



TMS07: Bill impact, affordability and vulnerability

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1. Executive Summary

This appendix sets out how we will:

- Support those struggling to pay – this is important as we know from our research 20% of our customers would find our plan easy to afford and 48% would find it difficult to afford.
- Deliver significant investment while at the same time provide affordability support for directly billed customers that lifts 63% of those below the Affordability Threshold, up from one third in 2022/23
- Grow our new, targeted, social tariff to 491k households through a combination of cross subsidies and innovative tariff design which will be based on rising block charges, with 146k of these being waste only customers, primarily billed through Water Only Companies. Together with WaterSure we will be supporting over 530k customers.
- Provide an incentive to use less water and provide bill reductions to 75% of our metered customers through the introduction of a rising block tariff.
- Provide an average 59% discount for directly billed, income deprived customers by 2030, up from 27% in 2023, providing an average £358 of support per household, delivered through discount tariffs, innovative tariffs, targeted demand side support and debt support.
- Continuously improve our inclusive service approach for those needing Extra Help with our PSR growing to 75% of the eligible population, at 1.2 million households, and a 30% increase in the number of tailored propositions.
- Engage those who are underrepresented through a combination of data sharing and community campaigns to ensure our propositions reach those that are not aware of the support that would help them due to barriers such as language and culture.
- Continue to improve our struggling to pay journey through data led innovation, providing sustainable payment plans for customers, delivered through our partners and our dedicated Financial Customer Care team.
- Continue our partnership working approach, with our Vulnerability Network, to inform our propositions and extend the reach of our services.

The purpose of this appendix is to set out how we'll deliver steps towards our Vision 2050, where our aim is for customers to feel we offer value for money and send them affordable, accessible bills and provide an inclusive, affordable service with built in support for customers needing extra help. In this appendix, we set out our understanding of our customers' affordability and extra support needs, our projected bill profile, and the level of support for our plan from customers. We then set out our approach to supporting customers that struggle to pay their bill, how we'll deliver our service in an inclusive fashion and how we'll engage customers to extend the reach of our extra support.

London and Thames Valley are a challenging operating environment for a utility retailer, notably due to the large contrasts we observe in levels of deprivation and customer expectations across different geographic areas. We have high levels of poverty but also the highest disposable incomes in the UK. Like others in the water industry, we need to invest in infrastructure to meet the needs of the environment and the communities we serve against a background of economic uncertainty, soaring inflation and an intensifying cost of living crisis. The level of operating cost and investment means that bills need to rise by 33%¹ on average over AMP8 compared to the

¹ AMP7 average compared to AMP8 average, LS7 combined bill core pathway

average over AMP7 and yet still we need to ensure our service is affordable for all. Currently 200k households fall below the Water Affordability Threshold² in our billed region and, without support, this will grow to over 464k households by the end of AMP8.

Affordability is a key outcome of our Vision 2050. As part of our customer theme, we set out our ambition that 'our customers feel we offer value for money and send them affordable, accessible bills'.

We have tested with customers our plans to invest to improve environmental and service standards - 20% of customers said the plan would be easy to afford, with 48% finding it difficult to afford. To help those finding it most difficult to afford we have designed our support to lift customers from below the Affordability Threshold to above it. We're proposing an ambitious and progressive affordability package that will enable us to lift 63% (292,000 households) of our billed, dual service, customers who are below the Affordability Threshold, while delivering significant investment.

We recognise that our customers have needs that require us to tailor our service so that it's inclusive, with support provided during incidents and that we also help those that are in financial hardship and can't afford to pay their bill. During AMP7 we have created a holistic customer facing team, led by expertise recruited from the Financial Services sector, to undertake affordability reviews with customers and create sustainable payment plans. We have simplified our social tariff and undertaken research to raise cross subsidy that has enabled growth from 150k in 2020 to over 300k households. Our social tariff criterion has evolved to incorporate the Affordability Threshold and we have increased our available cross subsidy by 180% to enable a still larger population to be supported. Our Priority Service Register has grown from 82k in 2020 to over 355k households, through a combination of data sharing, employee spotting during service, marketing campaigns and working with partners. This data underpins our BSI accredited approach to inclusive service.

Our plans to lift 63%, or 292,000 of our billed, dual service, customers who are below the Affordability Threshold is achieved through four key actions: engaging customers to extend the reach of our services; delivering our 'struggling to pay' journey at scale; a more sophisticated targeting of our social tariff and increasing the level of cross subsidy funding available. This will be done in an inclusive fashion, ensuring customers can access our services and supporting them during incidents with increasing levels of proactivity as our PSR grows from 25% to 75% of our eligible population with 1.2 million households.

Our approach to extending the reach and awareness of our services focusses on data sharing and community campaigns to efficiently reach both large numbers of customers and those who are underrepresented. It is important that we ensure our propositions reach those that are not aware of the support that would help them due to barriers such as language and culture. Our colleagues will continue to spot vulnerability during customer interactions, and we will undertake marketing awareness campaigns and work with partners to create increased awareness of our support, up from the current 74%³ that are aware of at least one proposition.

Our extra help journeys will be optimised with increasing levels of automation. Our struggling to pay journey centres on an income and expenditure review, enabled by PayLink. This review will be linked to our billing system to allow customers to self-serve and set up payment plans, and

² Thames Analysis

³ Thames Water brand survey table 173 / Q.22

access support propositions based on their affordability. Our support propositions are broad and include payment breaks, payment plans that defer payment or recover arrears over time, discount tariffs and payment matching for debt support. This review is delivered through our dedicated Extra Care team. The income and expenditure review also highlights to customers income maximisation opportunities and makes referrals to free debt advice provided by PayPlan.

Our key proposition, our social tariff, will evolve from a low-income eligibility criterion to an assessment of water bill to net equivalised income in line with the Affordability Threshold. We are unable to support both 'low income' and 'Affordability Threshold' segments and there is only 42% overlap between the two. Therefore, we need to prioritise those most in need. Piloting the Affordability Threshold has shown how this criterion better aligns to the demographic most affected by the cost of living crisis: younger families. This group are more often living with deficit budgets and are of similar deprivation index profile to low-income customers. The criterion selects customers with larger bills and provides a substantial £436 discount on average. We will reach 73% of the eligible population, 340,000 billed, dual service, households, with a social tariff. Additionally, 146,000 waste only and 5,000 water only customers will be supported, totalling 491,000 households benefiting from a social tariff.

Along with supporting customers by moving them to a metered billing basis, providing targeted demand side support, debt support and the WaterSure tariff, we are on average able to provide a 59% discount to income deprived dual billed customers, up from 27% in 22/23.

We will increase the level of cross subsidy funding available through an innovative and progressive rising block tariff, in addition to the current cross subsidy framework. This rising block tariff will reduce bills on average by 9% for three quarters of our households while creating incentives to be more efficient with water consumption. Protections will be in place for households with essential high consumption needs, while those who can choose to use excessive amounts of water will pay more. This 'excessive use' tariff will fund an expanded social tariff scheme, creating an equivalent cross subsidy of £37 per household, but the increase from the current level of £23 per household collected in a progressive fashion.

Additionally, we will continuously improve our inclusive service approach with our PSR growing to 75% of the eligible population, at 1.2 million households, and a 30% increase in the number of tailored propositions. We will continue our partnership working approach, with our Vulnerability Network, to inform our propositions and extend the reach of our services and continue to retain accreditation with the BSI/ISO for inclusive service.

These plans enable our alignment to the Customer Licence Condition and support customers while we continue to invest in environmental and service standards. Our progressive approach to tariffs and our targeted social tariff could become a standard way of working for industry in the future.

This document sets out our ambition for this area from our Vision 2050 strategy in section 2 and then our understanding of customers in our region in section 3. Section 4 details the bill impact and customer acceptability and section 5 details how we will provide affordability support. Section 6 describes our approach to providing an inclusive service and then section 7 describes how we plan to engage customers to extend the reach of our extra help. Section 8 summarises how this strategy will be delivered.

2. Our Ambition

Informed through our customer and stakeholder engagement, we have developed our 2050 Vision and defined the customer outcomes we will achieve which are described further in our TMS06 Our Long Term Delivery Strategy appendix. This includes our ambitions for customers and specifically that customers feel we offer value for money and send them affordable, accessible bills. Our vision for 2050 is driven by customer research documented in our TMS03 Customer Engagement appendix.

Our Vision 2050	
 For customers	Providing outstanding service and value for all our customers; motivating them to save water and prevent blockages; making sure everyone always has access to top quality drinking water and an effective waste system

This includes:

- **We offer customers value for money and send them affordable, accessible bills**
- Providing an inclusive, affordable service with built-in support for customers needing extra help

Our ambition to providing an inclusive and affordable service features:

Fair tariffs and affordability services - We will provide fair and consistent outcomes for customers who are struggling to pay their bill, whilst working to protect customers from the burden of bad debt. To make bills more affordable for all, we will introduce various tariff measures, including consumption-based tiering and continued optimisation of social tariffs. These can incentivise customers to lower bills by reducing consumption. Using smart technologies, we will change the way customers experience metering, billing, payments, and engage with us. Using smart meters, apps, and customer portals we will be able to introduce choice in channels they can use to get in touch, as well as methods of payment. We will continue to leverage smart metering and utilise this frequency of consumption data to drive tariff innovation and water efficiency engagement.

Support for customers needing extra help. We will increasingly share data with organisations so we can be more proactive in identifying customers needing extra help, rather than reactive. This will enable us to engage them to understand what they want and how best we support them, either for affordability or circumstantial needs, for initial registration and ongoing changes in their situation. We can make our services easy and accessible for those needing extra help, including linking to open banking and other open data innovations which will reduce the burden on customers to produce all the evidence. We can support our customers needing extra help with repairs for leaks, wastage and advice to reduce inefficient use of water. We will increasingly make helpful referrals to agencies that can provide practical support. We recognise we have a role to play in influencing stakeholders to enable legislative change that can allow us to go further. We will lean into opportunities to support legislative changes to enable fair tariffs. We will develop partnerships with local authorities, emergency services and other utilities to refer

customers needing extra help and share their data; however, this will likely require legislative changes to place duties on all parties to cooperate.

2.1 Our progress towards our ambition - What we have delivered for customers needing extra help during AMP7

We made a set of commitments for AMP7 to improve our vulnerability offering. Table 2.1 summarises our performance at end of 2022/23 and our forecast for the end of AMP7. Our Performance Commitment to support 200,000 customers with a social tariff, delivered 3 years ago, was enabled by our engagement with 300k Local Authority and Housing Association customers during our transition from indirect to direct billing arrangements. We forecast to reach 373,000 customers in the last year of AMP7. Underpinning this Performance Commitment was investment to provide more holistic and targeted support for our customers struggling to pay their bills. We have brought in expertise from the financial sector, on-shored our collections teams and transformed our affordability teams to deliver our 'struggling to pay' journey, rebuilt around an Income and Expenditure Review. We have led the way with the Department of Work and Pensions to create data sharing relationships that allow us to confirm if a customer is in receipt of a means tested benefit and therefore maintain their discount tariffs with no or reduced effort. 40% of customer renewals can follow this route.

We have not waited until a price review process to innovate and respond to the cost of living crisis. For example, we have implemented our new 'Extra Support' scheme that provides up to £200 towards water bill arrears for those with a deficit household budget. With CCW's support we have implemented a new social tariff criteria to recognise the support required by customers below the water affordability threshold but not on a low income. This could pave the way for an operational single social tariff if funding arrangements can be unlocked. We also plan to invest in our online I&E review to ensure we have capacity to engage with customers at greater scale.

With respect to providing an inclusive service we have made good progress in growing our PSR and expect to achieve our end of AMP target 12 months early. Our investment in aligning systems with this data allows our customer facing people to utilise this information when serving customers and update customer records. These updates, along with automated campaigns to request updates from customers, has allowed us to ensure 47% of customers on the PSR for greater than 2 years have had their records updated in the last 2 years. We have achieved the British Standard for Inclusive service (BS 18477). Our Performance Commitment to improve the CSAT score of PSR customers to 91% is not yet on target. Our PSR customers CSAT score is typically 2%⁴ higher than the general customer base and dissatisfaction is not driven by inclusive service issues but service in general. Therefore, while this commitment is at risk, our plans to improve customer service driven by CMEX ambition will improve satisfaction by the end of the AMP.

⁴ Thames Water [analysis](#)

Table 2.1: Progress and forecast against our vulnerability Performance Commitments

Performance Commitment	Target	End 22/23	Forecast Year 5	Commentary
Support 200,000 customers with a social tariff	200,000	306,000	373,000	Achieved early through simplification and local authority housing billing repatriation engagement. Includes WOCs.
Common PSR: • Extend reach of PSR	7%	6.3%	8.5%	Mix of data sharing, partner referral and signposting, spotting and embedding into channels delivering growth and hit target of 7% 12 months early.
• Attempt contact with PSR customers > 2yrs	90%	94%	>90%	Enabled by automation, with system dates driving emails and letters where no customer contact through business as usual.
• Actual contact with PSR customers > 2yrs	35%	47%	45%	Response rates to letters and emails, along with prompts in our customer relationship management systems have kept this on track.
BSI 18477 for inclusive service standard	Achieve and maintain	Maintain	Maintain	To retain this standard, we are focusing on improving consistency in spotting signs of vulnerability and tailoring our response.
Customer Satisfaction (CSAT) for PSR customers	91% satisfied	88%	91%	Dissatisfaction not driven by inclusive service issues. General customer experience plans will improve CSAT for PSR customers.

2.2 Steps towards our 2050 Vision

Table 2.2 below identifies key metrics for delivering our ambition as we head towards 2050. With respect to Affordability, we will target our support so that 95% of those with a water bill below the Affordability Threshold are taken above it. This will be done through tariff innovation and engagement enabled by smart meters, along with an increasing level of maturity in data sharing.

Our inclusive service will be increasingly proactive as our PSR grows to be representative of the communities that we serve, enabled by data sharing with organisations such as utilities, local authorities, the cabinet office, DWP and the NHS. We will maintain quality standards through external accreditation and monitoring this segment of customers within our service survey and other customer service metrics to ensure these customers do not suffer detriment due to their circumstances.

Table 2.2: Multi-AMP view of extra help measures.

Outcome	AMP7	AMP8	AMP 9	AMP 10	AMP 11	AMP 12
PSR reach of eligible population ⁵	30%	75%	90%	95%	95%	95%
Enablers	<ul style="list-style-type: none"> • Training programme for spotting and service • PSR visibility across all customers facing systems • Data sharing proof of concept • BSI and then ISO accreditation 	<ul style="list-style-type: none"> • Incident response maturity • Data sharing building maturity and efficiency • Master data management strategy • Waste only PSR 	<ul style="list-style-type: none"> • Data sharing maturity across different sectors • Data driven levels of consistency in service provision • Continuous improvement in line with technology enablers 			
Population lifted above Affordability Threshold through our support ⁶	46%	63%	80%	90%	90%	90%
Enablers	<ul style="list-style-type: none"> • Expansion of social tariff • Holistic service from Extra Care team • Income & Expenditure review drives consistent outcomes • Affordability data sharing proof of concept • Influence stakeholders for legislative enablers for single social tariff and data sharing 	<ul style="list-style-type: none"> • Tariff innovation driven by smart metering • Smart meter data driven engagement • Social tariff targeted by Affordability Threshold, ideally through single social tariff • Affordability data sharing maturity 	<ul style="list-style-type: none"> • Data sharing maturity • Progressive tariff innovation creates funding capacity for all customers above Affordability Threshold • Continuous improvement in line with technology enablers 			

⁵ Eligible population is 24% of our households served, based on [external research](#)

⁶ Thames Water analysis

3. Our customers – understanding their affordability and inclusive service needs

As we have developed our plans, we have ensured customers affordability and their needs for an inclusive service for those needing extra help are reflected in our proposals. We have built this understanding from a wide range of internal and external data sources, customer research and stakeholder views as part of our ongoing What Customers, Communities and Stakeholders Want insight summary document⁷.

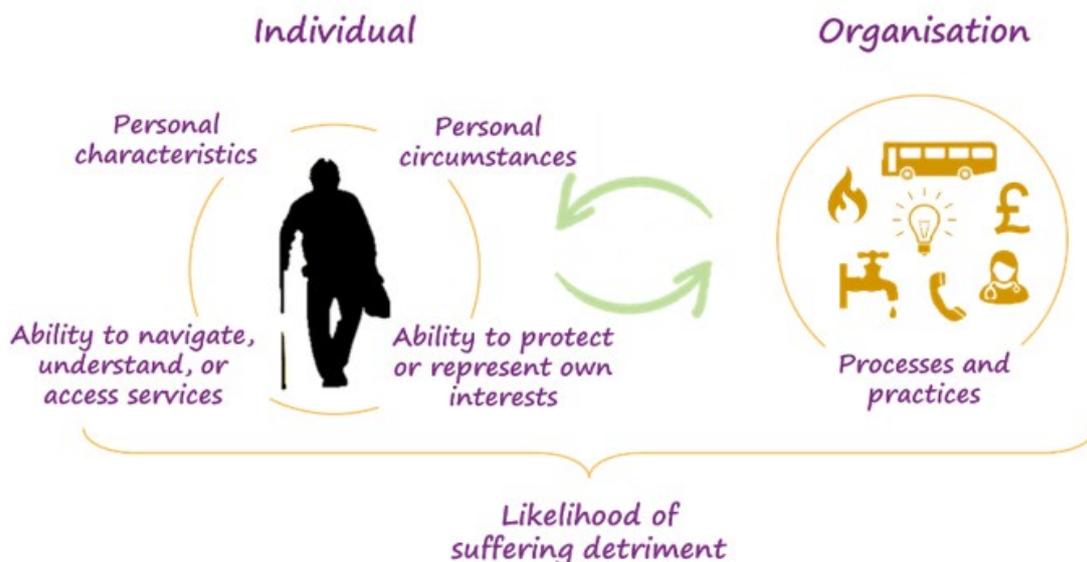
3.1 Definition of Vulnerability

Our definition of vulnerability is aligned to Ofwat's: Vulnerability – the need for extra help - occurs when a customer may not have reasonable opportunity to access and receive an inclusive, safe service from Thames Water, resulting in a permanent or temporary detrimental impact on their well-being, finances, health or any combination.

With this definition we recognise the dynamic, transient, and diverse nature of circumstances that can make someone at risk of detriment. We understand how our standard actions, while fit for purpose with the majority of customers, can be inappropriate for those needing extra help due to their personal characteristics, circumstances, ability to access services and represent their interests, which can create a risk of detriment, as shown in Figure 3.1. Table 3.1 describes some of these scenarios and ways of working that we have in place to mitigate harm to further illustrate our understanding of extra care provision.

We understand that those that are struggling to pay their bill may also need extra help and could benefit from Priority Services, but this is not always the case. Our aspiration is to recognise these circumstances and provide outcomes that mitigate these risks as we serve customers.

Figure 3.1: How a customer's circumstances and practices of an organisation can create a risk of detriment



Source: [Vulnerability Research for Thames Water by Community Research](#)

⁷ What Customers, Communities and Stakeholders Want v18.3, Sia Partners, September 2023

Table 3.1: Examples of customer extra help scenarios when interacting with a water company

Service	Actions that could cause detriment	Company actions to mitigate harm
Payment and collections	<ul style="list-style-type: none"> • Requesting payment for water bills that customers can't afford leading to mental health issues and financial detriment • A water dependency driving high consumption and disproportionately unaffordable use of water • Mental capacity deprivation meaning that billing is not understood • Failing to be transparent or accessible to customers which prevents them from understanding the support available to them • Lack of awareness around payment frequency options 	<ul style="list-style-type: none"> • Raise awareness of payment options • Income and expenditure reviews to assess ability to pay • Utilisation of tariffs such as WaterSure and WaterHelp • Strong effective working relationships with 3rd party nominees, charities and other partners
Accessing services	<ul style="list-style-type: none"> • Unable to access digital information and missing out on support services • Unable to receive standard communication channels and formats due to a sensory, language or mental capacity deprivation 	<ul style="list-style-type: none"> • Provision of inclusive channels for communication and information • Channel preferencing
Supply interruptions	<ul style="list-style-type: none"> • Customers with mobility issues who are unable to go and get alternative supplies, or have a medical dependency on water 	<ul style="list-style-type: none"> • Prompt provision of information and alternative water or other support
Home visits	<ul style="list-style-type: none"> • Unable to facilitate our people's entry to a home either due to physical or mental capacity, or concerns about scams 	<ul style="list-style-type: none"> • Planning visits to allow chaperones to support • Provision of a doorstep password

Underpinning our ability to mitigate risks for customers is the proactive identification of extra help needs and ensuring customers are aware of all relevant services that are available. This is particularly important in the case of transient vulnerability states where customers may not be aware of the support available. We do this through:

- Optimising points of customer engagement to spot risks of detriment and take the opportunity to register or refer for support for relevant services
- Leveraging the data we have, or can access from partners or open sources, to proactively register, refer or signpost customers for support
- Deliver campaigns to increase awareness, in particular communities that are underrepresented to allow services to be extended to them

3.2 What our customers, communities and stakeholders want on extra help and affordability

Understanding our customers' expectations with regards to affordability is essential for us to assess the impact of our proposed bill levels and to confirm the support for and effectiveness of

our support package for customers who struggle to pay their bills. We have therefore conducted an engagement programme with our customer base ensuring that this is representative of customers who struggle to pay their bills. Insight from customers and stakeholders across our engagement programme has been consolidated periodically as part of ongoing iterations of What Customers, Communities and Stakeholders Want⁸, which serves to provide a consistent and robust evidence base for our decision making, and ultimately ensure our plans and strategies align with their needs and expectations.

