providers and Local Authorities to promote our “Save water, Save energy, Save money” initiative. Working together we will deploy an “always on” approach to customer engagement, backed up by mainstream mass awareness campaigns, partnerships and collaborations designed to increase reach and support behavioural change, reducing water demand and lowering bills.

#### 4.6.5 Data led innovation - using systems and data to support financially vulnerable customers

We will improve accessibility of support through the implementation of new functionality for the UU mobile app and online account services. Providing a fully digitalised end to end affordability journey - incorporating open banking capabilities - will enable customers who need support to apply and receive an instant decision regarding their application. Improving our self-service options will allow customers to apply for help at a time that suits them best whilst improving operational efficiency.

We can use analytical techniques to offer targeted water efficiency advice to key non-household customer groups. Working with Retailers we plan to make use of new smart meter data to swiftly identify and actively engage customers with higher than expected consumption patterns or unexpected continuous flows to help them take action to save water and money. This may be particularly helpful for smaller businesses that lack the resources to analyse smart metering data on their own. For schools and socially important community groups we propose to go further and offer direct water efficiency audits, covering the cost of new water efficient devices and leak repairs.

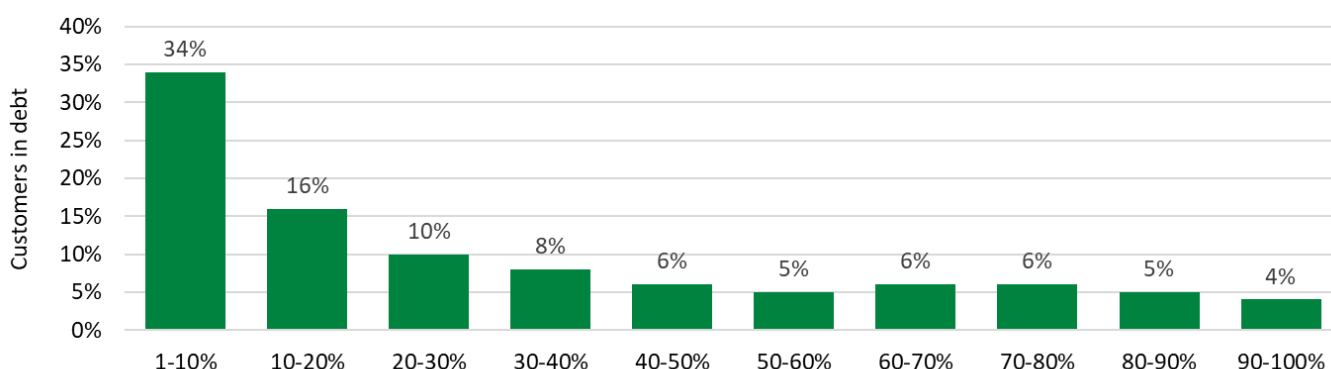
Through development of new Data Share arrangements with local authorities/social housing providers we will work together to identify customers in vulnerable circumstances, proactively supporting low income customers struggling to pay. Through trusted partner arrangements customers will be placed on lower tariffs they qualify for without having to apply.

Building on our current outreach capability we will introduce Community Champions, who will help digitally excluded customers access the help they need. Community Champions will look to attend key local events in person, and thereby increase customer and organisational awareness of the support UUW has available.

#### 4.6.6 Impact of changes in bills on levels of bad debt and demonstrating social return

In the North West deprivation is strongly predictive of debt risk with customers in the lowest 40 per cent of deprived areas much more likely to be in debt compared to the more affluent areas.

**Figure 4-10 Proportion of UUW household customers in debt for each IMD decile**



Source: UUW data and indices of multiple deprivation

We anticipate that without affordability support increases in water bills would increase levels of household water debt by £92 million over AMP8. UUW’s proposed £525 million affordability support programme reduces the scale of this debt burden by an anticipated £24 million. This reduction in the burden of household debt in the North West generates a high Social Return on Investment.

Before deciding to rollout further affordability support in AMP8 we have sought to understand the costs and benefits of existing affordability support schemes, including social tariffs, the UU Trust Fund and WaterSure. In 2022 we commissioned independent research into the Social Return on Investment (SROI) of four UUW assistance

schemes, seeking to determine the impact of support on beneficiaries and wider society. The findings of this research robustly demonstrates the substantial benefits each of our existing support schemes offers to society as a whole.

