

Response to CCW

Improving the WaterSure Financial Support Scheme

United Utilities

August 2024

Summary

United Utilities Water (UUW) welcomes the opportunity to contribute to CCW's call for input in relation to improving the WaterSure financial support scheme. CCW holds a unique place within the water sector, being independent, national, and regularly receiving direct insight from customers. We support efforts to utilise this position to drive customer focussed reforms.

UUW prides itself on being at the forefront of the industry when it comes to affordability support and the only company to be identified by Ofwat as putting forward a sector leading affordability support package in its draft determination assessment.

Like CCW we recognise that the WaterSure scheme needs to evolve to better respond to peoples' changing needs. With the financial pressures that we continue to see many households in our region face we want to ensure that there is sufficient support available for those in need. WaterSure, in its current form, does have limitations and cannot always effectively meet the needs of customers now and into the future. In our business plan we have proposed the introduction of a WaterSure plus scheme to support a wider group of customers that do not meet the current eligibility criteria, but who clearly need additional support. We plan to trial this extended version of WaterSure from April 2025.

The discussion points under the five areas of focus identified by CCW seem an appropriate route forward, and we agree that a focus in these areas can play an important role in driving improved offerings for customers. We also welcome the clear recognition that any changes will likely impact cross subsidy support required and this should be a factor in determining any recommendations to be put forward.

We have presented our views on each of the five focus areas below. Of particular note we encourage CCW to consider that:

- We are supportive of expanding the eligibility criteria for WaterSure but believe consideration should be given to how people benefiting from a capped water bill can be encouraged to continue to use water sensibly, keeping their usage within reasonable limits and supporting wider industry efforts on improving water efficiency. Where households qualify under the large family criteria a 'fair usage' clause should be included, outlining an expected maximum usage per occupant and where usage exceeds the threshold then they will lose eligibility for the scheme. This is important to ensure that we are able to maintain adequate incentives for water efficiency.

We recognise that people qualifying for WaterSure for medical reasons should have access to the water they need to manage their conditions, the public health of people is more important than our PCC targets. As such, a 'fair usage' may be less suitable. One option for consideration (that would avoid the company trying to determine what is reasonable usage) would be to exclude households billed on a WaterSure tariff, for medical reasons, from PCC calculations avoiding the need to include them in water efficiency advice campaigns.

- We believe further consideration should be given to the question of how best to calculate household occupancy where children split their time between multiple households. for example, in joint custody cases.

We are supportive of CCW efforts to drive improvements to the WaterSure scheme, and we look forward to continuing to work with CCW in the coming months to support recommendations to Defra. Below we have detailed our comments in relation to each discussion point raised.

Metered bill

Option: Extend Watersure to unmetered customers

We are in agreement that the purpose of WaterSure is to ensure that people billed based on metered usage are protected from higher bills driven by high essential water use needs and agree with CCW's recommendation that the scheme should not be extended to unmetered customers whose charges don't vary with the amount of water they use.

We've been operating the WaterSure scheme in line with Citizens Advice Bureau guidance which extends eligibility to households paying an assessed volumetric charge (AVC) because it is not possible to fit a meter at the property. Our view is this approach should be recommended as an addition to the eligibility criteria within the WaterSure legislation where the capped WaterSure bill is lower than the AVC charge.

Low Income

Option: Remove the requirement for claimants to be in receipt of benefits and replace benefit entitlement with household income level threshold

The scheme is designed to support customers where increased water usage means the water charges are unaffordable in comparison to their household income. The current set of qualifying benefits has proved constraining, and anecdotally we have identified cases where customers do not qualify for the WaterSure scheme despite displaying clear indicators of need. Eligibility for WaterSure has not been meaningfully reviewed for quite some time, and it is appropriate that as an industry we look to refresh qualifying criteria.

However, based on our extensive engagement with customers on the structure and design of various affordability support schemes we believe that customers would not think it appropriate that high earning households could be subsidised at the expense of lower earning households. Using means tested benefits helps to provide clarity on eligibility and allows water companies to easily demonstrate that support is aligned to a government determination on which households require financial support.

As such, we believe careful consideration should be given to removal of the requirement for claimants to be in receipt of benefits.

The introduction of an income threshold could help mitigate some of the potential problems of having no income related eligibility criteria. However, we propose that rather than fully replacing the benefit entitlement criteria with a household income threshold that we instead pursue a combined approach. For example, criteria could require a member of a household needs to be in receipt of one of the means tested benefit or total household income is less than a predetermined level. This way low-income households with differing household compositions are not dis-advantaged.

As highlighted by CCW, there may well be challenges in terms of validating eligibility, and the ability of companies to make use of existing data share arrangements with the DWP, which should be taken into consideration.

Option: Expand qualifying benefits to include non-means tested disability benefits

We recognise that there are customers who have additional water needs but don't qualify for support as they don't receive means tested benefits. We believe they should qualify for the scheme and would support the introduction of this change. It's important to aim support though at customers in the greatest of need and as such feel an income level threshold should also be required alongside disability benefit receipt in order to achieve this. We are planning to introduce WaterSure Plus, a company funded extension to WaterSure that will support customers in receipt of Disability Living allowance, Personal Independence Payments or Attendance Allowance whose annual household income is below a specified threshold.