Our research and engagement have confirmed that keeping bills affordable and showing that services are value for money are both important issues for customers, particularly in light of the ongoing cost of living crisis⁹. Most think water charges are affordable and are satisfied that the service offers value for money¹⁰ but an increasing proportion of our customers say they are struggling to pay their bills. From our latest quarterly household customer experience survey, we have seen 5% of our customers report they always or frequently struggle to pay their water bill over AMP7 increase to 7% in the first quarter of 2023-24. Including those who sometimes struggle, we have seen this increase from 17% over AMP7 to 23% in 2023-24. This is driven by less affordability across all groups and for the first time this AMP impacting more affluent segments too. This means that the profile of customers having difficulty paying their bills is shifting and is starting to include those who would have previously been comfortable. Whilst affordability is an issue which has been front of mind in the long-term for many households, particularly those with lower incomes¹¹, an increasing number of our customers are beginning to experience difficulties covering their household costs for the first time and are therefore unsure how to reach out for help and are unaware of existing support available to them¹².

Customers have told us that they value consistency and transparency when it comes to billing; this is a key driver of their trust in Thames Water^{13 14}. Many are likely to check their bills for mistakes, particularly in light of the ongoing cost of living crisis and compare an unexpectedly high bill with a previous bill^{15 16}. They want to be notified by us when there is going to be a significant increase in their bills¹⁷. Customers are split on whether smart meters would have a positive or negative impact on their bills; non-household customers and those who already have meters installed in particular support the roll-out of smart meters as they believe bills should be based on actual usage rather than estimates^{18 19}. On the other hand, there are some who are concerned that this would lead to an increase in their bills²⁰.

Relatively few customers benefit from our social tariff with their water bill, but despite this 2/3rds²¹ of the eligible population for our social tariff are receiving the discount. Engaging the

⁸ What Customers, Communities and Stakeholders Want v18.3, Sia Partners, September 2023

⁹ PR24-12 PR24 Options Research, September 2022; and C-MeX CES and Brand Survey Insights Q2 22-23, September 2022 (both from WCCSW v17)

¹⁰ SP17 Water Club Added Value for Strategic Resource Options, November 2022 (from WCCSW v17)

¹¹ R36 Cost of living: Wave 2 – water customers' experiences, November 2022 (from WCCSW v17)

¹² CX113 Vulnerability Deep Dive Research, April 2023 (from WCCSW v17)

¹³ PR19-4 CR19 Intergenerational Fairness, BritainThinks, October 2016 (from WCCSW v17)

¹⁴ CX27 Affordability Re-imagined Journey Design Workshop Playback from 21/10/21, October 2021 (from WCCSW v17)

¹⁵ CX55 Billing Content: Testing Insights, December 2021 (from WCCSW v17)

¹⁶ R16 Giving UK Utility Customers a Voice, February 2022 (from WCCSW v17)

¹⁷ PR19-4 CR19 Intergenerational Fairness, BritainThinks, October 2016 (from WCCSW v17)

¹⁸ CX35 CCW research on SME customers' preferences for meter reading frequencies, August 2021 (from WCCSW v17)

¹⁹ PR24-2 PR24 Foundational Research - Customer Voices, November 2021 (from WCCSW v17)

²⁰ PR19-63 PR19-63 CR08a/b Deliberative overlays, BritainThinks, March 2016 (from WCCSW v17)

²¹ Thames Water analysis from Frontier Economics modelling of eligible population in 2022

remainder of the population, and engaging customers as their financial situation changes requires greater awareness of our support, which is broader than just social tariffs. Awareness of specific financial support schemes is low and both customers and stakeholders representing customers needing extra help urge us to better promote them to eligible customers²². Assistance is appreciated by those who receive it, but they suggest we could be more proactive at an earlier stage²³. This suggests that raising awareness on the financial support schemes available to our customers should be a priority for AMP8.

There are a number of factors, such as culture and religion, that can impact customers' attitudes to being in debt, as well as how they deal with it. Customers who have recently moved to the UK and are unfamiliar with the country's systems and process or unable to access public support for example can be susceptible to getting into debt. They may also lack understanding about how debts are managed and collected in the UK. There is a clear link between financial pressure and mental health; customers have revealed that poor mental health can result in difficulties in managing finances, and similarly, being in debt can have significant mental health impacts. Customers needing extra help who had been or were currently in financial difficulty wanted Thames Water to be more proactive in contacting and engaging with them; it was sometimes the case that payment plans were not feasible for them as their debts were already too high to afford additional expenditure²⁴.

Our customers believe that water should be available to all, including those who are struggling to pay, and Thames Water therefore has a responsibility to help customers needing extra help²⁵. Most customers are also willing to contribute towards affordability support through their bills²⁶. In 2017 customer research showed that customers supported paying up to an additional £11 each year towards a discounted tariff for customers who struggle to pay their water bill (just over £12 in today's prices, for dual service customers)²⁷. More recent research (August 2022) has shown that 75% of customers accept a further cross subsidy of £10 on their annual bills to enable a discounted tariff to be offered to more customers, making a total of £22²⁸, or £23 in 22/23 prices. Customer's welcome other forms of financial assistance and urge us to better promote all our schemes to eligible customers²⁹.

In September 2023 we conducted research with customers to gather their views on a potential innovative rising block tariff and with customers using excessive amounts of water paying a higher charge which would fund both lower charges for efficient consumers and funding an increase social tariff cross subsidy. 80%³⁰ of those surveyed accepted this approach, with a range of 69% for high consumption customers, 72% for excessive users and 83% for low consumption customers. The research showed the need to communicate how income would be used and that essential users of water, such as large families and those with a medically driven need for high consumption will have protections.

²² PR19-21 CR58c Social Tariffs, Populus, March 2018 (from WCCSW v17)

²³ PR19-63 CR08a/b Deliberative overlays, BritainThinks, March 2018 (from WCCSW v17)

²⁴ CX113 Vulnerability Deep Dive Research, April 2023

²⁵ SP15 Thames Water Customer Voices Public Value Research, May 2022; PR19-21 CR58c Social Tariffs, Populus, March 2018; and PR24-2 PR24 Foundational Research - Customer Voices, November 2021 (all from WCCSW v17)

²⁶ PR19-21 CR58c Social Tariffs, Populus, March 2018 (from WCCSW v17)

²⁷ PR19-20 CR58b Vulnerability Customer Insight, Thames Water, March 2018, (from WCCSW v17)

²⁸ CX82 Social Tariff Research, August 2022 (from WCCSW v17)

²⁹ PR19-21 CR58c Social Tariffs, Populus, March 2018 (from WCCSW v17)

³⁰ CX128 Rising Block Tariff research, Verve, September 2023 (WCCSW v18.3)

Business customers are becoming increasingly concerned about the cost of water, particularly smaller businesses. Whilst they are reluctant to see their bills increase, they want to see Thames Water being proactive in helping them to reduce their consumption to save water and money³¹. Additionally, business customers are positive towards being provided with data services to track their consumption, with some already using this to inform their financial forecasting. Providing education and trial periods, alongside demonstration of proven, longer-term benefits such as reducing leakage are likely to help encourage their willingness to pay for these services on top of their bills³².

Our engagement with customers needing extra help, as well as their representatives, has highlighted to us how important it is that our customer experience is inclusive and accessible to all. We need to tailor our services to suit and adapt to the specific circumstances and needs of our customers needing extra help in order to respond and support them most effectively. We recognise the complex nature of vulnerability, mainly that there are multiple, often inter-connected drivers and that it can take many forms. For example, we have heard how cultural attitudes, religion, language barriers, long-term physical and mental health conditions and a range of other factors can all impact not only the way in which households are able to pay for our services, but also how they are able to interact with us as customers, and how they use and depend on the services we provide³³. Some forms of vulnerability can also be transient, such as a temporary reduction in household income, an injury or illness, or bereavement. Customers rightly expect us to design services and propositions that help those who could otherwise be disadvantaged due to one or more of the many factors which might affect them.

Finally, as is the case with financial support, it was clear that general awareness of the extra help available to customers is low³⁴. In addition, there is little expectation amongst some customer groups, particularly amongst first- and second-generation immigrants, that companies of the scale of Thames Water would provide support of any kind to customers. Customers needing extra help and their representatives told us to prioritise raising awareness and actively promoting the benefits of the Priority Services Register and other forms of support which are already available, rather than changing or adding to it³⁵.

3.3 What Vulnerability and Affordability looks like in our region

Our region has a wide range of customer circumstances: Over the last two decades London has the highest poverty rate in the UK with 25%³⁶ of households in poverty. In contrast, the South-East and South-West parts of our region have poverty rates below the England average at 20%, while still having pockets of deprivation such as in Swindon and Reading. Ofwat's

³¹ PR24-14 Acceptability and Affordability Testing (Qualitative findings), May 2023

³² CX42 non-household smart meters and data research, July 2021

³³ CX90 Vulnerability Desk research slides, November 2022 (from WCCSW v17); and PR24-14 Vulnerability Deep Dive Research, April 2023

³⁴ PR24-1 PR24 Foundational Research - an analysis of customer views and expectations of Thames Water, November 2021; CX84 Vulnerability Insight report 2022-23 Q1, August 2022; CX91 Vulnerability Insight report 2022-23 Q2, November 2022 (all from WCCSW v17); and PR24-14 Vulnerability Deep Dive Research, April 2023

³⁵ CX113 Vulnerability Deep Dive Research, April 2023

³⁶ JR Foundation, 2023, [UK Poverty 2023](#): The essential guide to understanding poverty in the UK.

customer research support these findings with 30% of households reporting they struggle to pay their bill in London and 20% in the South-East³⁷. This research from May 2023 represents a steep increase from the initial research in 2022, where the response was 21% in London and 11% in the South-East³⁸. This research also shows the impact is higher amongst ethnic minority customers and those aged under 35.

Our region also has high levels of affluence with London and South-East having the highest level of disposable incomes in the UK, averaging 25%³⁹ higher than the rest of the country.

From our latest quarterly household customer experience survey among a representative sample of customers, we know there is a core 7% of our customers who always struggle to pay their water bill, and an additional 16%⁴⁰ who sometimes struggle. This is a significant increase (from 5% always, 18% sometimes) driven by less affordability across all groups but particularly the more affluent AB approximated social grades.

Analysis commissioned by Water UK has produced two estimates of households paying over 5% of their net equivalised income on their water bill, referred to as the Affordability Threshold or the Water Poverty Threshold, summarised in the table below along with our own modelling undertaken by Berkeley Research Group (BRG)⁴¹ based on the CCW agreed definition. This shows a range of estimates of 130,000 to 334,000 households below the Affordability Threshold in our billed region, with an additional 100,000 – 140,000 customers in our waste only region.

Throughout this document we use the BRG estimates. BRG were able to build on and compliment the methodology used by CEPA and Frontier. We were able to benefit from BRG working with us directly rather than producing analysis across England and Wales. CEPA identified small correlations between income and consumption which Frontier didn't use, but BRG adopted. We were able to investigate high bills that had been grouped together over £1500 for the Frontier study and distribute them more appropriately. BRG used ONS data for net equivalised income rather than the Frontier method of calculating this. As a result, we are confident that the BRG model is a good basis for us to make our plans through to 2030.

Table 3.3: Water Poverty estimates from different studies.

Study (Year of bill data)	England and Wales average % of households below the Affordability Threshold	Thames Water billed region % of households below the Affordability Threshold	Thames Water billed region number of households below the Affordability Threshold
CEPA (2020)	6.3%	3.6%	130,000
Frontier (2021)	9%	10.5%	374,458

³⁷ [Ofwat](#) cost of living report – May 23

³⁸ [Ofwat](#) cost of living report - May 22

³⁹ [ONS](#) analysis of disposable income

⁴⁰ CX102 C-MeX CES and Brand Survey Q1 23-24, August 2023

⁴¹ Thames Water's model built by BRG based on CCW defined methodology, using ONS equivalised income after housing costs

BRG (2021)	n/a	5.5%	199,680
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Note: CEPA information was based on bills from 2019/20 and Frontier and BRG used 2020/21 bill data, before any support was applied.

With 66%⁴² of our revenue coming from London we are disproportionately serving a base with higher-than-average numbers of customers who are struggling to pay.

We also know that our customers who sometimes struggle to pay their bill are more likely to be:

- Female
- Based in London
- Renter rather than homeowner
- Over 45 years old

While unemployment remains low, financial hardship in our region is driven by relatively high housing costs. In London 41%⁴³ of those in poverty are due to high housing costs, almost double the national average of 23%. In our Thames Valley region this figure is 26%.

Affordability issues are increasing with the cost of living crisis, which disproportionately impacts lower-income households. Already 24% of UK households were estimated to be in fuel poverty until April 2023, up from 16% in 2019. In our region this would translate to 1.4m households.

London is the most ethnically diverse part of the UK, with 46%⁴⁴ of households identifying with Asian, black, mixed or 'other' ethnic groups. 37% of Londoners identifying as 'white British' is less than half of every other region in the UK.

3.4 Understanding our underrepresented customers

To help us develop our plans we commissioned Community Research to conduct a 'deep dive' into the lives of customers who are living in vulnerable circumstances, with 75 in-depth one-hour interviews taking place, and 6 interviews with advice and support organisations.

Census data was used to identify target segments. The customer research focused primarily on customers from minority ethnic backgrounds (56 participants came from South Asian, Black African, Black Caribbean, or Eastern European backgrounds) as we wanted to ensure representation from the breadth of communities that we served. Other vulnerability 'risk factors' were overlaid onto ethnicity, including low-incomes, long-term debt and unemployment; caring responsibilities; disabilities; poor mental health; digital exclusion; and limited/ no English language skills. The headlines are summarised in figure 3.2.

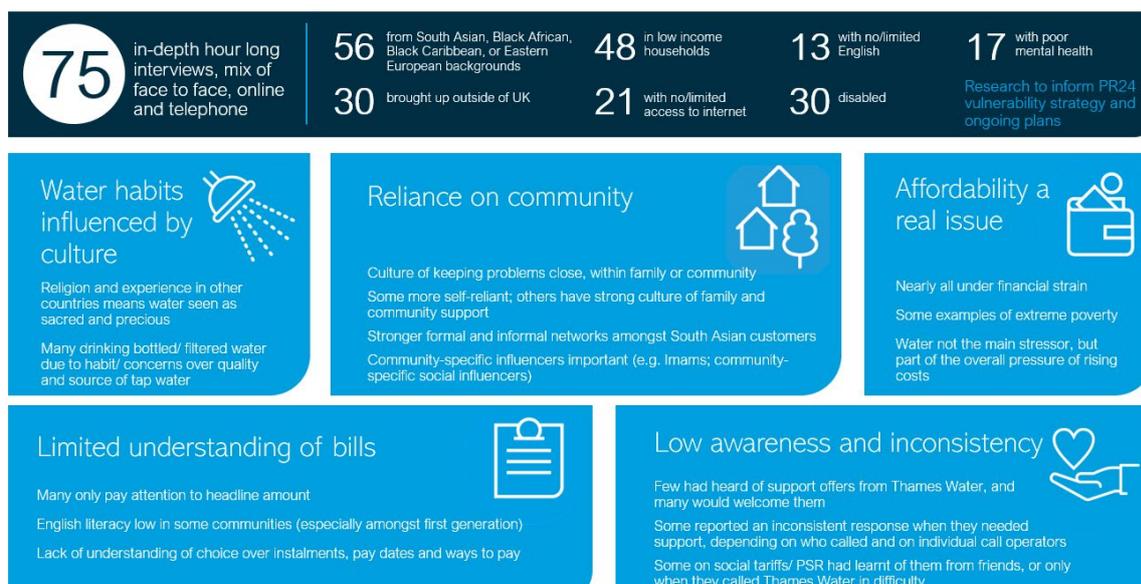
Figure 3.2: Insight Headlines from our interviews with underrepresented community members

⁴² Thames Water Analysis, billing exposure tab

⁴³ [JF Rowntree, 2022 analysis – not repeated in 2023](#)

⁴⁴ [Census 2021](#)

Vulnerability among customers under-represented in research



Source: [Community Research for Thames Water](#)

Water habits influenced by culture: A range of factors affected people’s use of and views towards water, including: experiences of living in other countries (particularly where clean water was hard to come by); religious beliefs (particularly the sacred nature of water and its role in religious rituals); health conditions driving a higher reliance on water and washing; desire to reduce water usage (both cost and environmental); and perceptions of water quality and safety. Many participants avoided drinking water straight from the tap. Instead, they chose to pay for bottled water; or filter or boil their water before drinking it.

Reliance on community: there were notable differences between ethnic communities in how they approached problems and asked for support. In the Black African, South Asian and Eastern European communities, there was a preference for keeping problems close and seeking support within the family and the community. Some established communities (especially Bangladeshi and Pakistani communities) had stronger informal and formal support structures. However, in some households (notably those run by ‘provider matriarch’ figures in Black African families), there was shame about taking problems outside of the immediate family, and there were fewer established formal support networks. In all minority ethnic communities, there was some resistance to going outside of the community or family for help, and this included approaching utility companies.

Affordability a real issue: Nearly all participants were under financial strain, and there were some examples of people living in extreme poverty. Many participants had been used to dealing with limited funds and facing disadvantage in life, and they were resourceful and resilient. However, the cost of living crisis brought new problems and was affecting everyone they knew. Some were at the end of their tether and could not think where to turn for support or to get them through financial difficulties. Credit was particularly important to many participants to deal with unexpected shock costs, but their financial strains threatened their credit scores and access to credit. In some communities, debt was problematic on cultural and religious grounds, meaning fewer routes for managing the financial strain.

Limited understanding of bills and payment options: There were variable levels of understanding of how water is billed, with high levels of confusion about how individual water bills are calculated. This was particularly so amongst people with limited English; those raised outside the UK; and people struggling to make ends meet. In addition, a notable number of participants did not know they had choice over how they paid their water bills, for example that they could be paid in instalments; or that they could choose when and how to pay. While water bills were not the main concern in monthly financial pressures, they were part of the overall picture of rising costs, and many expected (and feared) increased water bills. This played into a broader theme of unpredictability: participants felt that they had little control over water costs – they were often not on a water meter or, if they were, they had no access to information on how much they used. Fears of compulsory metering were also evident as it was assumed that bills would rise if meters were installed.

Low awareness of – and inconsistency in – support: Almost all participants were familiar with Thames Water, but many had only very limited contact. Many participants had not heard of the affordability support schemes, despite feeling they were eligible for support. Of those who received support, nearly all of them had found out about the schemes only when they got into difficulties with bills, or because a friend/ family member had mentioned them. There was no recall of any communications about the extra help propositions from Thames Water (either affordability or PSR). Of those who had been in touch with Thames Water, many had found them really supportive and helpful (especially during the pandemic). However, others reported an inconsistent response from Thames Water when they needed support, such as an inconsistent response between call handlers; and problems accessing affordability support or receiving the priority services they had been promised. Some of those with stronger accents and limited English said that they felt they were less likely to be offered help than family members with British accents and fluent English. Only one participant – and no support organisations – knew about Thames Water’s interpretation service Language Line.

3.5 The scale of the challenge ahead

Table 3.4 below describes some of the characteristics of those needing extra help in our region and the challenges that this creates for us to overcome. Our literature review, primary research and operational experiences allows us to understand our customers diverse needs on a day-to-day basis.