**Table 4-6: Social return on investment from UUW support schemes in 2021/22**

Scheme	Benefits (£)	Cost (£)	Added value (£)	SROI ratio
Back on Track tariff	143,462,430	24,921,431	118,540,999	5.76
Help to Pay tariff	31,372,549	6,238,786	25,133,763	5.03
Payment Matching scheme	136,409,721	16,398,261	120,011,460	8.32

Source: ECORYS for UUW "A Social Return on Investment Study: Measuring the Impact of United Utilities' Assistance Schemes" (Ref 39)

The total benefits from all four schemes in 2021/22 are estimated to be £310 million. Total direct costs of the schemes in 2021/22 are estimated to be £47 million. Therefore the net benefit of the schemes in 2021/22 is estimated to be £263 million. The total SROI ratio, or ratio of benefits to costs in AMP8, is estimated to be 6.41. For every £1 invested into affordability schemes in AMP8, £6.41 of benefits are projected to be generated for wider society.

The main source for this added social value relates to finances and financial capability, mental and physical health, healthy eating, housing, relationships, and employment and employability. The study revealed that more than half of beneficiaries thought that their concerns about money had affected their mental health (75 per cent), healthy eating (62 per cent), and physical health (57 per cent), concerns that UUW support schemes help to alleviate.

The study identified that the relationship between health and debt worked both ways, with health problems also leading to debt issues, often brought on following significant life events. This has in part informed UUW's proactive debt intervention initiatives, which seek to engage customers early when signs of financial stress first emerge, but before debt builds up.

Extrapolating the SROI ratios to our AMP8 affordability support programme we anticipate that £525 million of investment in bill affordability will generate £430 million of social value every year. A further discussion of the social value derived from our PR24 Business Plan can be found in Chapter 6.

#### 4.6.7 Bespoke affordability related performance commitment

We have designed a Bespoke Performance Commitment **PR24\_IBA\_Improving water bill affordability for socially important non-household community groups**, which will enable us to offer more affordability support to socially important non-household customers than would be possible via our baseline 2025-30 business plan proposals alone. The measure is structured to incentivise UUW to target water efficiency and other customer facing interventions at socially important non-household community groups, beyond levels already enabled through any AMP8 enhancement allowance for non-household water efficiency audits. This ensures that efforts to reduce water demand also deliver high social benefit by enabling lower charges for non-household community groups that are least able to meet the cost of rising charges.

Additional affordability support measures are needed in the North West. The impacts of cost of living related inflation on schools and socially important non-household community groups has been substantial. For example the Education Policy Institute has built on IFS analysis to identify a growing real terms gap in the costs schools face and the funding they are likely to receive per pupil<sup>16</sup>.

Schools are becoming increasingly dependent on additional support to cover their core costs, for example Parent Teacher Association (PTA) fundraisers<sup>17</sup>. Where there are schools with high proportions of pupils from low income families they may not have PTA support. In January 2023, the proportion of pupils eligible for free school meals in

<sup>16</sup> [epi.org.uk/publications-and-research/current-estimates-of-school-funding-pressures/](https://epi.org.uk/publications-and-research/current-estimates-of-school-funding-pressures/)

<sup>17</sup> [theguardian.com/education/2022/sep/17/schools-urge-parents-to-help-plug-funding-gaps-as-costs-soar](https://theguardian.com/education/2022/sep/17/schools-urge-parents-to-help-plug-funding-gaps-as-costs-soar)

England was 23.8 per cent and the proportion of pupils eligible for free school meals in the North West was 26.8 per cent, the third highest in the country<sup>18</sup>.

We propose that, if approved, this incentive will be targeted at key non-household community groups that currently qualify for one of the 2022/23 UUW concessionary schemes for schools and other non-household community groups. The performance commitment consists of an activity based metric, measuring non-household water efficiency and affordability interventions for socially important non-household community groups. Each qualifying intervention will consist of a water efficiency audit (including water efficiency advice); fitting of free water efficient devices and flow regulators; free internal leak repair; and a new smart enabled water meter.