Family size

Option: Increase or reduce the number of children needed to qualify

Ultimately it is a matter for regulators and government to determine how family size impacts levels of need and financial support that should be made available. We agree the question of family size is an important question to be consider as part of a review of WaterSure eligibility criteria. We are in agreement that it would be prudent to consider the impact to cross subsidy levels and water efficiency challenges when determining recommendations in this area.

Option: Extending support to larger multigenerational households

Careful consideration should be given to ensure that any changes to incorporate larger multigenerational households operate in a manner which is consistent with wider water efficiency efforts across the industry. As mentioned earlier, the introduction of a fair usage clause for large families outlining an expected maximum usage per occupant would ensure households maintain a focus on water efficiency. Additionally, we feel it would be beneficial to include a household income test to identify true affordability, the inclusion of a minimum household income threshold would ensure that only low income families can access financial support via the scheme, for example multigenerational households with many adult occupiers may not necessarily have a combined low income. Defining a multi-generational household would be fundamental when considering this option given the subtle differences in household makeup such as multi-family and concealed family households¹. Consideration should also be given to potential for varying degrees in the number of multi-generational households across each region. According to the Office for National Statistics *“the household reference persons (HRP) who identified with ‘Asian, Asian British or Asian Welsh’ ethnic groups were more likely to live in multi-generational households.”*

Medical Conditions

Option: Signal eligibility more clearly and removing specified conditions

We are in agreement that signalling eligibility more clearly would be beneficial for all parties.

Whilst the current list of medical conditions are appropriate, some customers can find it difficult to understand what additional physical or mental health conditions may qualify for support. We agree that it might be helpful to include a clear statement that signals the fully inclusive scope of the regulations more clearly.

Our understanding is that you are proposing to alter the way that the scheme is prompted, in our view retaining a core qualifying list of medical conditions alongside a more inclusive statement on other conditions which may qualify as a result of excessive water use, would improve people’s overall understanding of who can apply for the WaterSure scheme. It’s for relevant policy makers & health professionals to determine which medical conditions require people to use excessive water it’s not for water companies to make this determination or have a role in the decision making. It should be easier for companies to gain confirmation of a customer’s eligibility for the scheme - however, if all specified qualifying conditions are removed it will be increasingly difficult for our customer service agents to process customer applications and determine eligibility.

Bill Support Provided

Option: Change the cap to the company average metered bill level

As articulated in our response to CCW’s affordability review in 2021 we don’t currently cap WaterSure bills at our metered average, instead remaining at our overall average bill level. In our view company funded support can be better utilised to enhance support levels via other social tariffs as this provides a wider customer benefit.

In 2021 we concluded that if we were to implement the change to cap WaterSure bills at the average metered household bill it would require an additional c.£600k per year of cross subsidy and we are concerned that it may not be necessary to do so and may impact on customers willingness to support other affordability support measures. Whilst this latest proposal suggests the change could be covered by cross subsidy, consideration should be given to the overall benefit of doing so if levels of cross subsidy increase, that may impact wider support capability. Ultimately it is a matter for regulators and government to determine but we believe the current approach is a reasonable level of support.

Option: Change the cap to either the local average metered bill or industry average metered bill – whichever is lower

In our view the practical challenges of implementing such a change are likely to outweigh benefits. This option would likely present some challenges across the industry given difference in timings and mechanisms for price

¹ Office for National Statistics (ONS), released 10 May 2023, ONS website, article, [Families in England and Wales: Census 2021](#)

setting between companies. Current industry practises require companies to set bills in advance of the charging year. It would not be possible to know at the time of price setting what the industry average bill will be for the upcoming charging year. Consideration could be given to using the prior year industry average to calculate a charge for the coming year and mitigate some of the challenges with price setting. It would also have to be determined who would calculate and publish the industry average bill e.g. Ofwat or CCW as we feel it's not for water companies to undertake this activity individually.

Addition considerations include the changes that would be required to company charging schemes and that the level of cross subsidy change could vary considerably across the sector with customers of companies with higher than average bills having to subsidise more.

Option: Replace the cap with a percentage of fixed amount discount

There would be a need to ensure that company billing systems could accommodate this approach but administering the scheme in this way would have its benefits if the discount was based on a fixed amount of water use. It would be easier to administer if it was a fixed £ value of discount or provide some flexibility to enable a percentage to be converted to a calculated discount amount for the two qualifying customer groups as our billing system doesn't currently support the calculation and application of percentage bill reductions.

Option: Introduce a Single Occupier bill cap

We offer support to single person households through our Help to Pay social tariff, our single person household AVC and more recently our single pensioner AVC. In addition, our 'Back on Track' scheme offers tariff bands based on household income, which is likely to be lower in single person households. Given these comprehensive offerings, the introduction of single person WaterSure would be unlikely to materially alter bill levels of United Utilities customers, and so may not be the best use of any additional cross subsidy support.

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