Table 3.4: Characteristics of those needing extra help in the Thames Water region

Dimension	Challenge
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<p>Estimates range from 3.6% to 10.5%¹ of our population in our billed region are paying over the Affordability Threshold equating to 129k to 337k households, with an additional 100-140k in our waste only region. Our analysis with BRG estimates 5.5% of billed households are below the Affordability Threshold. With bills increasing this will increase to 11.5%⁴⁵ without support.</p>	<p>Social tariffs need to have capacity to reach these households with meaningful support.</p> <p>At this time there is uncertainty over the development of a single social tariff for England or if regional schemes will persist.</p> <p>We need to trade off volumes of households with meaningful support as cross subsidy is constrained.</p>
<p>Ofwat customer research from May 22 shows 11% of customers in the southeast of England are struggling to pay their bills (joint lowest region), rising to 21% in London (highest region). This compares to an England and Wales average of 15%⁴⁶. This research aligns with the Rowntree foundation's analysis that London has the highest rate of Poverty in the UK with 27%⁴⁷ of households.</p>	<p>Our services needs to cater for both the extremes of povefrty and affluence.</p>
<p>With inflation driving the cost of living crisis 6.7m⁴⁸ households in the UK were estimated to be in fuel poverty by the end of 2022 (after the September cap announcement) an increase of 3.5m from 2019, representing 1.4m households in our region (including Waste Only Customers)</p>	<p>The cost of living crisis will mean that demand for our affordability services is oversubscribed.</p>
<p>The inflation rates causing the cost of living crisis are disproportionally impacting poorer households and is expected to continue until Q3 of 2024⁴⁹. However, the 2008 global financial crisis impact was felt for 7 years afterwards. Wages may not catch up with prices in real terms until 2027.⁵⁰</p>	<p>The cost of living crisis will have an impact throughout AMP8</p>
<p>In our water scarce region, we continue to increase the penetration of metering from the current 54% as of 2022/23 to 74% of households by 2030, with the balance requiring innovation in metering technology to install.</p>	<p>High consumption users may not be able to afford their bill. A similar number of customers will benefit from lower bills, but both segments will receive more variable bills as their consumption varies.</p>
<p>Customers who are eligible for our PSR represent 24%⁵¹ of our base, equivalent to 1.5m households</p>	<p>Solutions need to be delivered at scale, with proactive identification and minimal effort for customer and company which requires investment in digital solutions.</p>

⁴⁵ Thames Water Analysis

⁴⁶ [Ofwat](#) cost of living report - May 22

⁴⁷ [JF Rowntree Foundation](#) UK Poverty 2022 – January 22

⁴⁸ [Fuel Poverty](#)

⁴⁹ [Institute for Government](#)

⁵⁰ [Resolution Foundation](#)

⁵¹ [Vulnerability in Britain](#) pro-rata. 58% of our population served is in London (with estimated 22.5% vulnerable population) and 42% in South East (26% vulnerable population) averages to 24%.

46% ⁵² of adults display at least one driver of vulnerability, which in our region equates to around 5m adults in our region	There is a broad change of characteristics of vulnerability affecting a large number of people in complex ways.
Global warming will increase temperatures by 1.1-2.3 °C in the 2030s ⁵³ , increasing risks of heat related deaths and illness (particularly those with heart and respiratory conditions)	Increased customer risk during supply outages in summer heat waves, during a period when demand will increase.
We are living longer lives, but not necessarily with higher quality, with the population of over 85-year-olds set to double by 2040 to 4% of the population ⁵⁴	Increased requirement for Priority Service provision to support independent living through inclusive service.
While digital exclusion is reducing, and in London and the Southeast it's the lowest in the UK (7% and 8% respectively compared to 10% ⁵⁵ on average) there are still around half a million households in our region that don't have access to the internet	There is a risk of digitally excluded customers not easily accessing information and support on services available.
There is at least 11 ⁵⁶ types of essential service provider, either private or statutory, who all are trying to identify and tailor services to customers in need of extra help	Maintaining accurate data for PSR customers will require collaboration and cooperation across utilities and statutory bodies which all move at different speeds

3.6 How we think extra help needs will evolve and key challenges for Thames Water

Bringing this insight together we have identified three key challenges our strategy needs to respond to.

1. Affordability of water bills will decrease

While the inflation rates causing the cost of living crisis are forecast to reduce by 2024⁵⁷ there will continue to be challenges in supporting customers who are struggling to pay. While the inflation impacting household costs may have stabilised by AMP8, levels of debt will have grown. The global financial crisis of 2008 saw debt in the water sector only start to reduce seven years later. This, coupled with the necessity for bills to rise to meet investment needs means that we forecast water poverty in our region to double from 5.5% in 22/23 to 11.5% in 29/30. This will require us to have a broad range of support propositions that tackle permanent and temporary affordability issues. Available funding for meaningful support through social tariffs will be under pressure and optimising the targeting will help it support those most in need.

2. The demand for an inclusive service will increase

A number of factors will increase the demand for inclusive services, driven through our Priority Services.

⁵² Source: [FCA Financial Lives Survey](#). 78.7% of UK are adults. Average occupancy of UK [2.36](#) Our 5.8m households are of 21% of 27.8m in UK

⁵³ [MET office](#)

⁵⁴ [ONS](#)

⁵⁵ [ONS](#)

⁵⁶ Thames Water analysis

⁵⁷ [Office for Budget Responsibility](#)

Affordability issues will also impact health, with half of UK adults already reporting an impact on their health due to the crisis⁵⁸ either through stress, or the health impact of compromising on spending on food and heating.

We are living longer lives, but not necessarily with higher quality, with the population of over 85-year-olds set to double by 2040 to 4% of the population⁵⁹, and from our insight customers over the age of 80 have a higher propensity to benefit from priority services.

With technology evolving we see opportunities for more language translation opportunities to engage customers, but it's not clear if by 2030 that capabilities will be accurate enough to do away with the need for a trained translator. Digital exclusion will continue to reduce, with 95% of Londoners having access to the internet in 2020 but as new channels are delivered through AI, we need to be mindful that not every consumer will be able to negotiate them.

This will require us to keep listening to customers and stakeholders and evolve our service offering and keep growing our PSR to ensure a proactive approach to inclusive service. We will need to ensure a consistent level of service to ensure fair and consistent outcomes.

3. The large numbers of customers requiring support requires increased levels of sophistication in data management.

This insight shows that in our direct billed region alone the population of customers below the affordability threshold will rise to around 390,000 and those eligible for our PSR will be around 1,500,000 households. Additionally, a further 500,000 customers will be eligible for PSR support who are billed by our Water Only Companies. To address the needs of the majority of these customers will require good awareness of propositions, effortless engagement channels and data management approaches that can work efficiently at scale.

4. Bill impact in AMP8 and beyond

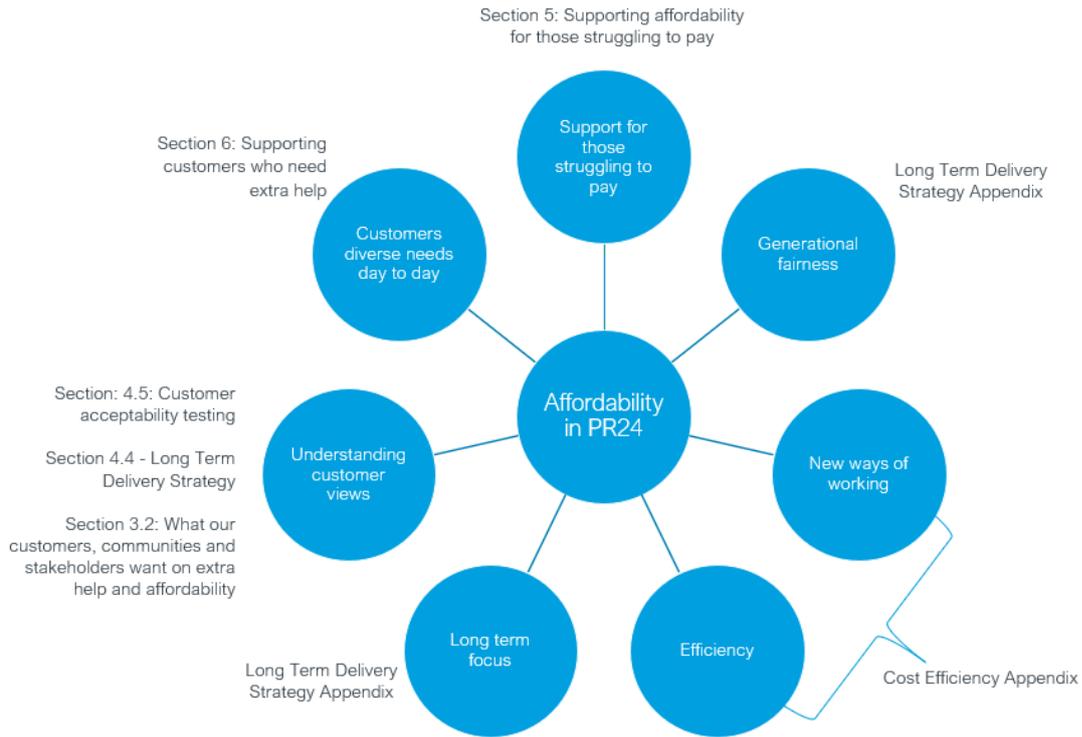
4.1 Affordability in PR24

Customer affordability is a central component of our plan and the key themes identified by Ofwat can be found in the different sections of this Appendix and other Appendices as described in figure 4.1.

Figure 4.1: Our plan meets Ofwat's requirements on affordability

⁵⁸ [British Medical Journal](#)

⁵⁹ [ONS](#)

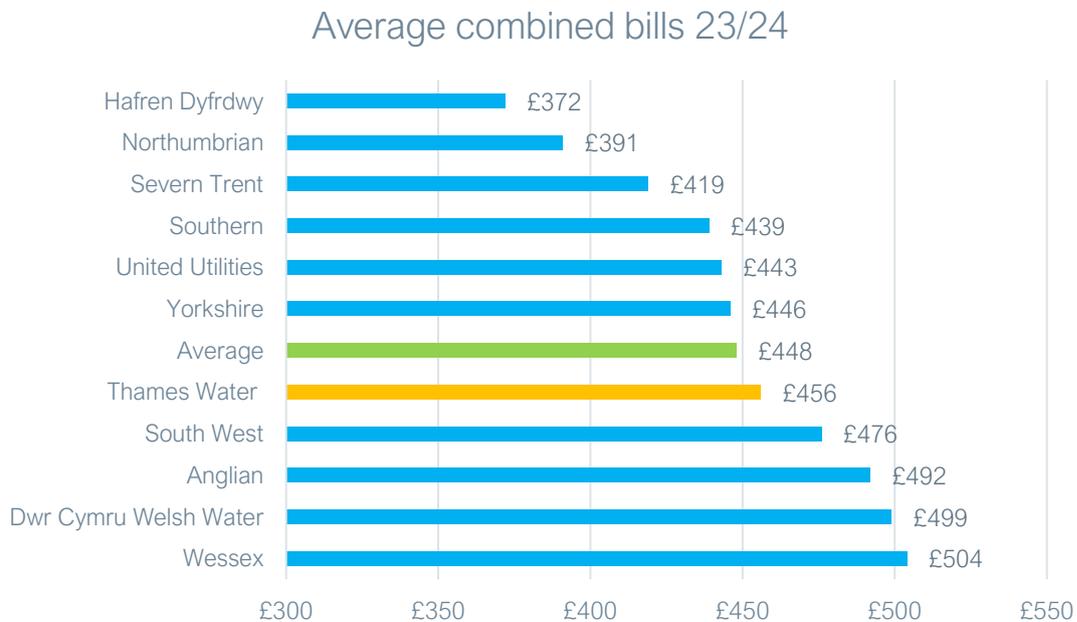


Source: Thames Water

4.2 Proposed Bill Profile

In 2023/24 our bills are 2% higher than the average industry as shown in figure 4.2.

Figure 4.2: Water and Sewerage Company average bills for 23/24.



Source: [Water UK](#)

We had two options for our AMP8 bill profile – either a smoothed transition that mitigates the step from AMP7 into AMP8 or a 24% increase in year one for a more plateaued profile, that

reduces bill peaks in the last two years of AMP8. Through extensive research with customers on bills and affordability, a clear preference has been expressed for bills to be kept low, which would favour the plateaued profile, and for any increases to be smaller and therefore more manageable, which would indicate a preference for a smoothed transition. Customers have also consistently told us that we should ensure that bills remain affordable for those struggling to pay and that financial support through social tariffs should be available to those who need it.

We are therefore on balance proposing the plateaued profile. Despite the initial bill increase, this approach reduces the peak population below the Affordability Threshold by a third allowing our affordability support to be optimised and target two thirds of the population below the Threshold to be lifted above it. This decision represents a key trade-off which we have made in order to best meet the needs of our customers through reducing longer-term bill impacts and ensuring more customers who are struggling to pay can receive financial support.

Figure 4.3: Proposed bill profile for dual service, average household bill in AMP8

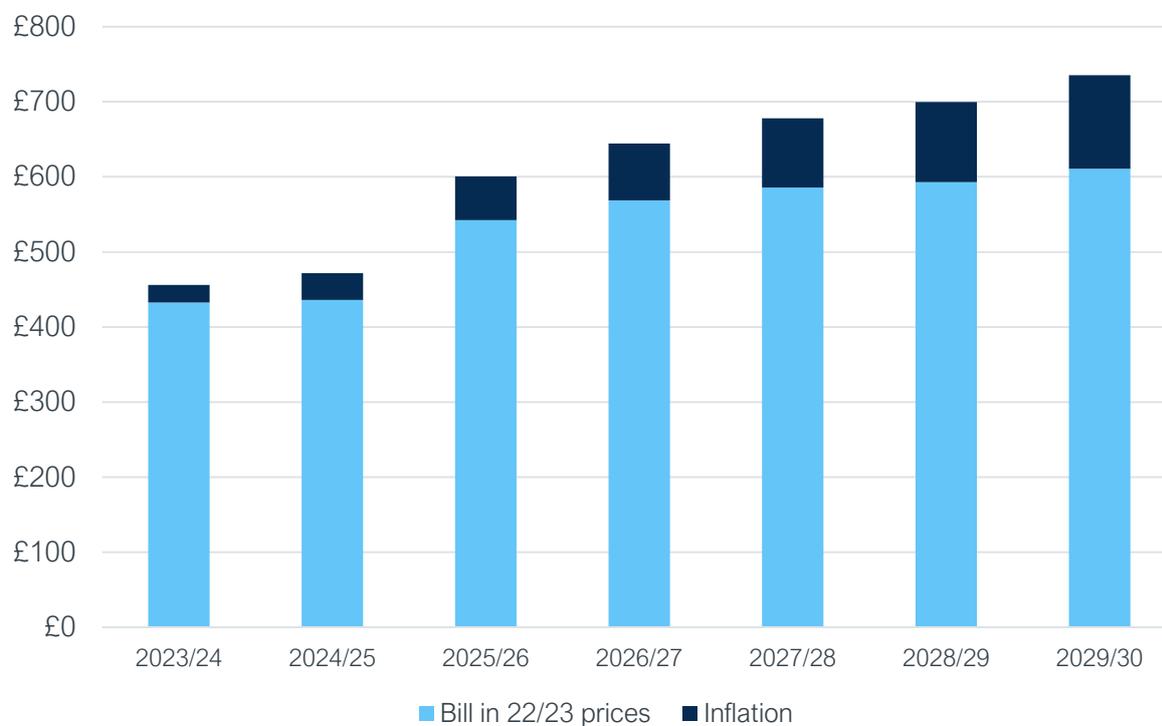


Table 4.1: Bill profiles with inflation element shown

(£, 22/23 prices)	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Bill excluding inflation	432.65	436.11	542.46	568.63	585.74	592.82	610.75
Inflation element of bill	23.41	35.47	58.16	75.83	92.15	106.96	124.67
Total bill with inflation	456.06	471.58	600.62	644.46	677.89	699.79	735.43

Using the Ofwat waterfall model the average annual bill at final determination for the five years of PR19 increases by 34% when compared to our proposals for the five years of PR24, from £433 to £580. Figures 4.4 and 4.5 are the output of the Ofwat waterfall model and show that this bill increase is principally driven by:

- Market forces increasing the cost of borrowing leading to an increase in WACC. We have used Ofwat methodology updated with latest market data to calculate WACC.
- Our increased wholesale capital programme sees an element of costs recognised in AMP8, which are captured under the 'Other Wholesale items' element of the waterfall chart.
- Higher retail cost to serve due to a combination of inflation, higher bad debt (due to impact of cost of living crisis) and changes in SIM/C-Mex penalties between PR19, which included a substantial SIM penalty, and PR24 where we assume no penalties. This cost to serve increase in Retail is offset by the increase in population forecast in our region which dilutes the average bill per customer.

In the waterfall charts there is a significant reduction from changes in PAYG but this is the effect of the Totex increase being mainly capex, which is reflected in the model by changing the PAYG rate.

Figure 4.4: Ofwat Bill Waterfall model for PR24 – Bill impact

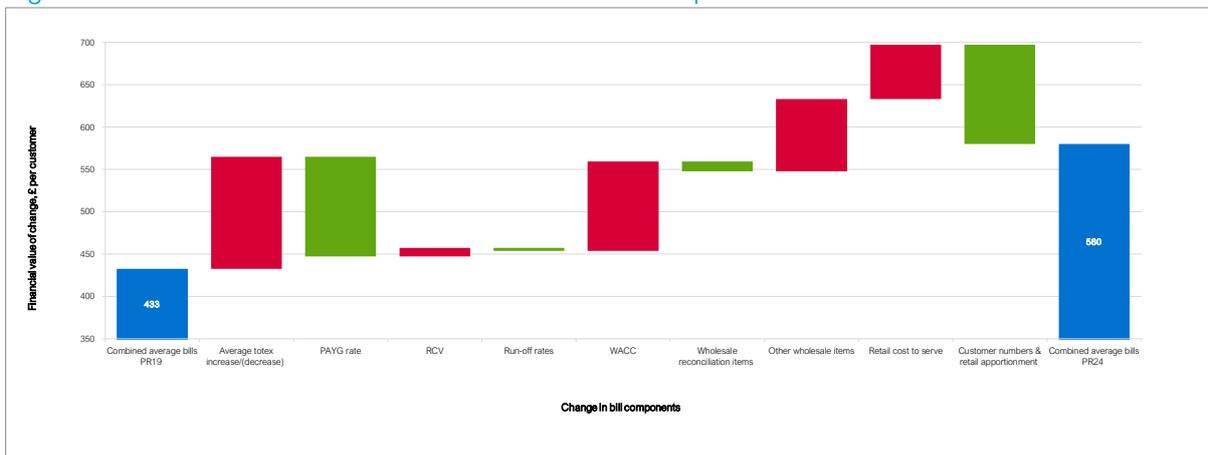
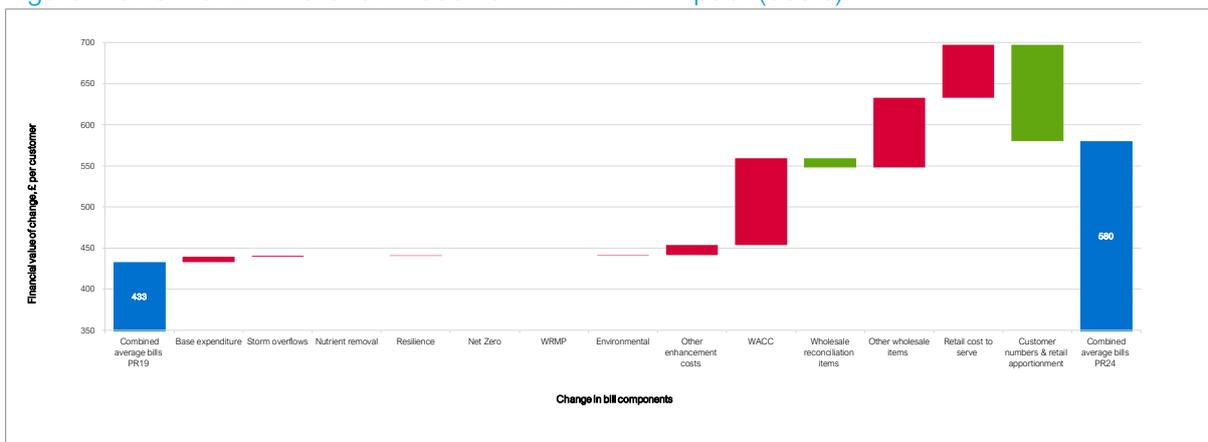


Figure 4.5: Ofwat Bill Waterfall model for PR24 – Bill impact (costs)



4.3 Efficiency, innovation, and partnerships

While we make investments the impact on customer bills has been mitigated as far as possible, with our continued focus on improving efficiency and delivering in partnership with stakeholders and customers. This is described within our TMS14 Cost and Efficiency appendix which describes our approach to keeping costs down for all customers.

4.4 Long term delivery strategy

How we plan to deliver our vision for 2050 is described in TMS06 Our Long Term Delivery Strategy. This shows a trend of bills increasing as the necessary customer and environmental enhancements are made.