A full explanation of the bespoke PC design, definitions, performance levels and incentive rates is included in supplementary document *UUW30 – Performance Commitments Technical Document, section 6*.

## 4.7 Targeted services to support customers in vulnerable circumstances

Support in affording water bills is only one aspect of additional help customers may need from their water company. Our plan will continue to improve on the industry leading extra support we provide for customers in a range of vulnerable circumstances, including those facing transient vulnerability. We will extend our Priority Services offering to more customers, and ensure that we continue to improve the quality and scale of the support we provide to those most in need.

Our focussed and flexible extra help approach will ensure that all customers, regardless of their specific needs, will find they can engage with their water and wastewater services in a way that works for them. In particular, we will pursue further opportunities for partnership working and scheme promotion, meaning that vulnerable customers find it easier to access support than ever before, and to remove the need for customers to engage with multiple service providers to make their needs known.

Our AMP8 plan includes the introduction of a new emergency support scheme designed to support customers experiencing transient vulnerability as a result of sewer flooding.

### **UU Trust grants for those in need of emergency support – Sewer flooding**

We recognise that an internal sewer flooding event can be a distressing experience for many households. Over the last few years we have taken a range of measures to reduce the likelihood of sewers flooding, and improved our response capabilities to better help customers recover quickly from a flooding event. Nevertheless, there are instances when UUW support may not go far enough, particularly where a customer has a limited income and/or no access to insurance.

Working with the independent UU Trust, we will establish an Emergency Support Fund to provide financial support grants to cover payments for repair work as a result of sewer flooding damage to customer properties. The UU Trust will administer the fund, and make independent, case by case decisions on grants. This will enable additional support for customers most in need. We anticipate grants will be made to low income customers without insurance who have been impacted by sewer flooding, with up to £1 million being distributed over a 5 year period, depending on customer need.

### 4.7.1 Our Priority Services scheme – flexible support for our customers

We believe in delivering great customer service for all customers, and have delivered substantial improvements in customer service during AMP7. For example, we have achieved sustained high performance against C-MeX and other customer service measures. However we recognise these measures don't always reveal the experience of customers who need extra help whose service requirements are different to the average customer. Working with partners and customers we have put in place a range of enhanced services for customers in vulnerable circumstances.

<sup>18</sup> [explore-education-statistics.service.gov.uk/find-statistics/school-pupils-and-their-characteristics/2022-23#dataBlock-ff2fe9aa-c2bc-439c-3c25-08db5b843ba5-tables](https://explore-education-statistics.service.gov.uk/find-statistics/school-pupils-and-their-characteristics/2022-23#dataBlock-ff2fe9aa-c2bc-439c-3c25-08db5b843ba5-tables)

In developing our vulnerability support services we engaged with recognised third sector organisations. Age UK, StepChange and Citizens Advice have all helped us put in place the extra help measures and support that customers value most. We have then worked with a wider community of stakeholders and the YourVoice Affordability and Vulnerability Panel to further improve our Priority Services propositions. We have also considered objectives and recommendations from government and regulators, including Ofwat and CCW.

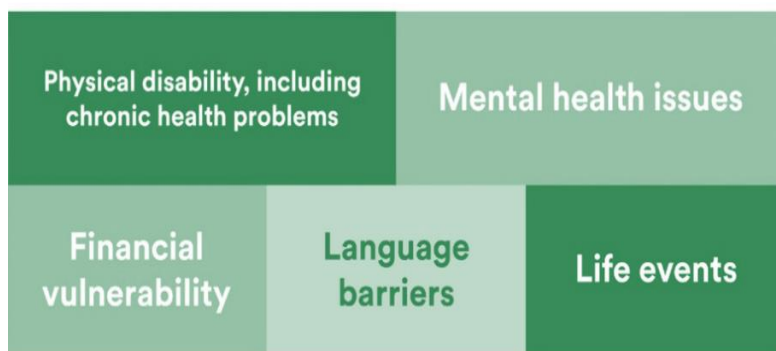
“I completely agree that people who are vulnerable should still have the same access because it’s a duty of care as a company.”  
**Future Bill Payer, Manchester**

We have received excellent feedback from customers on the quality of our vulnerability support services. In a recent survey of customers registered for Priority Services <sup>19</sup> 85 per cent said they are satisfied or very satisfied with the service they have received, and that services are easy to access.

