



## April 2022 Price Rises in Water

### Briefing paper

Today (4<sup>th</sup> February 2022) Water UK has announced the domestic water bill in England and Wales will rise by as much as 10.8% from 1<sup>st</sup> April. The actual increase customers will see depends on the company they are served by, but average bills will rise to £419, an increase of 1.7% (£7) on the current average bill. While this increase may not seem overly significant in isolation, it comes at a time of increasing pressure; in April, the energy price cap will rise by 54% to £1,971 for the default tariff, and £2,017 for customers on pre-payment meters<sup>i</sup>, National Insurance rises by 1.25p in the pound<sup>ii</sup>, and council tax bills are set to rise an estimated 4%<sup>iii</sup>. Millions of households are already being hit hard by this cost-of-living crisis, and Government support announced yesterday<sup>iv</sup> (3<sup>rd</sup> February) does not go far enough to support those struggling the most.

The CCW Affordability Review<sup>v</sup> made many recommendations to improve affordability support across water, several of which are currently being piloted. The boldest recommendation was to introduce a single social tariff, making eligibility and support levels for social tariffs more consistent across the industry. Work to develop this is underway, but with the need for changes to primary legislation, it is not expected to be introduced until the start of the next price control period, three years from now. This will be too late to support those affected by this cost-of-living crisis, and so this briefing outlines eight options for Government and the water industry to consider in the short- to immediate-term.

### Raising awareness

Awareness of affordability support in water is low, with research suggesting this is as low as 10-15% among households in England and Wales. We believe there are two actions that could be taken in the short-term to address this:

1. For all **companies to adopt a single brand name for social tariff support**, regardless of their current social tariff design; and,
2. For the industry to work collectively to **effectively promote the help that already exists through multiple mediums and partners**, which will be easier to achieve if they share a brand name.

We believe these actions would at least improve awareness of support among households, encouraging increased applications, resulting in one less bill to be concerned about during this time.

### Improved targeting and eligibility

One of the aims of the development of the single social tariff, is to have consistent eligibility criteria across all water companies in England and Wales. We believe this is something which can be achieved outside of changes to primary legislation, and would encourage the following two actions:

3. For **companies to agree a minimum set of eligibility criteria, to be implemented by all companies**, while still allowing additional flexibility for those who do, or could, support additional groups of customers; and,
4. For **companies to introduce specific support to help disproportionately impacted groups during this crisis**, such as those who are 'just about managing' but who will not be able to manage the upcoming price rises.

It has long been a challenge to identify the 'just about managing', but there may be some proxies which can be applied, which could include, but are not limited to:

- Single adult households
- Lone parent families
- Households with a current disposable income of less than £100 per month, or less than £100 in savings; and,
- Households with disabilities or limiting illnesses.

## Increased funding

With an increased level of customers accessing support comes increased cost. The Affordability Review recommended a short-term relaxation of customer acceptability to “accommodate any surge in demand due to the impact of Covid-19”. While this could also be applied to the current crisis, this option would result in further increases to customer bills, worsening the situation for many. We suggest two alternative funding approaches as outlined in the affordability review:

5. For **companies to commit to making a contribution to pay for wider affordability support**, which during this time includes any extension to social tariff funding to account for a temporary surge in need; and,
6. For companies to **provide a mechanism through which customers can voluntarily support those in need** through one-off donations, or ‘rounding-up’ bills, which could fund a temporary increase in support or company crisis funds.

We believe these options are more suitable than relying on increases to cross-subsidy during this time, as they will not result in additional bill increases for all.

## Focus on debt

It is highly likely that companies will start to see increases in the number of customers defaulting on their water bill as they reprioritise their essential bills and debts in light of increasing financial pressures. As water can’t be disconnected for non-payment, it is one of the few bills customers can stop paying with limited consequences. This increase in debt levels needs to be managed, and we propose two ways to do so:

7. **Accelerate debt repayment: Government to match every £1 paid by the customer with £1 of Treasury funding**, for households who have a debt repayment plan with their water and/or energy company; and,
8. Companies to **consider defaults on a water bill as an early identifier of a wider problem**, and work with the energy industry, and others, through data sharing to offer early and appropriate intervention.

We propose any Treasury-funded payment matching would be paid in addition to current water company debt repayment schemes, effectively doubling the repayment, and thereby halving the time it takes to clear debt.

As the crisis continues, it will become more important than ever to identify financial difficulty at the earliest opportunity. We believe data sharing using water as an indicator is an extremely effective way to do this and could help many customers benefit from additional support outside of the water industry.

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<sup>i</sup> <https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april>

<sup>ii</sup> <https://www.gov.uk/national-insurance/how-much-you-pay>

<sup>iii</sup> <https://ifs.org.uk/publications/15674>

<sup>iv</sup> <https://www.gov.uk/government/speeches/chancellors-statement-to-the-house-energy-price-cap>

<sup>v</sup> <https://www.ccwater.org.uk/affordability-review/>