In September 2023 we tested with customers indicative options for the mix and sequencing of the key investments and outcomes to 2050, theoretical options for phasing investment and bill impacts over the longer-term, and whether an indicative example bill profile for our proposals to 2050 was considered to be fair and affordable for current and future customers.

The findings from the qualitative discussion groups showed that:

- Most customers thought our long-term plans were broadly acceptable in terms of priorities for investment identified and coverage of improvements to be delivered.
- However, many customers would like targets to be met quicker and/or to be more stretching for reducing the risk of lead in drinking water, pollution of rivers and bathing waters, reducing sewage spills into rivers and sewage flooding of properties.
- The vast majority of customers preferred gradual and predictable bill increases. This was perceived to be the fairest option as it does not place excess burden on either future or current customers, is most in line with customer expectations and therefore is easier to budget and plan for.
- When presented with an indicative example bill profile including bill amounts to 2050, most customers reluctantly agreed that bills will need to increase, and that they would be able to manage their water bill in future.
- Affordability was difficult to assess for some, with so many unknowns this far into the future, and in particular future customers struggled to imagine how they might be able to afford the 2050 prices.
- Even amongst those customers who found the bill projections unaffordable, they could not identify improvement areas they would want to remove or reduce in order to lower bills – once they were aware of them, customers thought they were all needed.

We use customer insight from multiple sources, including from our insight testing, to inform our Long Term Delivery Strategy (LTDS). We have developed a plan that balances customers' priorities alongside improvements to our performance and asset resilience, whilst keeping bills fair and affordable. Our LTDS is flexible to multiple futures, and our core pathway is designed to allow modifications to our plan in the future, if our operating environment changes. Due to the modular nature of our enhancement spend, we are able to reprofile investment delivery to meet customers' priorities whilst remaining acceptable, affordable and deliverable, for customers now and in the future.

The projected bill increases required up until 2050 to deliver our long term investment show a gradual and predictable rise, which is aligned to customers preferences and expectations. For more details of our long-term plans to 2050, see TMS06 Our Long Term Delivery Strategy.

To provide affordability support for customers into AMP9 and beyond we will need to continue to optimise social tariffs that are targeted at those most in need of support, utilise new smart technologies to engage customers to reduce consumption and continue our innovation on tariff structures to create more progressive charging schemes.

4.5 Customer Acceptability Testing

All water and wastewater companies are required to test the acceptability and affordability of their PR24 business plans with their customers prior to final submission in October 2023. The research undertaken by Thames Water is aligned to the industry-standardised methodology developed by CCW and Ofwat. Please refer to our TMS03 Customer Engagement Appendix for more details on our PR24 customer engagement.

Qualitative Acceptability and Affordability Testing in April-May 2023

As part of the first, qualitative phase, we presented three different versions of the plan to customers in order to explore their responses and inform our decision as to which plan should be tested in the subsequent quantitative phase. The plans cover proposed targets against six Performance Commitments and six service enhancements which provide a representative view of where there will be most investment and where customers are likely to have a view. The three plans are summarised as:

1. The 'Proposed' plan: contains both statutory and discretionary service enhancements
2. The 'Must Do' plan: includes only statutory service enhancements
3. The 'Alternative' plan: same as the 'Proposed' plan ie, includes discretionary service enhancements, but with phasing of some aspects of WINEP Wastewater

In line with Ofwat's guidance, we then undertook qualitative discussions with customers to test their views of the affordability and acceptability of proposals, described in TMS03 Customer Engagement. This comprised of a broadly representative sample of our customer base covering a range of demographics and areas within Thames Water's region, as well as specifically including those needing extra help, future and non-household customers.

Findings from Qualitative Acceptability and Affordability Testing⁶⁰

The 'Proposed Plan' was deemed to be the most acceptable by customers; three quarters found it to be acceptable, as it went a long way in addressing concerns relating to the environment, leakage and future supply and infrastructure issues. 3 in 5 found the 'Alternative Plan' acceptable, largely driven by the lower short-term cost in exchange for minimal slower environmental improvements, in particular phosphorous reduction, whereas just over half found the 'Must Do Plan' acceptable as customers felt it lacked proactivity on Thames Water's part in tackling key issues. Lower acceptability of the 'Must Do Plan' was largely driven by that fact that customers did not feel the difference in costs to the other plans was significant enough to justify losing investment on a number of key issues.

There was little difference in the proportion and distribution of affordability across the three plans; around half of customers thought each of the plans were affordable. Customers told us previously that the level of water bills did not appear to be a driving concern for most, largely because water bills seem low compared to energy bills or council tax. However, concerns amongst some around affordability of the plans are being driven by the ongoing cost of living crisis; customers generally focussed on short-term bill impacts and found it difficult to engage with longer term impacts. Between 2 and 3 in 10 customers found each of the plans either fairly or very difficult to afford – fewer found the 'Alternative Plan' to be unaffordable than the 'Proposed Plan' due to the reduced short-term bill impacts, despite the higher long-term costs.

⁶⁰ PR24 Acceptability & Affordability Testing qualitative report, Accent, May 2023

Customers with lower incomes and in financially vulnerable situations are naturally more likely to find the plans unaffordable. However, participants were not informed about the financial support packages we are proposing to put in place for these customers to reduce the impact before perceptions of affordability were tested. It's also possible that some customers felt the plan was unaffordable for others, rather than themselves; in response to the 'Proposed plan', customers expressed concern for others who may not be able to afford their bills already, as well as those who will also struggle with future increases. They wanted reassurance that caps or exclusions for associated bill increases were being considered to protect customers needing financial help. Customers needing extra help reacted positively to the specific proposals, including financial support, which would be put in place for them, and we would therefore expect that this would alleviate the concerns of many around affordability of the final plan.

Quantitative Acceptability and Affordability testing in August-September 2023.

We tested the acceptability and affordability of our final plan with customers in August-September 2023 via a quantitative survey. This used a random sample of both household and non-household customers, covering a range of demographics and areas within Thames Water's region.

The plan tested was similar to the 'Alternative plan' from the qualitative round of testing in May, with some aspects of the WINEP programme deferred into AMP9, a refined list of discretionary enhancements and improved performance levels for Performance Commitments where customers wanted to see more ambition (leakage and river pollution). The estimated bill impact tested was an average annual bill of £571 by 2030, excluding inflation (up £154, 37%, from average 2022/23 bill).

The results of the survey showed that:

- Overall, 20% of customers said the plan would be easy to afford, with 48% finding it difficult to afford.
- 29% of customers said that the plan would be neither easy nor difficult to afford.
- The proportion of customers finding the plan difficult to afford was higher for both vulnerable customers (56%) and customers struggling to pay their bills (85%).
- Households with lower incomes were significantly more likely to find the proposed plan difficult to afford (75% for incomes up to £15,999 vs. 15% for those over £104,000).
- 65% of customers found the plan acceptable and 20% found it unacceptable.
- The main reasons given for acceptability were that customers support what we are doing in the long term and that the plan seems to focus on the right areas.
- Unacceptability was due to customers not trusting us to make the improvements and the perception that company profits are too high and that companies should pay for the improvements.

In addition to the questions mandated by the Ofwat/CCW guidance, we included a question at the end of the survey to test affordability of the plan after customers had been provided with information on what we plan to deliver in key Performance Commitment and discretionary enhancement areas.

When compared to responses from earlier in the survey, levels of customers findings our plan difficult to afford reduced by 8 percentage points from 48% to 40%. We believe this reduction

points to customers believing our plan provides better value for money once they understand the benefits they will receive as part of the plan.

4.6 Impact on customer affordability

Working with Berkeley Research Group and building on the Water UK studies by CEPA and Frontier we have built our own model to help us forecast the number of customers below the Affordability Threshold and how our affordability interventions can lift customers above the Threshold.

Without affordability support in 2022/23 we forecast that we have 200,000⁶¹ directly billed, dual service, households below the Affordability Threshold or 5.5% of the household population. Our current approach, despite featuring the industry's largest social tariff by volume with over 200,000 directly billed recipients, only lifts one third (67,000 households) above this threshold. This is due to the current targeting of our social tariff at Low Income⁶² customers. From working with Frontier Economics, we know that only 42%⁶³ of Low-Income customers are also below the Affordability Threshold. This is further discussed in section 5.4.

Using Office for Budget Responsibility (OBR) forecasts and our investment plans this number increases to 464,000 billed, dual service, households by 2030, or 11.5% of the household population. Therefore, we are taking innovative steps to close this gap. Our Affordability support approach, described in section 5.1, will enable us to support 73% of eligible customers with a social tariff. Additionally, over AMP8 we will be supporting over 350,000⁶⁴ customers to move to a metered billing basis, water efficiency support and with debt support schemes. Together, our social tariffs and wider support reduce the average bill of our income deprived population by 59%, as defined by Ofwat's methodology within the SUP15 Affordability Data table.

The targeted nature of our support will lift 63% of the population above the Affordability Threshold and create an affordable bill. A further 10% points will be receiving a social tariff that will get them close to the Affordability Threshold, but not above it. This level of targeted social tariff support will be funded through a combination of cross subsidy and innovative tariffs. Our new tariff will increase revenue by up to £60m from households using excessive amounts of water and don't have affordability challenges along with £95m in cross subsidies, in real terms. The waste element of the £23 cross subsidy, equivalent to £10, is sufficient to support the wastewater only social tariff plans. This is because the WOCs plan to continue with low-income eligibility criterion will not increase the level of support per household to the same extent as the Affordability Threshold.

We understand that customers who are above the Affordability Threshold still may struggle to pay an 'affordable bill' and therefore we have a range of support mechanisms for customers to create sustainable payment plans, obtain support with debt and access wider support.

5. Supporting affordability for those struggling to pay

⁶¹ Thames Water Analysis

⁶² Thames Water's definition of Low Income

⁶³ Frontier Economics Analysis for Thames Water

⁶⁴ SUP15 lines 27, 29 and 36 totalled over AMP8

We have a comprehensive approach to supporting customers struggling to pay. We are proactively developing this prior to AMP8 to meet the challenge of supporting customers as we move through the cost of living crisis. This section describes our current approach and our plans for AMP8 and will allow us to demonstrate that we meet Customer Licence condition G4.6, the Appointee provides support for customers of the Appointee who are struggling to pay, and for customers in debt.

5.1 Our existing approach to providing affordability support

As illustrated in the figure below, our approach for supporting customers who struggle to pay their bill has three key pillars.

Figure 5.1: Our approach to support customers who struggle to pay their bills



This approach represents our current way of working, and in section 5.3 we describe our plans into AMP8.

Seek out customers. There is low awareness of the financial support available to customers. Our research confirms that only a quarter of our customers are aware that Thames Water provides flexible payment plans, and 17% that we provide discount tariffs. We have therefore made this a key pillar of our strategy. We utilise a wide array of channels to promote our support, with email and social media campaigns, employee spotting, partner referrals and data sharing, with more detail set out in section 7. While progress has been made, with awareness of at least one support proposition has increased from 55% to 68%⁶⁵ over AMP7, we know there is more to do. Our collections strategies signpost our support throughout, in line with expectations set out in the Paying Fair Guidelines. We have been piloting proactive community approaches to complement data sharing and colleague spotting and are now using data to target campaigns at communities with the greatest need, see section 7.2 on our approach on engaging with underrepresented customers.

⁶⁵ Thames Water research

Figure 5.2: Example of a social media post promoting our affordability support



Act before it is a problem - Once customers engage with us, we can understand their needs and take steps to ensure the customer does not go into, or go further into, arrears. The first step is to undertake an income and expenditure (I&E) review with our dedicated Extra Care team, or assess one provided by a debt advisor. I&E reviews are widely recognised by the debt advice sector and the FCA as best practice to understand a customer's affordability. We use PayLink's I&E tool, based on the Standard Financial Statement. This has been optimised over five years to improve customer experience and reduce effort. This review assesses a customer's ability to pay and matches that to a sustainable payment plan and highlights which forbearance and support propositions are viable, described in table 5.1 below. If necessary, customers can be set up on a reduced payment plan, below the level of charges. Future engagement will reassess this plan. If it turns out that the proposed plan was unaffordable to the customer, and therefore creates unsustainable debt, additional support can be provided.

A switch to metered billing may help a customer reduce their bill, with an average saving of £261 per year for customers that move through this process. For those already on a water meter we can signpost our [Water Efficiency Calculator](#) where customers on average are able to reduce consumption by 6%.

Sustainable support - The I&E review will also recognise if sustainable support is required. This is often in the form of a discount tariff targeted at those in a long-term situation of needing affordability support to create an affordable bill. In addition to WaterSure, which caps metered bills for those both on means tested benefits and an essential need for high consumption, our social tariff, WaterHelp, currently has two entry criteria to receive a meaningful 50% discount:

1. Low income – indexed to the London Living Wage and the threshold for full child tax credits outside of London;
2. Affordability Threshold – where a water bill is greater than 5% of a household’s net equivalised income.

Our sustainable support also includes payment matching to incentivise repayment of arrears where the customer cannot afford to pay it back within a reasonable timescale. If a customer cannot afford their water bill, it is likely there are other household bills they cannot afford. In this case we will signpost agencies that can provide additional support. Where our people spot signs of extreme hardship, we refer customers to our Hardship Fund for those in need of essential household goods, such as beds, white goods, through to payment of bankruptcy / IVA fees and some plumbing repairs.

Table 5.1: Our hierarchy of support for those struggling to pay their bill

Proposition	Provides for:
Credit Risk data and collections treatment paths	Tailored treatment paths appropriate to ability to pay so that customers with known affordability issues follow a different treatment path
Payment plans	We provide flexibility over frequency of payments and methods of payment
Tailored engagement	Our teams are trained to spot signs of vulnerability and proactively offer support, referring to specialist teams to provide in depth I&E reviews if required
Metering / Assessed Household Charge	A customer may have a lower bill by moving to a metered basis of charging if their bill based on consumption is lower than the unmeasured bill set by the property size. If meter installation is not possible an Assessed Household Charge (AHC) can be used.
Water efficiency	If customers are metered, we help them to reduce consumption and hence their bill. Occupancy is the key driver of consumption, but the most efficient quartile household with four occupants can use the same amount of water as two occupants in the least efficient quartile. Using our online water efficiency calculator customers see an average of a 6% reduction in demand. A targeted water efficiency visit, our Smarter Home Visits, can reduce water bills by £100 per year in high consumption households.
Assessing needs	We perform an Income and Expenditure review to match the ability to pay to payment plans.
Affordable plans	For those who need time to restructure household finances, and through the Income and Expenditure review, affordable plans are set up to reflect what a household can afford and manages debt. Arrears can be paid off over five years.
Payment Break	We can provide a pause of three months on a payment plan to reflect cash flow issues. This is accessed via an Income and Expenditure review.
Breathing Space	This regulatory scheme gives the possibility to create a 60-day break from collections activity while a customer seeks formal debt advice to better structure their household finances.
Discount Tariffs	Discounted or capped bills for those with long term affordability issues. WaterHelp provides a 50% discount to those with a low income for the past 6 months with two qualifying criteria: 1) Low income – indexed to the London Living Wage and the threshold for full child tax credits outside of London. 2) Affordability Threshold – where a water bill is greater than 5% of a household’s net equivalised income.

	WaterSure caps a customer's bill at the average value if they are on means tested benefits and additionally have a high dependency on water – from either having responsibility for three or more children or a water dependent medical need.
Customer Assistance fund – Payment Matching for debt support	A payment plan where Thames Water will match a customer's contribution towards arrears over two years and then pay the balance if charges have continued to be paid. This is available for those who can now pay their charges but cannot afford to pay back their arrears within four years and are in receipt of a means tested benefit. This can be accessed via the income and expenditure review
Hardship Fund	Colleagues can refer customers to the Thames Water Trust's hardship fund which can provide a service to maximise income for a household by identifying any missed income opportunities and provide essential household goods such as beds and washing machines.
Debt advisor referral	We signpost customers to debt advice organisations and are currently embedding referral processes

5.2 Progress over AMP7

We have made significant investment during AMP7 to provide more holistic and targeted support for our customers struggling to pay their bills.

We have brought in expertise from the financial sector, brought our collections and affordability teams onshore and transformed our affordability teams to deliver our key 'struggling to pay' journey, where customers who can't afford to pay their bill are provided support. We have done this through building internal capabilities and building specialisms around an Income and Expenditure (I&E) Review. This new way of working has enabled many customers to experience a 'one and done' approach to support from Thames, with the Extra Care team's customer satisfaction scores improving from 82.6 to 85.6 over 2022/23.

We have developed our systems to create new reduced payment plans, which will allow us to monitor and support customers more effectively. We have evolved our debt support proposition to a payment matching scheme driving efficiency to open the proposition to more customers and reducing customer indebtedness. These payment plans included the rapid introduction of payment break policy at the start of the COVID pandemic in March 2020 and is now embedded into our ways of working.

We led South-East water companies to an aligned social tariff eligibility criterion, where previously 2m households faced different eligibility criterion for their water and wastewater elements of their bill. This aligned and simplified criteria reduced barriers to access, and along with our external engagement has led to growth of our WaterHelp tariff from 150,000 in 2020 to 307,000 at the start of 23/24, with 373,000 forecast to be benefitting at the end of the AMP7. This performance was enabled by our engagement with 300k Local Authority and Housing Association customers as we transitioned them from being indirectly billed to directly billed by Thames Water. Additionally, we have led the way with the Department of Work and Pensions to create data sharing relationships that allow us to confirm if a customer is in receipt of a means tested benefit and therefore maintain their discount tariffs with no or reduced effort. 40% of customer renewals follow this route.

We have not waited until a price review process to continue innovating and responding to the cost of living crisis. We have already implemented our new 'Extra Support' scheme in April 2023 that can provide £200 towards arrears for those with a deficit household budget with over 15k families expected to benefit. This scheme addresses the rise in deficit budget households, which

should again drop once wages catch up with costs, albeit this may not happen until 2027. This scheme recognises the dynamic nature of the economy at present.

We implemented a new social tariff criteria in March 2023 to better support customers below the water affordability threshold. This allows us to support customers with larger households and incomes that are low for the size of their household but are above our definition of 'low income'. We will share the insight of using this criterion with industry peers to support aspirations to create a single social tariff for industry.

We are laying the foundations to invest in our digital I&E review to ensure we have capacity to engage with customers at scale with 100% more customers per year, up from the current 6,500/month, through automation and integration to provide a self-service experience to set sustainable payment plans and access affordability support.

We will also pilot our data driven community engagement approach which we will embed in our AMP8 programme, described in more detail in section 7. We have committed to continuing our support for the Thames Water Trust Fund and ensuring a two-year rolling funding cycle. This not only facilitates our Hardship Fund, but also provides increased certainty for funded debt advice positions for which the Trustees are currently running a new funding round to build debt advice capability in areas of need across our region.

We are developing a new debt support scheme for customers with long term indebtedness where Thames Water will pay down aged debt for customers where an income and expenditure review identifies they are unable to pay their charges in full, but they remain committed to an agreed payment plan. Customers will see an average payment of £689 after 12 months of payments. This forms part of our AMP8 plans described in section 5.3.

Case study – PayLink I&E

As we implemented our new ways of working to create a holistic service for customers during our 'struggling to pay' journey we knew we needed a leading Income and Expenditure tool to centre the journey on. After engaging the marketplace, and considering building our own tool, we chose to use PayLink – part of PayPlan, a free to access debt advice organisation. This is a demonstration of best practice within the water sector around understanding customer affordability and making it easier for customers to engage.

By using Paylink's application, our customers will be able to provide a breakdown of their circumstances, in line with the Standard Financial Statement, so we can set up a sustainable payment plan based on their affordability. Customers will also be able to use open banking along with the ability to request a payment proposal for managing their water bills. Importantly, this will enable us to support more customers and to better support customers in financial difficulty.

We will also be able to use this tool to apply our eligibility criteria for support packages such as WaterHelp, WaterSure and payment matching, from the data received. By utilising Paylink's automated and integrated benefits identification our customers will also be able to see their benefits entitlement, all while providing their affordability within the application.

Further specialist support will be available through the application's unique integration with free debt advice provider PayPlan. Customers needing free debt advice will be able to access PayPlan's support through a wide variety of channels, including Live Chat or via a callback. With consent, PayPlan advisors will be able to see the income and expenditure – information provided to us - and review a customer's financial circumstances in real-time, making the process of accessing help as seamless as possible. This combination of income maximisation and money advice referrals aims to ensure customers get the right support to pay all their household bills not only their water bill.

This isn't limited to a digital-only experience and the application can also be utilised by our people when needing to capture this information on a call.

This approach mitigates the risk of customer detriment in setting an unaffordable and therefore unsustainable plan, instead creating consistent and fair outcomes. Currently we are undertaking over 6,500 I&E reviews a month.