We recognise the importance of looking outside the utilities sectors in identifying best practice vulnerability support offerings. External accreditation and recognition can be a powerful tool to drive service improvement, and over the course of AMP7 we have sought to test our PSR offerings against the leading benchmarks.

In 2020, we first achieved verification for British Standards BS18477:2010 for consumer inclusion (now ISO22458:2022 kite mark standard). Being one of our outcome delivery incentives (ODIs), we achieved this a year early before the start of AMP7, the first to achieve an upgraded version of the standard.

British Standards had received international interest in the standards, resulting in the creation of “ISO22458:2022 Kitemark Consumer vulnerability — Requirements and guidelines for the design and delivery of inclusive service” in mid-2022. The new kite mark covers organisational culture and strategy, inclusive design and how to identify and respond to consumer vulnerability. In March 2023 we applied against these new standards, and became one of only three water companies to have been verified as receiving ISO22458:2022.



As set out in supplementary document *UUW25 - Affordability and Vulnerability Operational response*, the UU Priority Services offer recognises that there are a range of reasons why people may find themselves in vulnerable circumstances, and seeks to provide targeted extra help support to the right customers at the right time. A key step to achieving this is raising customer engagement and registration.

The Priority Services scheme is available to customers who may face vulnerable circumstances due to a range of situations. We have a tiered approach based on priority services need to providing support, ensuring that different groups of customers can access the additional help they need in a manner which matches their circumstances.

Vulnerability can often arise due to a temporary event, such as illness or other life event. Being aware of the reasons why a customer has asked to be added to the Priority Services register is therefore important in understanding what extra help a customer may need, and also understanding whether or not this extra support is a permanent requirement.

We have created the registration process with advice from support agencies to make it as easy as possible for customers to sign up. In March 2023 there were over 294,000 customers registered for additional support. We have a dedicated team, who receive additional vulnerability awareness training, plus facilities like webchat and social media. Becoming a Priority Services customer with UU will automatically make a customer eligible for additional free benefits and services, including:

- The delivery of bottled water and communication in the event of planned and unplanned interruptions
- Prioritised notification of interruptions for planned works and additional updates on any unplanned works

<sup>19</sup> [unitedutilities.com/globalassets/z\\_corporate-site/about-us-pdfs/p143-customer-priorities-2021/final-report.pdf](https://unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p143-customer-priorities-2021/final-report.pdf)

- Additional support for dialysis patients, as well as customers with another medical dependency for water, before and during interruptions to water supplies
- Additional sewer flooding support
- A free water meter relocation service for customers with mobility challenges
- Accessible bills, website and phone services, including translation services via phone or web

Operational incidents also affect customers resident in business properties, such as care homes and hospitals. We have established robust operational processes to support these customers during an event or incident. All sensitive customers are identified on our systems to enable us to easily identify those affected by a specific no water supply or water quality issue. Each such customer is also placed into a tiered level of support, ensuring properties with high dependency populations (such as hospitals and prisons) are supported as a priority.

### 4.7.2 Multi-cultural communities

In 2021, we won the award for Customer Initiative of the Year from the Water Industry Awards for our improvements in customer service to cultural communities, which are often more likely to be adversely affected by a disruption to their water supply. The aim of the initiative was to create multicultural awareness among our operational customer facing teams, helping them be more mindful about customers' different needs which stem from such things as race, ethnic origin and religion.

Our PSR reach amongst some local communities is particularly low. In response we are improving engagement with multicultural communities to introduce greater flexibility in PSR to better reflect the needs of different cultural groups. New capabilities that will be developed include a tailored online training package for customer facing roles; improved digitally enabled translation services; and giving customer facing colleagues the tools to help them understand customers' faiths and changing needs for water.

### 4.7.3 Engagement with recognised third sector organisations and stakeholders

Crucial to further expand and improve vulnerability support offerings is our extensive efforts to engage with other organisations when providing support. Data sharing arrangements for customers with additional needs and cross utility partnering are being used to help us improve our services.