Case study – Extra Support Scheme

As we responded to the cost of living crisis, we knew that the number of families on a deficit budget would increase for several years, but that this would then reduce again as wages caught up in real terms. We also had an opportunity to create a new scheme due to the way that we utilise our social tariff cross subsidy. We only include cross subsidy in charges to the level that is required to fund the current year's social tariff, while we have a cross subsidy level that is supported by customers to a level that meets all of the eligible population. If we were to utilise all of the cross subsidy available every year, we would have to reduce the level of discount provided as the number of customers grew.

Therefore, in consultation with CCW, we decided to put our cross-subsidy capacity to work. For customers with arrears, and where the I&E review shows a negative household budget, a grant of up to £200 is provided, equivalent to almost half an average bill. Our customer facing team proposed and voted on the name Extra Support scheme. Feedback from our colleagues can be summarised by Kelly *'The customers I have been able to support with this extra help have mainly felt overwhelmed by the care and concern for the cost of living crisis, and although it's not money they physically see or have to spend they have said it has taken a huge weight off their minds to know that their debt has been slightly if not all together removed.'*

In the first four months of operation, over 10k customers had already benefited. We are seeing 45%⁶⁶ of customers that go through our struggling to pay journey have a deficit budget. We have briefed our network of debt advisors that this proposition is available and are encouraging them to refer customers to us.

Case Study – Debt advice support through our Trust Fund

In addition to the Hardship Fund, our Trust Fund provides grants to Debt Advice organisations in areas of deprivation across our region. As one project delivered by the Agnes Smith Advice Centre came to a close in 2023 after 7 years of operation the Centre Manger remarked: *'We would like to acknowledge what we have achieved together. Many people in our area struggle with debts and the circumstances that have led to debts accruing in the first place. Your funding has given us the flexibility to provide advice from a highly qualified debt adviser in a*

⁶⁶ Thames Water Analysis

context where a wide range of other issues can also be addressed. This kind of holistic service means that money problems are more likely to be resolved in the longer term, with less risk of issues recurring. Thames Water customers have been supported to manage their household finances and cover basic living costs in a more sustainable way. We are truly grateful for the funding that has made it possible to achieve these results for households and for our communities. This support has been very much needed and has made a difference that goes far beyond the statistics to the heart of people's wellbeing.'

5.3 Our plans for AMP8

Our plan features these transformative steps that together will enable 63% of directly billed customers to be lifted above the Affordability Threshold up from one third of the population in 22/23.

- Creating a new tariff structure to both incentivise efficient use of water and provide additional funding for social tariffs, with the three quarters of all metered customers using lower than average levels of water, receiving a 9% reduction in bills.
- Enable customers to be in control of their bill through more frequent engagement and clarity on consumption alongside water efficiency advice and practical support for those that can't afford to fix leaks. This approach will provide an average £41/year of bill reductions for benefiting households.
- Evolving our social tariff eligibility criteria to be targeted at those below the Affordability Threshold, supporting 73% of the population eligible for a social tariff by 2030 with 340,000 directly billed, dual service, households benefiting, up from 203,000 in of 22/23.
- Ensure fair and consistent outcomes for those struggling to pay are delivered through our dedicated Financial Customer Care Team and their utilisation of PayLink's Income and Expenditure Review tool, which we will link to our billing systems and allow us to operate at scale.
- Engage customers through innovative data sharing approaches and community engagement to reach the customers that needs support, especially those from underrepresented communities.
- Our plans provide an average bill reduction of 59%⁶⁷ by 29/30 for dual service income deprived customers.

Incremental to our current approach we will be making improvements within these areas:

Seek out customers - To raise awareness of our support propositions, we will place more emphasis on highly targeted approaches as described in section 7. We will develop proactive data sharing approaches with Local Authorities, the DWP and HMRC and our currently developing a pilot with Policy in Practice in Enfield to lay the foundations for this. Once we have exhausted more efficient channels, we will use data to proactively identify communities that require a different approach with more visible presence in a community. Our optimised, digital and voice, struggling to pay journey will create a call to action that can operate at scale.

Act before it is a problem – We will use our smart meter data and online account management to undertake a more frequent reconciliation of usage against payment plans to allow customers to understand if they are going to have increased payments at the next billing period. This will be of particular importance when our rising block tariff is introduced, as described in section 5.6.

⁶⁷ SUP 15 Data Table

Customer feedback will influence the frequency of this engagement but we expect monthly will be optimum. We will assess if a monthly variable bill is desired by customers compared to a more consistent billing level and changes every six to twelve months along with increased engagement on consumption. To date the insight we have built is that customers prefer a more consistent level of payment rather than a fluctuating level which impacts their household budget.

We will attempt to balance consistency of payment level with understanding of consumption to influence behaviour, along with signposting to self-help water efficiency advice and the practical support we can provide to those struggling to pay such as free customer side leak repairs. We will investigate creating a customers' ability to self-serve adjustment of payment plans to meet this increased consumption, to enable choices of paying more or being more efficient.

We will link our water efficiency calculator to our income and expenditure review process for metered customers using a high volume of water to make one online journey. Customers using our water efficiency calculator make savings of around 6% to their water bill. Our struggling to pay journey highlights the benefits of being on a meter and we anticipate 65k customers to benefit from changing charging basis by an average of £261 in AMP8. Our data show that the benefits of water efficiency and optant metering basis last for at least five years and will probably last longer unless there is a change in occupancy.

When identifying continuous flow and engaging customers to fix customer side leaks, we will provide a free repair service to those who are eligible for our social tariff or are registered for certain categories on our PSR. We forecast that over 4,500 customers will benefit from this over AMP8 and enable a further 90,000 to self-fix internal wastage or leaks through smart meter enabled engagement. This will mitigate the current issue of high bills due to unknown leaks, creating a call to action and preventing bill shock for customers.

In addition, we need to continue to reduce effort and friction for customers to ensure they access our full range of offerings. We will undertake a continuous improvement approach to target 80% completion and automation rates for the struggling to pay journey. We will optimise our customer communications to create a strong call to action with AB testing, an approach where two or more variants of communications are shown to users and statistical analysis is used to determine which variation performs better.

Sustainable support – Our social tariff will grow to 491k households over AMP8, providing £170 million of support per year. Our social tariff eligibility criteria will be aligned to the Affordability Threshold and have three tiers of support. Plans for our social tariff are detailed later in this section.

Metering penetration will increase over AMP8 from 54% to 75%⁶⁸ and along with that our water efficiency and customer side leak engagement driven by both the need to manage our water resources and protect customer bills from increasing as they switch to a metered basis.

Additional water efficiency support will reduce customer bills by an estimated £41/year for over 49k income deprived households per year. This includes proactive engagement over consumption and continuous flows and practical support. We will provide targeted water efficiency visits, our Smarter Home Visits, which can save £111⁶⁹ per year for high consumption

⁶⁸ TMS PR24 Data table SUP1B- Properties and meters

⁶⁹ [Smarter ways out of water poverty](#)

households. We plan to support 10,000 financially struggling customers per year with this proposition, in addition to 30,000 water efficiency visits targeted at high consumption generally, with the benefits lasting for a minimum of 5⁷⁰ years. Our household Digital toolkit will enable push-notifications to customers once a continuous flow is identified ensuring leaks are fixed more rapidly and reduce the reliance on leak allowance processes.

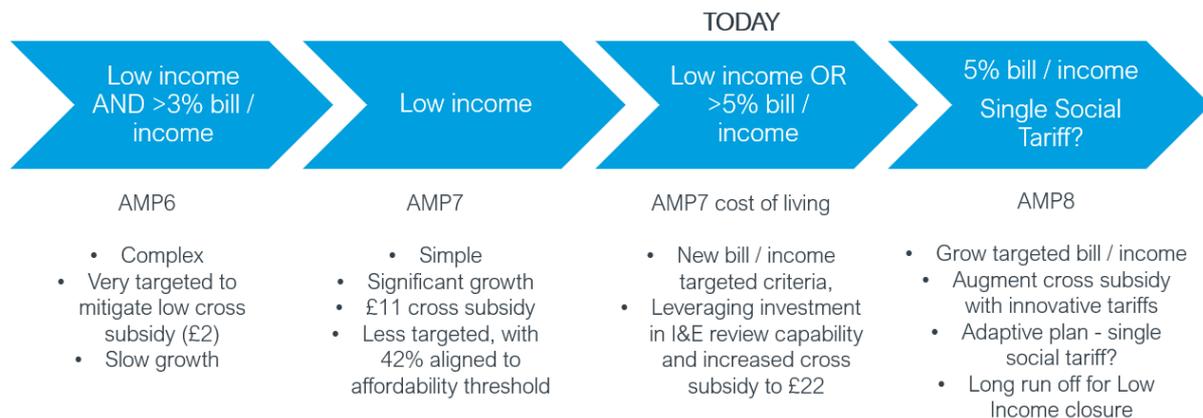
We will continue to leverage support from external agencies, for example making simple referrals to debt advice sector, income maximisation services and supporting Local Authorities in distributing hardship grants.

We are developing an innovative scheme to support customers on a long term reduced payment plan who are not able to pay their bill in full, which will come to fruition in AMP8. This long-term indebtedness is an industry wide issue. In an evolution of our payment matching scheme, where customers are able to pay their charges but not their arrears, this scheme will cap the amount of aged debt on a customer’s account if they stick to the agreed sustainable payment plan. This will prevent debt from growing to unsustainable levels, encourage engagement and make the step to a payment matching proposition or arrears reducing payment plan more achievable for a customer. We forecast 17k customers will benefit from £12m of support, funded by shareholders, over AMP8 but will capacity to support more if required.

Sustainable support – our social tariff evolution

Our social tariff has been continually evolving as constraints and the external environment has changed, see figure 5.3.

Figure 5.3: How our social tariff has evolved towards the AMP8 state



Our social tariff has grown in line with the available cross subsidy and capability of our teams to engage with customers. Significant growth of our scheme has been enabled in AMP7 through simplification of the eligibility criteria and proactive engagement. However, we know to meet the challenges of AMP8 and support over 464,000 households below the water affordability threshold in our billed, dual service, region we need to leverage our available funding further.

Therefore, we plan to take the following steps:

⁷⁰ [Smarter ways out of water poverty](#)

- Migrate to a more targeted criteria based on a ratio of bill to net equivalised income, aligned to the Affordability Threshold. We believe this the most likely criteria for a single social tariff at some point in the future.
- Introduce three tiers of discounts, as shown in table 5.2. We initially planned to do this in AMP7 with our Low-Income criteria but found that income alone was not a sufficient data point to justify a different level of discount.
- Introduce a rising block tariff to provide a saving of 9% to three quarters of customers with low consumption and create a progressive method of raising cross subsidy from households choosing to have consumption twice the national average, with protections for high occupancy and unavoidable consumption. See section 5.6 for more detail. Up to £60m of cross subsidy funding will be generated from this method, in addition to £95m of funding from the flat cross subsidy level already in place. We are unable to utilise shareholder funding for social tariffs as there are many competing demands for investment from shareholders, such as closing the asset deficit.

Table 5.2: Discount level based on affordability ratio, as calculated by our affordability model

Discount tier	Affordability Threshold
25%	5 - 6.7%
50%	>6.7% - 10%
75%	>10%

The discount tiers described in table 5.2 are designed to ensure a customer's bill is above the Affordability Threshold. About 10% of all recipients would require a discount greater than 75% but we chose this level to balance complexity of operation and providing a meaningful discount. The weighted average discounts £436, which equates to 40% of a typical bill of customers below the Affordability Threshold, in the last year of AMP8. Despite our current low-income scheme's flat 50% discount being a higher discount percentage, the financial value of support per low-income customer would be lower, at £307, due to the Affordability Threshold targeting criterion selecting customers with higher bills.

This plan will adapt and compliment any proposals for a single social tariff across industry. We will share our learnings from the implementation of our bill to income criteria to inform the debate.

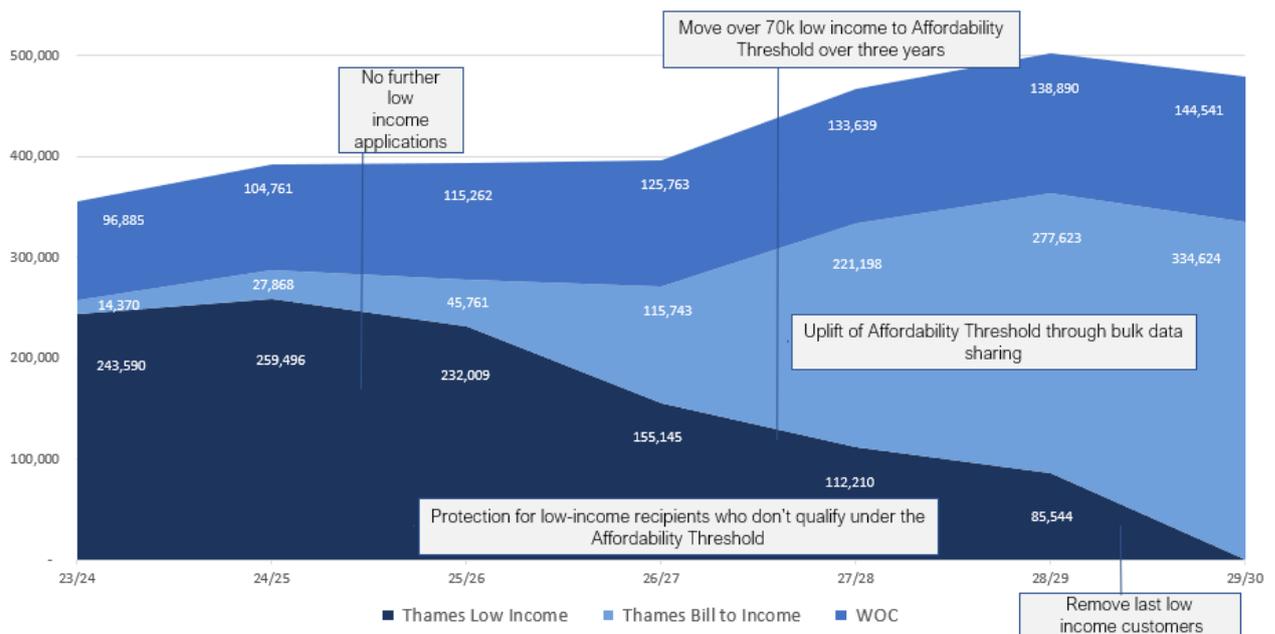
While the Affordability Threshold criterion is more targeted it will be harder to communicate to customers and creates greater effort in providing the necessary data. Our experience in extending the reach of our social tariff in AMP7 has given us confidence that we can reach a significant proportion of the eligible population, but not all. While the new social tariff criteria is more complex to communicate to customers and data capture requirements will increase customer friction, we believe that data sharing arrangements can be achieved with the money advice sector that will overcome these hurdles. Therefore, we will continue to develop data sharing partnerships with organisations such as PayPlan and Eon in addition to DWP, Councils and HMRC to reduce effort for customers. PayPlan and Eon use the same I&E platform provided by PayLink and therefore well placed to leverage this data. We are planning a pilot enabled by Policy in Practice to share DWP and council data with Enfield to test a proactive approach of applying this more complex tariff.

This will take time so we will balance the closure of our low-income scheme in line with the cross-subsidy capacity and growth forecasts. While we will close entry for new customers through the low-income criterion, existing recipients will be supported for up to four years. This will mean natural attrition will remove the majority of customers no longer eligible and those that are removed through renewal processes will benefit from an even more mature forbearance policy. This will mean that two thirds of customers will experience no bill shock from this transition. We will assess the suitability of a one-off hardship fund payment, or a reduced discount in the final year of the scheme to mitigate the bill shock of customers being removed from the discount tariff.

We recognise that the Water Only Companies that undertake the billing of our waste only customers may not come with us on the journey of moving away from a low income to the Affordability Threshold as an eligibility criterion. After aligning social tariff criteria across the southeast in PR19 this has slowly unwound during AMP7 as companies respond to different drivers. Based on this experience and to ensure a consistent experience with reduced effort for our waste only customers we will align to the criterion owned by the Water Only Company that undertakes the billing for this segment.

Figure 5.4 describes the growth of our social tariff. The number of customers registered through the Affordability Threshold grows over time as new customers register or migrate from the Low-Income criteria. The number of customers registered under the low-income criteria reduces as we close the scheme to new entrants, they migrate to the Affordability Threshold criteria or leave our region, before a number of customers are removed as cross subsidy capacity is reached. Customers with a social tariff within our waste only region, delivered through Water Only Companies, are also shown.

Figure 5.4: Growth and key elements of social tariff growth to 2030

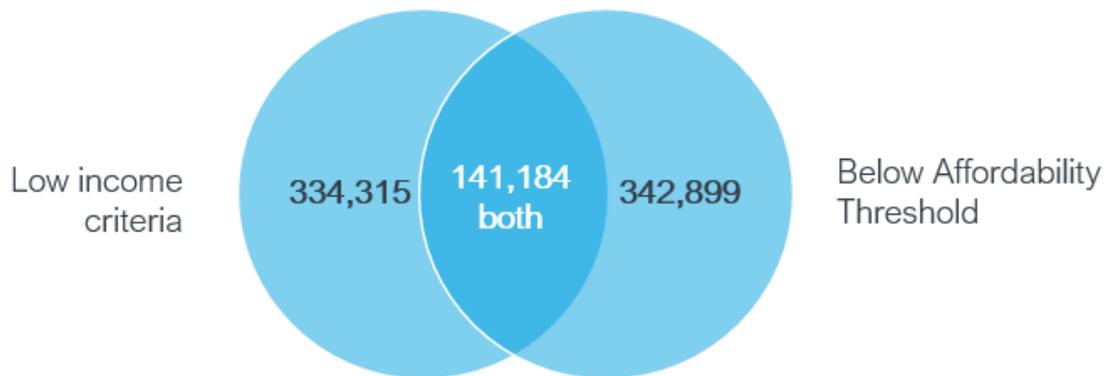


Source: Thames Water Analysis

5.4 Exploring the targeting of our social tariff: Low Income vs Affordability Threshold

As part of our analysis of customer segments who are struggling to pay their bill and our social tariff design, we explored in detail the difference in demographics between low-income customers and those who are below the Affordability Threshold. We worked with Frontier Economics to extend their affordability modelling commissioned by Water UK to help us understand the latest forecasts of low-income populations in our region, and how that overlaps with the population below the Affordability Threshold. The insight was that only 42% of the 334k low-income households in our directly billed region were also below the Affordability Threshold, while the separate populations were similar in size, as shown in Figure 5.5. As a result, we are unable to fund a social tariff that would support both of these populations.

Figure 5.5: Populations of customers below the affordability threshold and low income and their overlap in our billed region.



Source: Frontier Economics.

By reviewing 10,000 Income and Expenditure (I&E) reviews undertaken by Thames Water in 2022 we were able to understand more about customer demographics. Attempts to compare this data with several thousand I&Es from Pay Plan and a small number from Citizen Advice Reading were not directly comparable due to different data formats but directionally aligned to the analysis of Thames Water's customers. Additional insight was built through an Affordability model that we commissioned from BRG. This model allows us to understand how many of our customers were below the Affordability Threshold, using the principles developed by CEPA and Frontier Economics for the Water UK studies. The model allows us to adjust variables such as inflation, housing costs and water bills and how changing criteria for a social tariff can impact populations supported. For example, social tariff criteria can be optimised by using eligibility criteria of low income, bill / income ratios at different levels and gross income caps, different tiers of support with different discounts. This is augmented with two months of operation of the new social tariff criteria in 2023 where over 4,000 customers have joined our social tariff through our I&E process.

The picture we have built of the differences between the low income and Affordability Threshold segments are described in Table 5.3. Typically, a household below the Affordability Threshold is larger than average and has a water bill 175% of the average. Three quarters of the time low-income households are a single adult family, with or without children, and are of pensionable age half the time. Affordability indicators, including Equifax segmentation data for these two samples, didn't identify any significant variation, with the exception of Affordability Threshold customers having 18% more deficit budgets.

While these are generalisations, this paints a picture of low-income households that are more likely to be retired, single occupiers using less water; and households below the affordability threshold likely to be younger families with higher water use. ONS⁷¹ data shows that younger, larger, families are more greatly impacted by the cost of living crisis. So, by aligning our social tariff to the Affordability Threshold we are better targeting our support to those who need it most.

Including the level of water bill in the criterion will ensure that bill rises over AMP8 are considered when distributing our available funding.

Table 5.3. Demographics of low-income households and those below the Affordability Threshold

Characteristic	Low Income	Affordability Threshold
Single Adult families (with or without children)	75%	50%
Average occupancy	2.2	3.0
Average bill (I&Es)	£397	£596
Average bill (model)	£402	£737
% over 60 years old	49%	21%
Average Debt (arrears>1-year, new social tariff recipients Q1 23/24)	£1,141	£1,422
% with arrears > 1 year (new social tariff recipients Q1 23/24)	45%	47%
% with deficit budget (new social tariff recipients Q1 23/24)	58%	69%
% of HH in lowest three deciles of IMD deprivation index	57%	56%

Source: TW I&E Analysis from 2022, TW social tariff recipient analysis from 2023, plus affordability model outputs

Operationally, capturing the data required for the Affordability Threshold is more challenging than a low-income criterion. It is also harder to explain to customers and raise awareness. However, with the investment in our I&E process the message has changed from ‘do you know about our social tariff; to ‘we provide support, get in touch, and tell us about your circumstances, and we can provide the right package’. Additionally, with our commitment to data sharing alongside community engagement to reach those who are underrepresented in our support, detailed in section 7, we are confident we can overcome these barriers.

On balance we feel moving to the Affordability Threshold is the right thing to do and has been well received through challenge from CCG, engagement with the DWP Poverty unit, Local Authority cost of living leads and the money advice sector.

While low-income customers are still in need of support with their household finances it is not their water bill that is creating this financial hardship as it is an affordable element of their budget. While every £1 counts for these customers we won’t be able to solve their affordability challenges through the discounting of a water bill. Therefore, we feel it is right to align to the

⁷¹ ONS = Cost of living impact

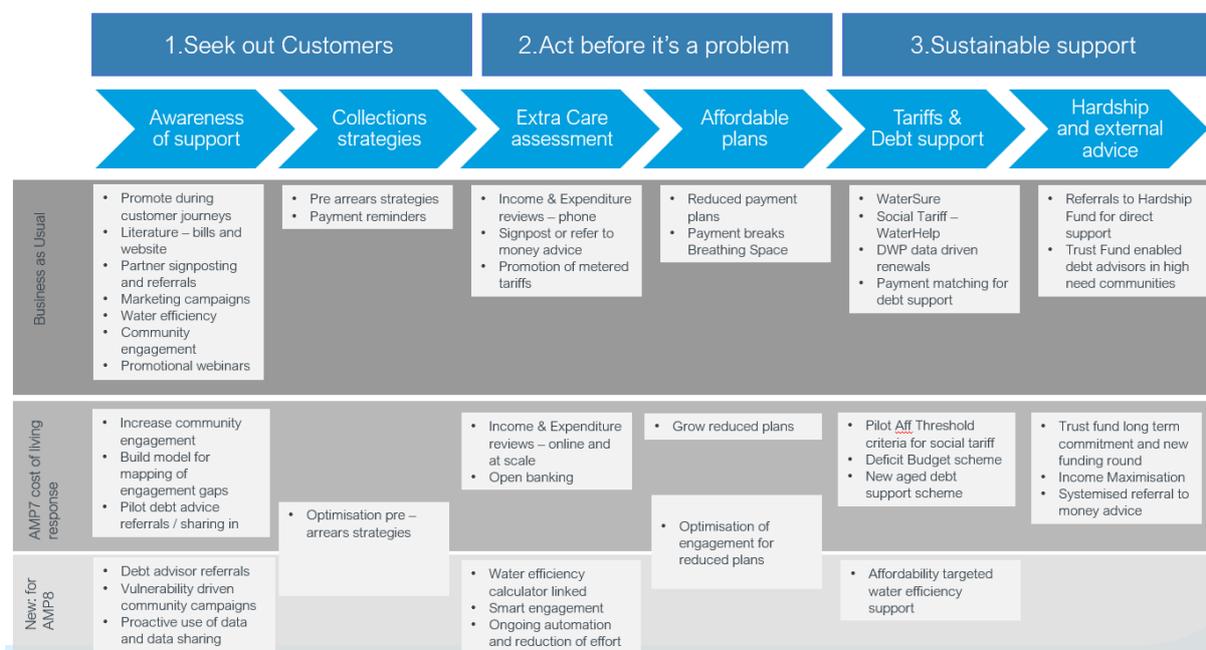
CCW endorsed criteria to best target our available funds. Mitigating the impact through proactive engagement during a four-year run off period, providing other forbearance options and potentially a tapered discount and hardship fund referral as described above will ease this transition.

We need to be mindful of the potential Single Social Tariff, but currently this intent has uncertain timescales, and we need to act now. By testing the Affordability Threshold as an eligibility criterion and the operational practices of engaging customers we will be able to offer ways of working as a solution for a potential industry wide problem.

5.5 Summary of our support package

Our proposed support package for customers who struggle to pay their bills is summarised in the figure below.

Figure 5.6: Our AMP8 support package for customers who struggle to pay



Source: Thames Water

5.6 Innovative Tariff – introducing a Rising Block Tariff

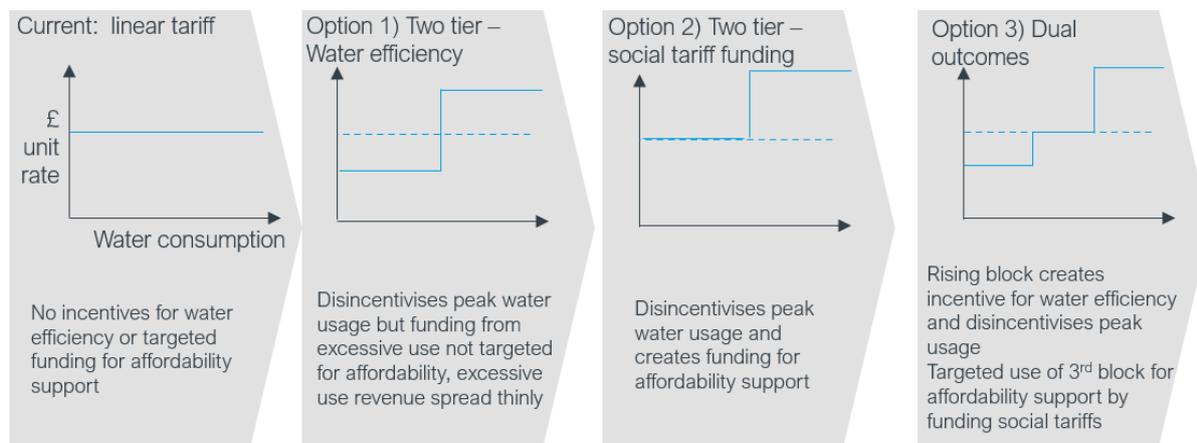
Our social tariff cross-subsidy, at a level of £23 per customer, was established through customer research in 2022. As we need to increase the capacity for support, we propose a more progressive method to provide social tariff funding through customers using excessive volumes of water by choice.

Therefore we will trial an innovative tariff in year one of AMP8, with plans for wider roll-out from 2027. We believe there is a considerable opportunity to use new charging approaches to extend the reach of social tariffs while incentivising more efficient consumption. Our initial proposal for three tiers of rising block tariff is based on a need to create incentives for efficient water usage across the range of customer consumption. Only having an ‘excessive use’ tier

would not create an incentive for efficient use at lower levels of consumption. Having more than three tiers would create unnecessary complexity. The perfect solution would be an occupancy level-based tariff, but the data to do this is not yet available.

Collecting increased revenues from the highest consumers of water could be used to further reduce the bills of low consumers. A principal beneficiary of this will be single occupier households. Single occupiers are in persistent poverty more than the average⁷² but not significantly and it is not a good targeting mechanism. Instead, social tariffs are highly targeted to those struggling to pay. Figure 5.7 summarises this thought process to structure a rising block tariff in this way which can provide both affordability and water efficiency outcomes.

Figure 5.7: How different options for a rising block were considered but led us to Option 3 that has dual objectives of both targeted affordability and water efficiency outcomes



We will trial a three-tier rising block tariff with 10,000 of our existing smart metered customers, moving beyond our current fixed unit rate tariff. All else equal, over 75% of our customers – those with consumption less than 441 litres per day (average household consumption is 343 litres per day) - would benefit from lower bills, as shown in Figure 5.8. This is because of almost halving unit charges for the first 50m³ consumed annually. Unit charges above that would be broadly in line with current rates. Only consumption above 685 litres per day, a level twice that of an average metered household, would be charged at the 'excessive' rate. This rate is intended to reach only those with genuinely excessive consumption who are able to pay, with protections described below for those that need to use this level of water. This 'excessive' rate will be set at more than twice the current fixed unit rate. Figure 5.9 describes our current tariff model that we have used for this analysis.

We are basing 685 litres per day as our premium charge threshold on insight collected from our Smarter Home Visit engagement and smart meter data - we know that average use for a household of 6⁷³ people will be below this threshold. Only 0.6%⁷⁴ of households have an occupancy of 7 or more people. We will create exemptions for those with occupancy of 7 or more people, plus those with medical needs driving consumption above this level, which has

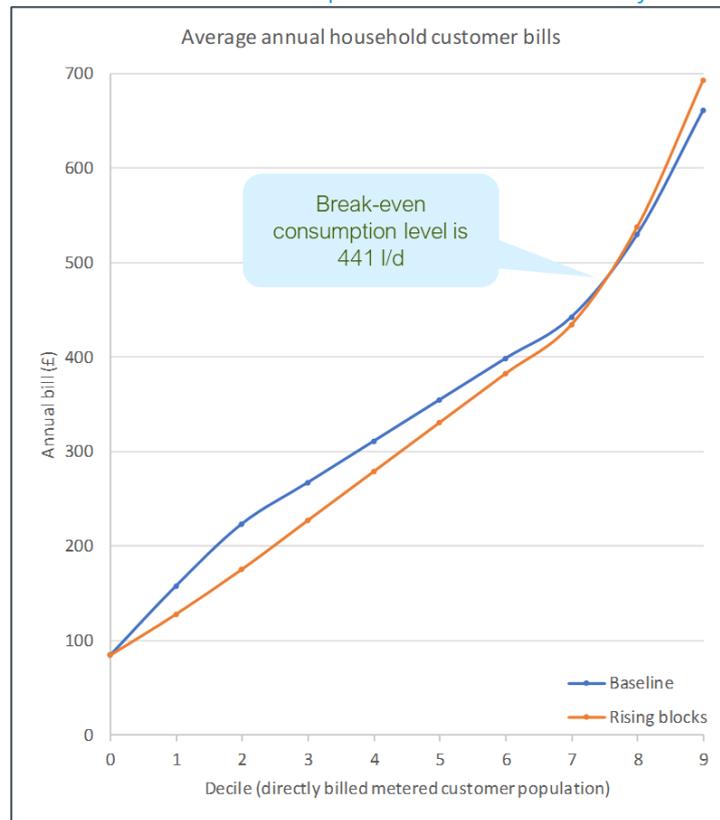
⁷² On average, 12% of people live in persistent poverty, lone pensioners (18%) and lone working age people (14%) are slightly above this, but it is not a good targeting mechanism [JF Rowntree, page 27](#)

⁷³ Thames Water Analysis

⁷⁴ Thames Water Analysis of census data

been taken into account in our modelling. Customer engagement will be key to deliver these protections.

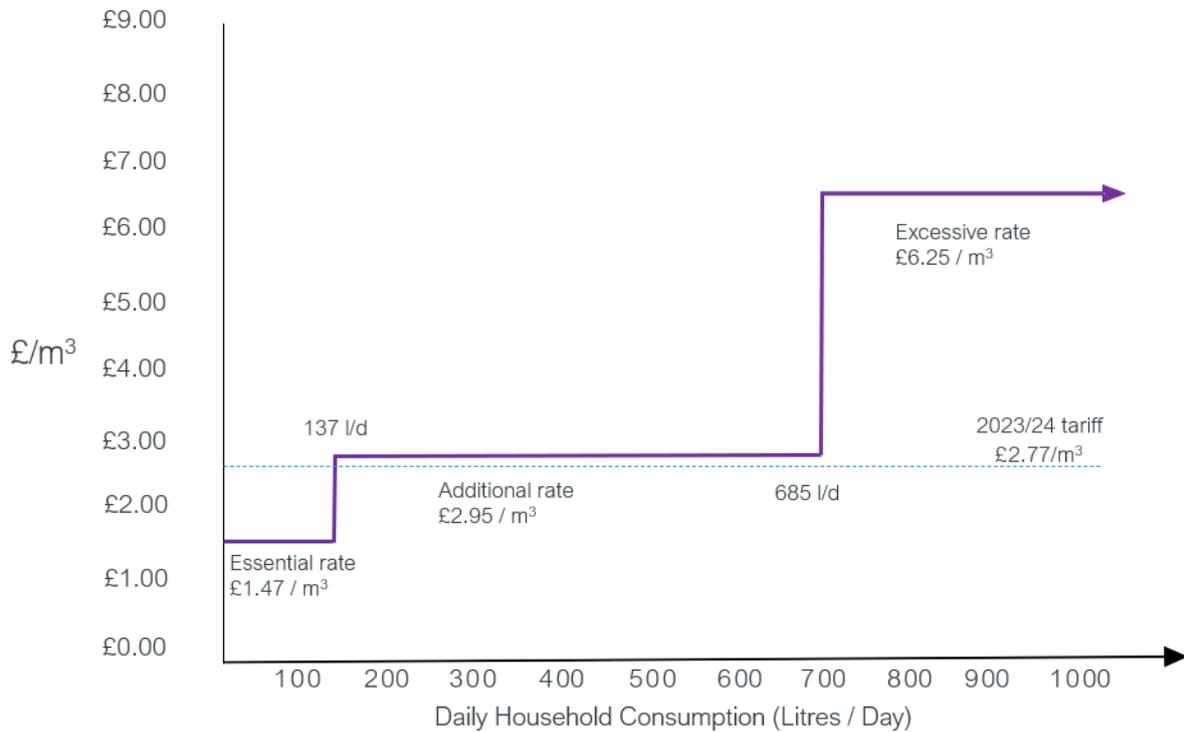
Figure 5.8: 75% of the metered population will have a reduction in annual charges, representing those with consumption below 441 litres/day



Source: Thames Water analysis.

We understand that water consumption is relatively unresponsive to price. However, in the trial we will combine the new tariff with novel engagement approaches, accessible information, and regular communication. The trial will be critical to understanding behaviour response, allowing us to refine the tariff parameters ahead of fuller rollout across our metered customers. We intend the tariff will allow us to both extend the reach of our social tariff and also driving tangible reductions in consumption, delivered through ongoing forecasting and rebalancing of tariffs. The tariff trial and subsequent fuller rollout will make a vital contribution to our water efficiency plans, set out in our TMS28 Enhancement case: WRMP demand reduction Appendix.

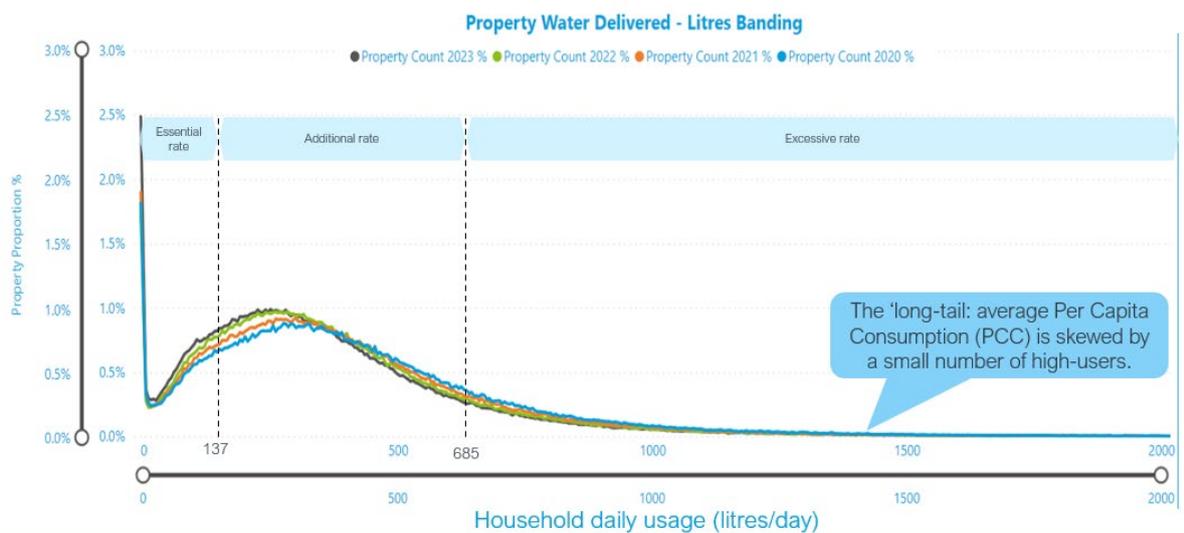
Figure 5.9: How our proposed rising block tariff compares to our current tariff.



Source: Thames Water Analysis

Figure 5.10 shows how average demand is skewed by a small population with excessive use that enables this approach to be revenue neutral. Observing the behaviour, both of water consumption and bill payment, of customers with this level of consumption will be a key element of our pilot to allow this model to be optimised.

Figure 5.10: The long tail of consumption



Source: Thames Water Analysis.

For those who can afford and choose to continue excessive consumption this revenue will be used to supplement cross subsidies and make bills affordable for customers below the Affordability Threshold.

We will engage with customers using over this threshold to identify exceptions, provide affordability support and target Smarter Home Visits to reduce consumption and fix leaks. Critically, engagement with customers prior to reaching the premium threshold will help mitigation of wastage that customers may be unaware of.

We forecast 150k households, 8% of our metered base, will pay this charge from 2027, providing £55m of funding per year, an average additional cross subsidy charge of £360 per excessive use household. With our region containing disposable incomes 25%⁷⁵ higher than the UK average there is capacity for this.

Summary of support for customers to prevent detriment due to a rising block tariff

To ensure customers are making informed decisions and reduce the risk of detriment from their bill increasing due to consumption, we shall provide the following support, enabled by our smart meter data and customer engagement tool kit.

- Provide monthly engagement on consumption and bill impact, with water efficiency advice
- Notify promptly when continuous flow is identified
- Target water efficiency visits (Smarter Home Visits) to users of excessive consumption and those with affordability challenges to provide practical tools, free plumbing and advice on how to reduce consumption
- Free pipework repairs with customer side leaks for those in receipt of our affordability support
- Not apply the 'high use' tariff to households with 7 or more occupants or those with a medical dependency on water
- Apply the 'WaterSure' tariff that caps bills at the average bill for those in receipt of a means tested benefit and with either 3 or more children or a medical dependency on water
- Apply our social tariff which is based on a ratio of bill to net equivalised income, aligned to the Affordability Threshold

We will design our customer engagement approach using inclusive by design principles.

As described in section 3.4.3 – Act before it's a problem – our capability to engage customers on consumption and impact on bills will enable engagement as a customer approaches a change in unit cost of consumption. These nudges through customer's chosen channels will increase engagement in water efficiency.

In August 23⁷⁶ we undertook research with customers to assess this support for using a rising block tariff helping to fund social tariff cross subsidies and found that it was accepted by 80% of customers, with an additional level of cross subsidy equivalent to £15 per dual service customer. While acceptance was higher for those that would see a bill reduction, with 83% acceptance, we still saw acceptance at 72% for those who would be paying the excessive use charge. The research reinforced the need for strong communications to explain how income

⁷⁵ ONS

⁷⁶ CX128 Rising Block Tariff research, Verve, September 2023 (WCCSW v18.3)

would be used and that essential users of water, such as large families and those with a medically driven need for high consumption will have protections.

To date these proposals have been well received by stakeholders such as CCW, who gave us this feedback: *'CCW welcomes the approach taken by Thames Water in exploring how charging innovation might be used to simultaneously deliver positive outcomes on water efficiency and affordability. The high levels of support identified through their customer research suggests that its proposal to develop and trial a Rising Block Tariff to support its affordability tariff resonates with customers, including the small number that may ultimately pay more (due to very high levels of discretionary water use). We look forward to working with the company on the development and implementation of the trial scheme, protections for consumers with extra needs, and on the associated communication with customers.'*

6. Supporting customers who need extra help

6.1 Our approach to providing an inclusive service for those needing extra help

We have built the infrastructure to provide a proactive inclusive service through the formation of policies, processes and systems as described in Figure 6.1. We verified these outcomes with the British Standards Institute for the provision of inclusive service and have been accredited with British Standard 18477 for three successive years. Key to this is our training programme, co-designed with the Money Advice Trust, where our customer facing teams undergo vulnerability spotting training and all our employees receive yearly vulnerability e-learning refreshers.