#### Utilities Together

All utility companies, whether water, gas or electricity are typically serving the same customers in their respective regions, which means they are also in most cases serving the same customers in vulnerable circumstances.

United Utilities, Electricity North West (ENW), Cadent Gas, Northern Gas Networks and SP Energy Networks have recognised that working together more closely and collaboratively for the sake of our customers could only benefit their overall customer experience with us all. By sharing vulnerability support best practice between the five companies, we also have an opportunity to save time, money and resources in putting in place customer support. In the North West, we've collectively shared an ambition to support our customers and communities, often in extreme vulnerable situations.

**Figure 4-11 Proposed Utilities Together booklet – promoting multi utility home audits**



One example of the benefits of utility companies working more collaboratively is the creation of a single home audit for specific vulnerable customers in our region.

The 'water and energy in the home' pilot project has enabled us to offer customers a single home audit, covering both water efficiency and energy saving ideas. Free water and energy saving gadgets are installed at the time of the audit with associated cost savings for the customer. If a plumber is required because of leaks, this can also be arranged for a future date, again, free of charge.

### Data sharing with Electricity North West

One of the most effective ways of identifying customers eligible for Priority Services is through sharing information with other organisations. To enable learning and immediate collaboration between the water and energy sectors we completed a ground breaking cross sector pilot with Electricity North West (ENW), rapidly trialling and testing new approaches to data sharing. Issues such as customer consent, needs codes and aligned communications have all been addressed in the trial. Since its start in 2018, data sharing has become business as usual for both organisations and we have jointly shared over 195,000 pieces of customer vulnerability data.

Being the first in the industry to transfer data in this way has enabled us to share our learnings, with most water companies now sharing data through their own regional agreements. We have reported on the success of the data sharing initiative to the UK Regulators Network so that others can learn from our experiences.

We continue to innovate. United Utilities and Electricity North West have now developed a prototype online Priority Services Registration portal, allowing customers and third party organisations to register those in need of Priority Services from water, electricity and gas suppliers in a single transaction. A pilot ran in 2022 with Citizens Advice Manchester, ultimately enabling customer information to be sent directly to water and energy network businesses at the time of a customer's PSR registration.

#### 4.7.4 Striving for continual improvements

Since the official launch of Priority Services in 2015, we have grown the register by over 1400 per cent, exceeding AMP7 targets for registration growth. We know from working with energy companies that PSR reach can be pushed further. Knowing the number of disabled and elderly individuals in the UUW region (see section 4.4 above), we are challenging ourselves to double our target during the current AMP, and to target 20 per cent PSR reach by 2030.

**Table 4-7 UUW PSR growth targets**

	2020/21	2024/25	2029/30
AMP7 performance target	4%	7%	N/A
Aspirational target	4.1%	15%	20%

Achieving these levels of PSR registrations will not be easy, but we have developed a comprehensive set of innovative proposals to help us identify those customers most in need of support, and are developing plans to boost awareness of the scheme with customers.

#### Development of data models and data sharing

We are working with the Cabinet Office, Defra, CCW and a small group of other water companies to clarify legislative changes, permitted under the Digital Economies Act, to encourage data sharing of vulnerable customers by government bodies.

Through partnerships with Department of Work and Pensions, and other holders of relevant data, we will use advanced data sharing arrangements and analytic capabilities to proactively identify vulnerable customer groups. We will enhance our existing customer vulnerability data model to overlay with both geographical and demographic data. This will highlight areas and communities that contain the hardest to reach customers. Rural isolation, cultural factors and high deprivation can be barriers to engaging with vulnerable customers. We will target these groups, collaborating with trusted charities and organisations.

We are also seeking two way sharing of vulnerable customer data with local councils and all six North West fire support services. This two way data sharing agreement will be built on the existing online registration portal, designed as a one stop shop for Priority Services registrations for water, electricity and gas. It will become a secure data sharing platform, accessible to all Fire Support Services in the North West.

We also recognise the potential value of the Ofwat innovation funded 'Support for All' project designing, building and delivering a hub to securely host data on customers in vulnerable circumstances. Once implemented at a national level this solution will enable our customers to benefit from a 'tell us once' concept where organisations will share PSR information subsequently informing all relevant utility companies of the support customers need.