Our customer PSR data is connected to all the systems used by our customer facing teams to enable tailoring of interactions and processes. Our systems automatically generate emails or letters to customers to prompt them to check in with us to ensure their details are up to date. This ensures we exceed the common Performance Commitment target of 90% for attempted contacts and along with other channels has seen us also exceed the attempted contact target of 35%, with 47% of customers on the PSR for greater than two years engaging with us.

Figure 6.1: Our approach to providing inclusive service.



Source: Thames Water

Raising awareness and extending the reach of our PSR is key to enabling this proactive service delivery. Our approach of data sharing, employee spotting, using data for proactive registration and campaigns to raise awareness has seen growth of 9,000 households per month, net 6,000, during 2022/23. As this continues over the remaining years of AMP7 we expect to exceed our target of 410k customers on our PSR, equivalent to 7% of our base, 12 months early. Our approach to increasing awareness and reach of our services is described in more detail in section 7.

PSR data informs conversations on the phone and on the doorstep, facilitates inclusive communication formats and tailored processes. Table 6.1 provides a summary of the propositions we deliver.

When monitoring customer satisfaction scores for customers on our PSR we see a slight improvement, typically 2%⁷⁷, compared to non PSR customers. When we explore drivers of dissatisfaction for PSR customers they are largely the same as non PSR customers, for example keeping customers informed and resolving issues quickly. The one inclusive service theme that emerges as a source of dissatisfaction is the provision of alternative water during supply interruptions, which is currently being invested in and described in section 6.3. As our customer service improvement plans described in our TMS11 Our Customer Strategy Appendix improve customer experience, we may see more inclusive service issues being surfaced that we will address.

⁷⁷ Thames Water analysis

Driven by our customer and stakeholder engagement we have been growing the breadth of our propositions to support customers, doubling the number from 11 at the start of AMP7 to 23 currently, as shown in Table 6.1.

Table 6.1: Our inclusive service propositions with those introduced in AMP7 highlighted in bold

Theme	Current Propositions (new within AMP7 in bold)
Inclusive Communication channels	<ul style="list-style-type: none"> • Language translation (voice) • Nominated representative / Alternative contact engagement • Braille communications • Large print communications • Bills on coloured backgrounds (plus other revenue communications) • Accessible website to AA standard • Text Relay • Talking bills • Face to Face BSL translation • Video relay for incoming BSL calls
Tailored Engagement	<ul style="list-style-type: none"> • Trained people aware of needs to tailoring conversations and service • Doorstep password • Hardship fund referrals • Regular check in on circumstances • Signposting to supporting partners • Systemised PSR registration with UKPN • Proactive registration for over 80-year-olds
Operational Services	<ul style="list-style-type: none"> • Proactive contact during a water outage • Proactive delivery of alternative water • Support from Customer Reps during an incident • Flooding – prioritised response • Waste – prioritised response during peak demand • Priority phone line, front of the queue bypassing IVR

Our ways of working will allow us to demonstrate that we meet customer licence condition G4.5, that the Appointee understands the needs of customers of the Appointee and provides appropriate support, including appropriate support for customers needing extra help, and including during and following incidents.

6.2 Our support for water sensitive non-Household customers

Our definition of properties that are water sensitive is:

- Hospitals
- Prisons
- Primary and secondary educational establishments (including special needs schools)
- Farms and abattoirs (with commercial livestock)
- Vulnerable domestic customers sharing a supply with a non-household customer premises
- Sole traders who are sick, elderly, or disabled

- Care homes and nursing homes, where eligible
- Premises with national civil or security importance and critical national infrastructure sites. To date we have not been notified of any by DEFRA

Our support for Water Sensitive Non-Household customers is focussed on engagement and alternative water supplies during an incident. We have worked with retailers to improve our visibility of contact details for this segment. As a result, there has been a steady increase in the number of retailers, now up to 12 out of 17, who have agreed to share emergency contact details with us. These 12 retailers represent 95% of the NHH customers in our area. This has enabled us to improve our engagement during incidents and prior to planned interruptions. Where we have gaps in contact details, we have to improvise in finding contacts such as through internet searches and attempt to make contact if and when we are present on the ground, which delays us engaging with the right person in the NHH organisation.

There remain concerns market-wide with the quality of emergency contact information available, for example those retailers that have provided details to us have only been able to provide a phone number for around 55% of their customers. We continue to work with retailers and other market stakeholders to better formalise the collection and availability of customer contacts details to improve this vital communication for customers.

We have developed a solution which enables us to more rapidly identify non-household customers impacted by an incident and improved our communication with retailers, so they are able to support customers. Sensitive customers are also provided with a priority phone number which they can use to contact us during an incident, and we also carry out annual maintenance checks of the network supplying category 1 sensitive customers so we can be confident in our ability to respond should the worst happen.

We have identified over 300 category 1 sensitive customers (hospitals and prisons, as defined in the Retail Wholesale Group Unplanned Events Good Practice Guide) and maintain a standardised public health related Site-Specific Arrangement (SSA) for these customers which is flagged in the Central Market Operating System. The SSA sets out how we will support customers during an incident which is impacting their water supply, what support we need from them to help us manage an incident and provides customers with guidance on how to develop their own resilience if water supplies are interrupted. We are also planning to pilot a programme to proactively engage hospitals and prisons regarding their business resilience and incident management arrangements in relation to water, using our team of Incident Responders.

6.3 Progress made in inclusive service provision over AMP7

Over AMP7 we have made significant investment in our inclusive services.

All our systems used to serve customers now include the industry aligned 'need codes' and our data master ensures up to date information for all customer interactions. This provides a consistent view of the Priority Service Register that support interactions with customers.

Our PSR registration journey is now simpler for both our people and our customers. Our contact centre teams can register on the PSR without any referral to a specialist team and update records directly into the customer relationship management system. Customers can register on our portal which then is automatically loaded into our systems. This portal also supports

customers updating their records as well as the negligible volume of customer driven removal requests.

We led the industry direction away from explicit consent as a method of capturing PSR data. We recognised that collecting and storing PSR data using explicit consent was creating barriers for engaging customers and was not the most appropriate legal basis. After we changed to Legitimate Interest / Substantial Public Interest the ICO subsequently endorsed this change and now all water companies and DNOs are using this legal basis, with Energy suppliers expected to follow shortly. A powerful benefit of this change is the reduced effort to capture details, allowing third parties, such as carers, and support organisations, such as Fire Brigades, to register customers more simply.

This change of legal basis has helped us develop data sharing between statutory bodies and energy companies with the creation of the Essential Sharing Network. This approach enabled Thames Water and UKPN to be the first Energy – Water partnership that systemised the two-way exchange of customer PSR details underpinned by a legal basis other than explicit consent. We have also been the first water company to introduce systemised data sharing with statutory bodies. Firstly, with the London Fire Brigade and also Wiltshire Fire Brigade, with more details in the case study below. We have been engaging with over 20 local authorities and expect to have data sharing in place with a local authority during AMP7, although there are resource constraints and incorrect perceptions of the legal basis to overcome.

We have implemented a new training programme designed with Money Advice Trust and rolled out to all our customer facing people, with e-learning for those in non-customer facing roles. A yearly refresher is also in place and coaching of spotting and tailoring to ensure inclusivity is driven by our quality management framework.

These changes, and the other activities set out in section 7, have seen our PSR grow from 1% to 6.3% of households served, with 8% anticipated at the end of AMP7. Gross growth of 9k per month is achieved through data sharing, our employee's spotting, signposting and referrals from partners. We will maintain the quality of our data with our automated check in process complementing other engagement channels with customers. We see data sharing taking an increasingly important role in supporting the quality of our PSR data.

A key part of providing an inclusive service is providing information in a simple and accessible way. We have rebuilt our website, so it is now on Web Content Accessibility Guidelines (WCAG) to AA standard – a level that many organisations strive to meet⁷⁸. This allows screen readers, translators, and other adaptive technology to be applied by users. We have been continuously improving our communications and made them more accessible. We retrained our teams responding to written complaints and queries with the support of a specialist organisation, 'the First Word'. As a result, quality scores improved and second stage complaints with a root cause of 'unclear response' reduced from 30% to 1%⁷⁹.

A further example is our bill redesign project using an 'inclusive by design' process to support our customers to better understand our bills, by making them clear and helpful. This was based on extensive customer and call centre insight, and by looking across the industry for best

⁷⁸ [Web Content Accessibility Guidelines](#)

⁷⁹ Thames Water Analysis

practice. We then commissioned external research agency Yonder to conduct in-depth interviews with a diverse set of 28 customers to get their feedback on the new design. As a result, we experienced a 10% drop in calls relating to 'understand my bill' from customers receiving the new bill design. In our customer survey 94% found new bill easy to understand, 77% thought it was better than our previous bill and 67% thought it was better than other utility bills. We initiated a partnership with Plain Numbers as part of this bill redesign project which we have continued. See case study in figure 6.2.

Figure 6.2: Our partnership with Plain Numbers⁸⁰

Plain Numbers Case Study

Poor numeracy is the most prevalent form of vulnerability. In 2021 we were an inaugural partner with [Plain Numbers](#), who enable organisations to improve understanding and facilitate informed choices with numbers by using their best practice approach of small practical changes. We tested this as part of our redesign of our customer bills. They helped us think through how to present numbers and design research which were part of the success of our bill redesign.

Our Customer Comms team are now accredited 'Plain Numbers practitioners' and they are bringing the principles of using numbers in an accessible way across all their content that will reach customers. As we produce new communication materials a triage process is in place to identify documents with a high risk of numerical misinterpretation and these documents are shared with Plain Numbers for a review and an iterative process that leads to the material being accredited. As part of reviewing our communications to align with the Ofwat 'Paying Fair Guidelines' we successfully submitted two of our debt recovery templates for Plain Numbers accreditation. We selected two critical documents – the final demand for payment and letters used when we write to the executors of a customer that has died. These letters represent the first Plain Numbers accredited communications in the water industry.

We have increased the number of support propositions from 11 to 23 as shown in Table 6.1. When we update propositions, we work with partners to ensure our advice to our teams is up to date. For example, we updated our knowledge management content for supporting customers with kidney failure with Kidney Care UK, how to engage with customers with hearing loss with Action on Hearing Loss (now RNID) and insight on how to support those living with Dementia with Dementia UK. This ensures that the information given to our customer facing people represents current thinking and provides succinct and accessible guidance whilst working with our customers daily.

As we progress in AMP7 we will embed and increase in maturity our 'inclusive by design' principles into our change processes, increasing the utilisation of our diverse customer panel 'Thames Water Voices' to test propositions.

Our wastewater network teams use PSR data when prioritising blockage clearances and follow on repair work. All customers get a rapid response to a blockage but there are times when we

⁸⁰ FCA – [Poor numeracy is the most prevalent form of vulnerability](#)

have a peak in demand and we need to extend customer promises, typically due to high levels of rainfall in the winter and over a shorter period during summer storms. At these times blockage clearance service levels can increase from 48 hours to 72 hours, or in extreme situations 5 days. However, PSR customers service levels are protected, and the standard 48 hours is maintained throughout peak periods.

As we plan to improve response times for blockages, we are testing a 24-hour service level in one operational region and for all PSR customers. We will learn from this and target 24-hour response times across our region for all customers in AMP8.

When prioritising follow-on work, we have developed our Customer Risk Index model which incorporates PSR data among other indicators of customer and asset impact when prioritising repairs. As a result, there are typically less than 0.3%⁸¹ of outstanding work related to PSR customers, despite 6% of households being on our PSR.

We have restructured how our PSR data is used during incidents with priority tiers utilised to focus our support where it is most needed. This, along with the increase in reach of our PSR, gives us greater visibility of which customers require support. However, we have not always been able to proactively deliver water to all customers within the timescales that are acceptable. To improve this we are in the process of investing in a more resilient supply chain to improve our incident response as described in our TMS11 Our Customer Strategy Appendix. This includes a significant increase in field resources to provide alternative water during a supply interruption with 20 Thames Water full time incident responders and 5 dedicated courier vans on 24/7 standby. We are in the process of increasing this to 30 courier vans and also procuring an additional 25 large tankers on top of our current 11 tankers. These tankers are able to support service reservoirs or directly feed into the network that negate the need for alternative supplies to be delivered. By the end of AMP7 we will have capacity to support PSR customers that need alternative water during 98%⁸² of incidents.

Across circa 7,000 people in Thames Water, we measure engagement through our 'Hear for you' survey. Included in this survey our colleagues are asked how strongly they agree with the statement 'I am proud of the service that we provide customers in vulnerable circumstances'. As a company a strong 76% agreed. Our Financial Customer Care team, which incorporates our Extra Care and Collections teams who are directly supporting customers most in need of extra help, scored 94%⁸³ for this question. In our Operational Contact Centre this score was less with 69% agreeing with this statement, and the team updating customers during incidents scoring 29%. This represents the progress that we need to make on supporting customers during supply interruptions and incidents.

Together, these investments have allowed us to meet BSI 18477 for inclusive services for every year of the AMP to date. We will continue to assure our service provision through annual accreditation through the British Standards Institute. Further, we plan to upgrade from the current British Standard to the ISO standard and Kitemark, which has an updated and broader scope than the British Standard.

⁸¹ Thames Water Analysis

⁸² Thames Water Analysis

⁸³ Thames Water Analysis

Customer satisfaction for customers on the PSR is not currently meeting our target of 91%. PSR customers record satisfaction scores of 88% compared to non PSR customers at 86%. Our customer service improvement plan will drive this more than our vulnerability strategy, as dissatisfaction is driven by general customer service issues, not inclusive service issues. The one inclusive service theme that emerges as a source of dissatisfaction is the provision of alternative water during supply interruptions which we are addressing, described earlier in this section, but resolving this would not close the gap on the target.

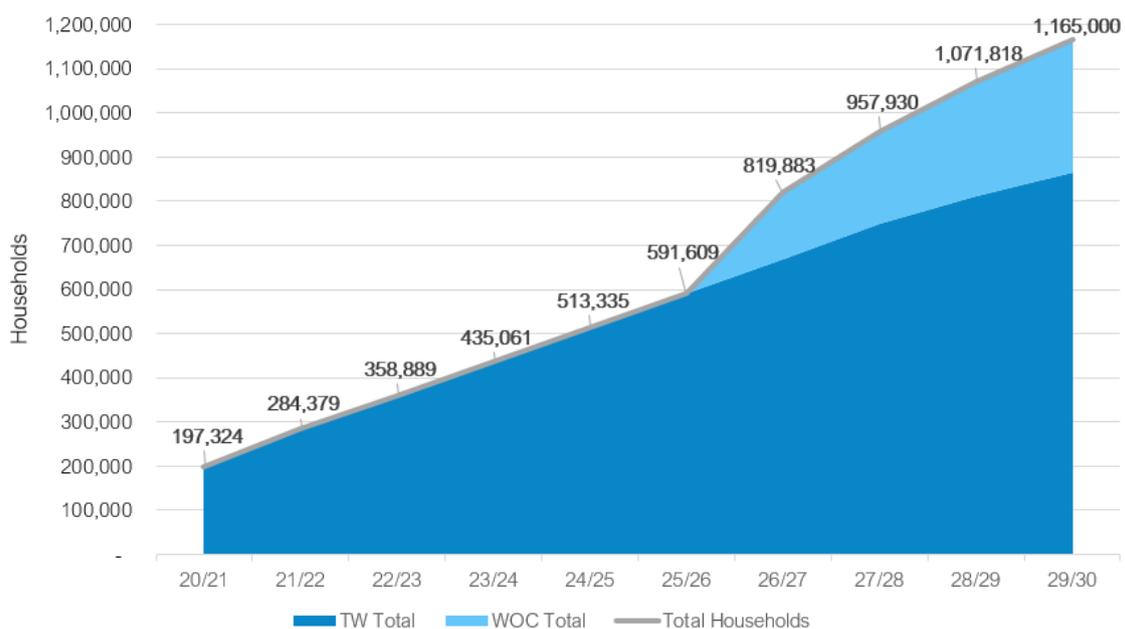
6.4 Our plans for inclusive service over AMP8

Having made substantial investment within inclusive service during AMP7 we have reviewed our approach through benchmarking and stakeholder engagement and plan to continue with our current approach. Continuing our current strategy will enable us to:

- Extend the reach of our PSR to 75% of eligible households, with 1,165,000 customers supported driven by a combination of mature data sharing and community engagement to engage those who are underrepresented
- Increase breadth of services we offer with a 30% increase in the number of service propositions for those who need extra support
- Continue our automated check in process for PSR customers every 2 years with a targeted 45% actual contact
- Monitor our service survey customer satisfaction scores for our PSR customers and compare to non PSR customers and ensure there are no themes of detriment for these customers, plus identify continuous improvement opportunities
- Maintain external accreditation for our inclusive services to the enhanced BSI Kitemark for ISO standard 22458

We will share best practice as we continuously improve, in line with expectations of the customer licence condition.

Figure 6.3: PSR growth over AMP7 and AMP8



Our 2050 vision is to hold a PSR that is reflective of the needs within the communities we serve. However, we know that this will be difficult to achieve without an aligned approach from utilities, wider industry, statutory bodies, and the 3rd sector. Building this momentum will be difficult and to date our work with the National Preparedness Committee has shown that this is not a key focus area for government. Without a government department with the convening power to bring stakeholders together and set an expectation of sharing data we don't believe we will be able to achieve a fully representative PSR in AMP8 and are therefore aiming for 75% of those eligible, up from 26% at the end of 22/23. This equates to 1,165,000 households and will require a step change in the maturity of our current approaches to engage customers, which is described in section 7. Figure 6.3 describes the growth of our PSR.

A key component of this growth is utilising Water Only Company data within our PSR. Historically 'Special Needs Registers' were focussed on water supply and billing issues. Our PSR is a master within our billing system and as we don't directly bill our waste only customers, we have no system to support this data. While a standalone, tactical, capability for a waste only PSR could have been built during AMP7 it would have created inefficiencies in our systems and data architecture. Instead, the deployment of our Customer and Property Data Transformation, as described in the TMS11 Our Customer Strategy Appendix will enable this capability. This investment will ensure we hold and utilise Unique Property Reference Numbers across our systems will facilitate data sharing with Water Only Companies who hold PSRs in their billing systems. Our digital CapEx has been carefully prioritised to best serve all our customers and the Data Transformation is phased towards the end of AMP7, pushing the waste only PSR capability into AMP8.

Driving scale in the growth of our PSR will be our approach to data sharing. Data sharing is an efficient scalable solution to identify customers in need of support. While the breadth of a customer's needs is not fully understood from data, engagement after proactive registration or communication campaigns can lead to a deeper understanding of a customer's situation. Driving engagement with those who are underrepresented will come from our community campaigns. While expensive and inefficient at scale community presence and door to door engagement can reach customers who otherwise wouldn't engage with us or are visible in data sharing.

Our hybrid approach is to utilise our community campaigns after data sharing has been deployed. Community campaigns will be highly targeted and use external data to target communities where our proposition reach has not met expected levels of penetration. We will build on the insight taken from our pilot in AMP7, our collaboration with Severn Trent's innovation fund research, and industry pilots facilitated by the CCW Affordability Review to refine our community approach.

Maintaining data quality will be increasingly reliant on data sharing with other organisations rather than our outbound emails and letters in our automated 'check in' process. We will continue to attempt contact with 90% of our customers on our PSR greater than two years as aspiring to attempt contact a greater number will lead to excessive management of this metric. This is because PSR customer data has a dynamic nature as customers engage with us or leave our region. Targeting actual contact at 45% is based on current performance and represents a challenging target as the PSR grows to 1,165,000 customers.

We will continue our collaboration with partners as described in section 7 to ensure our service is fit for purpose. This engagement will be at the heart of our plans to increase the number of circumstance specific propositions by 30%. Implementing new service propositions requires innovation, partnering with the 3rd sector, engagement with customers and system investment. The propositions we are targeting have been highlighted by stakeholders and can be built on our strategic platforms. Table 6.4 summarises the service propositions that we plan to develop over AMP8. Over AMP7 we will have almost trebled the number of services that we deliver for customers and will deliver another 10 additional propositions during AMP8. This list will evolve as insight identifies opportunities to serve new and emerging vulnerabilities, and as technology provides new solutions.

We will continue to use PSR data within work management tools, with PSR data being incorporated into our case management pilot to speed up complex or high impact waste network activity to mitigate customer impact. Across all our operational reporting PSR status will be utilised to mitigate customer risks. We expect service levels to be the same or better as non PSR households.

Customer's experiencing incidents will receive rapid communications and consistent support through the deployment of our new customer communications platform that will allow us to increase the frequency of communications during incidents. Our primary channel currently is SMS and the new platform will enable us to utilise emails and, crucially for PSR customers, enable SMS messages to be sent to landlines – a channel used by the Energy Distribution Network operators - which mitigates the impact of only having 26%⁸⁴ of email or mobile number for PSR customers.

Our field teams that deliver alternative water will be insourced to enable us to take advantage of different workstreams to support peaks in demand during large incidents. For example, courier drivers will be part of our ground's maintenance teams allowing grass cutting to be paused during incident support.

We'll provide externally recognised accessibility and inclusivity standards of services that support our 2050 Vision. To do this we will maintain our accredited quality approach to the provision of inclusive service, upgrading the BSI standard to the ISO standard. We will continue to increase consistency with the application of voice analytics focussed on vulnerability outcomes.

As our general customer service levels improve, we will be able to more readily identify inclusive service themes that are driving dissatisfaction to enable continuous improvement. We will focus on our service survey as it has a more representative sample of customers compared to the CMEX survey where we may only identify around 100⁸⁵ customers per year.

[Table 6.4: Development of Inclusive Service Propositions that we plan to roll out during AMP8, building on those provided currently, and is subject to change](#)

⁸⁴ Thames Water Analysis

⁸⁵ Based on 18% PSR customers within 800 surveys, and 70% providing identifying details.

Theme	AMP7 Propositions	Proposed additional propositions over AMP8
Inclusive Communication channels	<ul style="list-style-type: none"> • Language translation • Braille / large print communications • Coloured backgrounds • Accessible website • Text Relay • Video relay for BSL 	<ul style="list-style-type: none"> • Awareness communications (eg, PSR, bin it/don't block it) and safety (restriction of use) in wider languages • Written summary of conversation • TW employees with foreign language routed calls via system based on PSR data
Tailored Engagement	<ul style="list-style-type: none"> • Trained people aware and tailoring conversations and service • Doorstep password • Hardship fund referrals • Regular check in on circumstances • Signposting to supporting partners 	<ul style="list-style-type: none"> • Real time quality management • Prior engagement before impactful works • Knock and wait • Specialists to support with sensitive scenarios, eg, mental health / dementia / chronic sickness
Operational Services	<ul style="list-style-type: none"> • Water outage – proactive contact, support from Reps and alternative water • Flooding – prioritised response • Waste – prioritised response during peak demand • Priority phone line, no IVR • Smart CSL PSR data prioritisation 	<ul style="list-style-type: none"> • Incident management consistent and at scale • Water operations prioritised response during peak demand • Optimised waste response model

7. Working with external partners and extending the reach and awareness of our services

This section brings together our approach to working with external partners and extending the reach of our services for those needing extra help, including those struggling to pay. This is because customers often benefit from both types of support and the approach to external engagement and extending the reach of our services is similar.

External organisations play an integral role in our vulnerability strategy. Organisations that specialise in providing services for specific segments of our customers are well placed to act as critical friends to help us create a broad and inclusive service. There are three areas that we focus on:

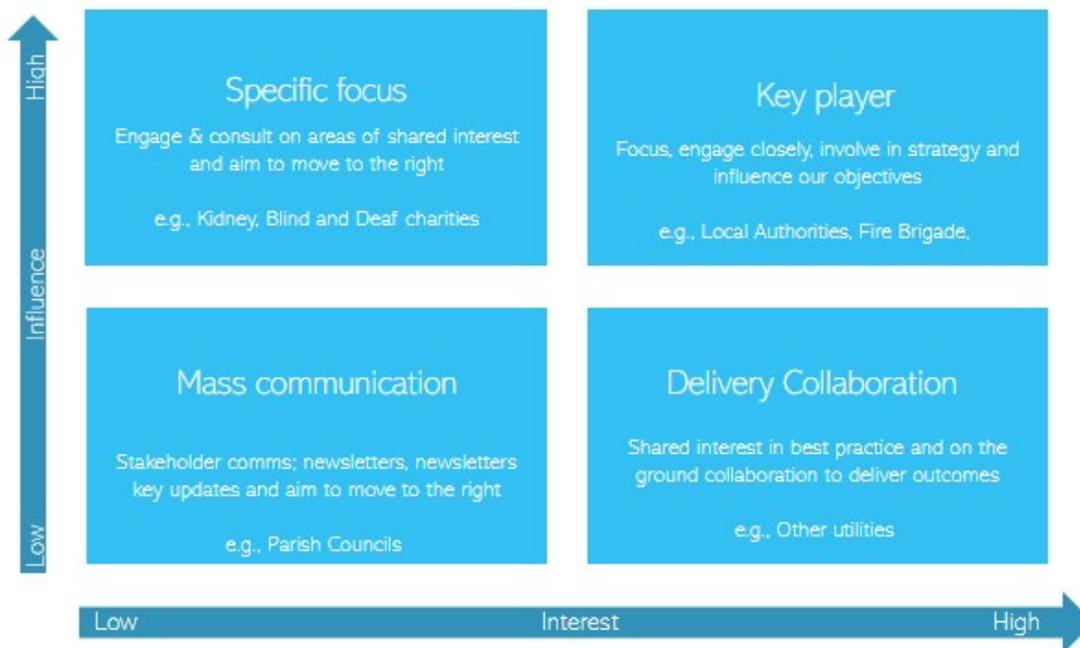
- Assisting us improve the quality of our service by providing insight as to the needs of consumers that organisations represent and highlight gaps in service provision
- Help us prioritise areas of focus - by sharing our plans and inviting challenge we can ensure we are delivering changes that make the most impact
- Collaborate to extend the reach of our services through signposting, referrals, or data sharing - section 7.2 explains our overall approach to extending the reach of our services.

7.1 Working with external partners to improve service

Our approach to working with stakeholders is described in figure 7.1. We have over 200 organisations that we make aware of our support through mass communication channels such as newsletters and webinars. We deep dive into specific focus areas to ensure our services for a particular area are adequate. For example, through engagement with Action on Hearing Loss, now RNID, we identified the opportunity to create a British Sign Language channel for our customers which now supports over 800⁸⁶ phone calls a year. We are working in partnership to deliver collaborative engagement with customers in our region, in particular our overlapping Energy Distribution Network Operators. We have undertaken shared PSR awareness campaigns and visits to interest groups such as Age UK and faith groups. There is an active sharing of best practice between utilities and wider sectors who are all working towards similar outcomes.

A vital stakeholder group is our 'Vulnerability Network'. The Vulnerability Network is a group of 30 critical friends, from organisations that advocate for customers in specific circumstances, as shown in figure 7.2. We have met with this group as a panel annually since 2019 and undertaken various initiatives with break out groups. For example, the development of our social tariff, WaterHelp, and alignment of eligibility criteria with the Southeast water companies was heavily supported by Money Advice Trust, Turn 2 Us, Christians Against Poverty and StepChange.

Figure 7.1: Our approach to engaging with stakeholders



Source: Thames Water

Figure 7.2: Stakeholders that are part of our Vulnerability Network

⁸⁶ Thames Water records



7.2 Extending the reach and awareness of our propositions, including those who are underrepresented

While progress has been made, with customer awareness of at least one support proposition has increased from 55% to 68%⁸⁷ over AMP7, we recognise that awareness of our support is not high enough. 49%⁸⁸ of our customers are aware of our PSR and 18% are aware of our social tariff. Typically, those with the greatest need have the lowest awareness. With respect to affordability support, we understand that customers are sometimes unwilling to reach out for help due to a perception of it impacting their credit rating.

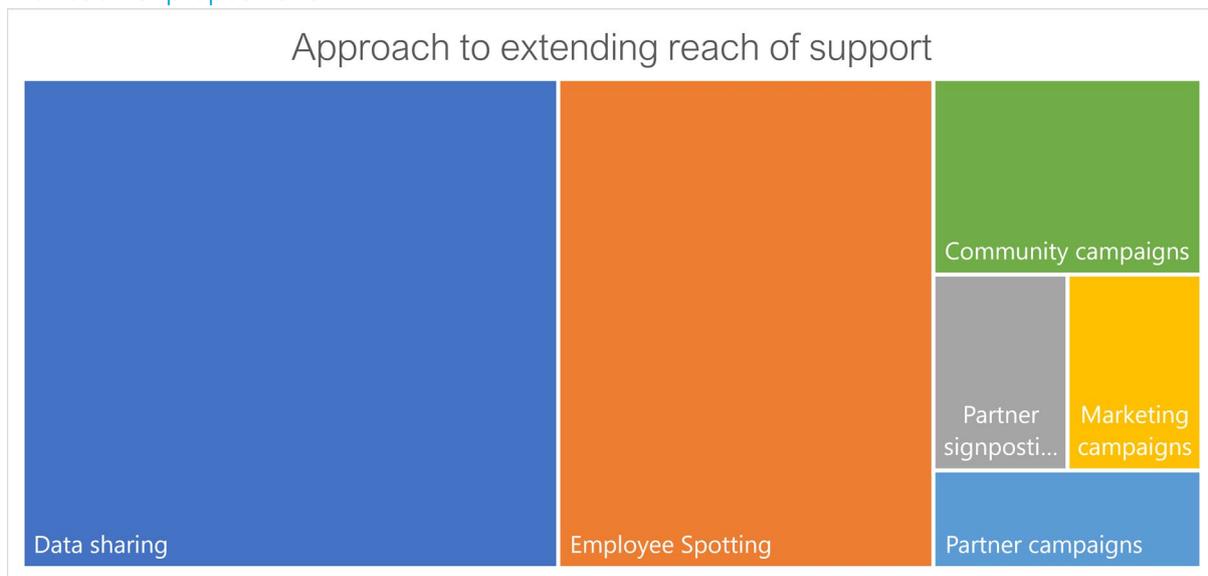
While we have made great progress in extending the reach of affordability support and our PSR we know we need to do more. During AMP7 and into AMP8 we will keep maturing our capabilities with a number of data sharing partners, consistency in employee spotting, working with partners to promote signposting or specific campaigns, and continue our baseline of marketing campaigns. Figure 7.3 describes how our different approaches to extend proposition reach contribute by volume, with each segment proportionate to the volume of customers engaged through the channel.

Where we will make a step change is in our data sharing and in our community campaigns. While community campaigns are an inefficient way to extend proposition reach, they will engage those who are underrepresented.

⁸⁷ Thames Water research

⁸⁸ [CCW Water Matters Survey 2022](#)

Figure 7.3: Presentation of how relative volume by channel will contribute towards increasing the reach of propositions



7.3 Data and data sharing

7.3.1 Data sharing progress in AMP7

We led the industry direction away from explicit consent as a method of capturing PSR data and pioneered data sharing between statutory bodies and energy companies with the creation of the Essential Sharing Network. This approach enabled Thames Water and UKPN to be the first Energy – Water partnership that systemised the two-way exchange of customer PSR details underpinned by a legal basis other than explicit consent. We have also been the first water company to introduce systemised data sharing with statutory bodies. Firstly, with the London Fire Brigade and then Dorset and Wiltshire Fire Brigade. In the case of Dorset and Wiltshire this sharing is two-way, with the fire service receiving referrals from Thames Water that allows them to target home safe and well visits. Dorset and Wiltshire Fire Brigade have received over 1,000 referrals from Thames Water which so far have resulted in 329⁸⁹ fire prevention visits being undertaken through our data sharing over the year from April 2022 to March 2023. London Fire Brigade want to receive our data but due to capacity issues are unable to do this currently.

We are talking to over 20 local authorities and expect to have data sharing in place with a local authority during AMP7, although there are resource constraints and mixed perceptions of the legal basis of sharing without consent to overcome.

As a result, over 85,000⁹⁰ PSR records will have been exchanged between Thames Water and external organisations during 22/23 and we expect this to only grow with time.

We have built expertise from this process and are playing a lead role in the industry core group facilitated by Water UK and the Energy Networks Association that is setting direction on how to create a consistent approach across Water and Energy, along with being part of the Northumbrian Water ‘Support for All’ initiative, which is testing the potential for a single PSR database with funding from Ofwat’s innovation fund. This development is crucial to allow Energy

⁸⁹ Thames Water Analysis

⁹⁰ Thames Water Analysis

Suppliers to join the arrangements and increase the volume of data shared. We are ensuring we have enablers in place to undertake data sharing at scale efficiently.

With respect to affordability data sharing, we played a leading role in the first group of companies to create a data sharing relationship with the DWP. In 22/23 we were able to use DWP data to add or renew 176,000⁹¹ WaterSure and WaterHelp special tariffs to the value of £35m. We have led engagement with HMRC regarding income-based data sharing, and appraised Defra of the outcomes and options. We will continue to look for innovative data solutions to make access to our support tariffs easier for customers.

Additionally, we have used our own data to proactively engage customers. For example, we use date of birth captured during our billing processes to drive PSR registrations. After a literature review and engaging with our vulnerability network, in particular Age UK, we decided that 80 years old is the right threshold for automatic registration. While the industry agreed needs code is 'Pensionable Age' we feel that there are limited services available for a 65-year-old who may not feel they need extra help. However, we know that the propensity to need priority services increases with age and therefore over 80-year-olds benefit from our regular 'check in' communications which will increase the likelihood of them signing up for additional services. Also, customers over the age of 80 will benefit from proactive water delivery during an incident. As a result, around 1,500 customers per month over the age of 80 now join our PSR and receive a welcome letter recommending they register for any relevant services.



Case Study: Fire Brigade data sharing.

Every month around 2000 customers are added to our PSR through data shared with us from the London Fire Brigade (LFB) after they have undertaken home visits targeted at those who are at greater risk of a fire at home. One third of these customers are already on our PSR which helps keep our customer records up to date. Customer research with LFB demonstrated that 97% of their customers were happy to be added to our PSR in this way. Our two-way sharing has allowed Dorset, Swindon & Wiltshire Fire Brigade to target and deliver Home Safe and Well visits, with around 20 customers every month benefiting from fire safety devices being fitted in their homes.

7.3.2 Data sharing - Increased scale in AMP8

As we continue to grow our PSR we see data sharing playing a key role in delivering the commitments of supporting 1.2 million households and keeping our records up to date. We aim to facilitate a network of data sharing across all essential service providers and incorporate councils, local authorities, statutory bodies. We anticipate this being built by influencing the

⁹¹ Thames Water analysis

current Water – Energy data sharing to evolve to use a common system that can be configured to also facilitate other sectors to join.

We also plan to create two-way data sharing partnerships with the debt advice sector and energy suppliers that undertake income and expenditure reviews to allow customers to benefit from our support and share the cost of gathering the information. Our initial conversations have led to PayLink starting the development of functionality on their portal that recognises eligibility for our propositions for customers who are accessing another companies' portal, for example Eon, and pushes customers to our channels. With sufficient demand this can be further developed to a sharing of data to reduce customer effort.

We are also in the process of mobilising a partnership with Policy in Practice to utilise data held by the DWP and Local Authorities within their 'LIFT' platform to proactively register customers for our social tariff. While current Water Company to DWP data sharing is based on eligibility for a means tested benefit, Policy in Practice have access to the component parts of a Universal Credit application, not just the outcome. This means that for many customers we will be able to calculate the Affordability Threshold at a household level, with Enfield and Hackney taking the lead. With two thirds of London Boroughs also using the Policy in Practice 'LIFT' dashboard this has the potential to scale up significantly.

From our PSR data sharing work we know it is difficult to forecast the volumes of customers that will benefit from this approach, and it will take a long time to align stakeholders and lobby Government to support, but we see this as an essential part of our approach.

7.4 Community Campaigns

7.4.1 Community Campaigns Pilots in AMP7

From testing ways of working with partners, for example Sense and Age UK, we know we need to be highly targeted when working with a community to ensure customers identify with the messages that we are using. We are currently developing our prototype data dashboard that uses affordability modelling by BRG on the expected demand for water affordability support at a community level and then overlaying our data on proposition reach to identify the gaps. We will also include propensity for benefiting from Priority Services.

Our team of 14 Customer Reps, spread across our region, support with complex customer issues that can't be resolved on the phone. This includes reacting to incidents, complex water and waste service issues that require case management and resolving billing issues. The customers who need the most support are those who benefit from extra help and the Reps are our Specialists in the field, with greater level of training and experience. When they are not resolving issues reactively the Reps are proactively engaging customers in vulnerable circumstances. They do this through attending local community meetings and building networks with carers and advice providers. On average the team of Reps deliver 10 community engagements a month and create 1k PSR registrations a year from underrepresented groups in our communities. Rob is one of our team and appears in Figure 7.4.

Figure 7.4 – Case study on Rob, Customer Rep, engaging communities on our support when he is not resolving customer issues



Our Customer Representatives, like Rob pictured above, attend community events, from Dementia cafes, Parkinson's groups to faith centres, stroke and older people forums, in order to proactively promote our Extra Help Services. A visit to a stroke group meeting meant he could present our full offering, sit with people and help them understand what it means to them and stay behind to help clear up! Feedback from this and similar events was 'it's good to see Thames Water in person - it really helps!' An absolute highlight for Rob is being able to tell them about the support available, make applications for them and refer to the hardship trust fund for white goods, 'I love this part of what I do, it's immensely rewarding. Working in this way shows that Thames Water really do care about the communities we serve.'

7.4.2 Community campaigns - Increased scale in AMP8

We will evolve our prototype data dashboard and use it to deliver a step-by-step approach to working in our region and the communities we serve, as described in figure 7.5.

As this approach is inefficient in engaging customers, we will deploy it after marketing and data sharing approaches haven't been utilised. Reviewing our data model will tell us where to target, starting at Local Authority level and then down to Lower Layer Super Output Areas, with what proposition to target.

Once a target area is selected, we will engage with local partners and then deploy our community toolkit, which will include our people attending community events, warm hubs and targeted door knocking. Our community toolkit has benefited from the insight from the Ofwat Innovation fund led by Severn Trent. Working in this way overtime will build a reputation based on face-to-face presence and trust.

Our initial modelling highlights Enfield, Croydon and Newham are the areas that we target initially.

Through the success of this approach, we aim to focus on more local authorities and communities in our region over AMP8 and extend the reach of our PSR by 54,000 and our social tariff by 9,000⁹².

Figure 7.5: Our community engagement approach

⁹² Thames Water Analysis



We consulted with the Head of Tackling Poverty and Cost of living Strategy at the DWP to help us accelerate our access into organisations that support people in crisis but at a much deeper community-based level. These kinds of partnerships take time to nurture, but these connections have given us a much deeper view of who we can collaborate with. Further to this our External Affairs colleagues at Thames Water have worked to open doors for us by writing to MPs, Councillors and the GLA to set up meetings and as a result obtain meetings with key political stakeholders that can help us.

Types of key trusted partners to achieve this targeted community reach are described in Table 7.1.

Table 7.1: Organisations we have been engaging to develop our community campaigns approach

Organisation	Collaboration Opportunity
Interfaith network Promotes understanding cooperations and good relations between organisations and persons of different faiths in the UK	Working with this trusted partner will help us reach into different cultures to raise awareness of our support services
Gardens of peace Muslim Cemetery in Greater London	Gain the trust of the communities we serve through their elders and share moments and channels to raise awareness
Faith Forum London Empowers religious communities to work together for a better London	Open a network of religious festivals and connections to raise awareness using data to target our effort into communities and faiths that need us the most.
Near Neighbours Network Brings religiously and ethnically diverse communities together to collaborate on initiatives that improve the community they live in	Communities that are religiously and ethnically diverse, build relationships and trust and collaborate on initiatives that benefit the community
Parent forums	To be targeted to access not only the obvious need but others like carers of the critically.

Spaces to share experiences and issues relating to parenthood	
Councils Cost of living Coordinators	Having joined the GSL convened sessions we can tap into household support fund initiatives via the cost of living coordinators. Our ambition is to signpost and attend events together and support each other's messaging – already started this activity with Merton and will use as best practice to roll out further.
Job centre Partnership Managers	Very knowledgeable and well connected with communities – get their help and support to reach further. The DWP are running a series of workshops that they will invite us to and help us gain traction with this network.
English Football League Trust	There are 72 football clubs in the UK, and 80% of all benefit claimants live within a few miles of a club. Through their Community Club Organisations, we hope to work with their community and participation teams across key areas of our region to fund conversations or raise awareness of our services through this trusted partner
Scottish & Southern Electricity Network (Distribution Network Operator)	Trusted partner in diverse communities with strong links and translated materials
UK Power Networks (Distribution Network Operator)	Utility Affordability Framework – using data to target key shared customers with collaborative initiatives to make the customer journey more meaningful and our contact efficiently delivered.

7.5 Employee spotting – AMP7 case studies and AMP8 approach

One of the most important initiatives in AMP7 was the creation of our training programme to ensure all our people understand what circumstances can create situations of vulnerability, what services we can offer to support and to give them confidence to offer these services. This training was developed with the Money Advice Trust and comprises of an eLearning module for all our people and a facilitator led interactive half day session for our customer facing teams.

The eLearning is a part of our annual mandatory training requirement and is refreshed yearly and a complete rebuild undertaken after three years to keep the content relevant and engaging. Within our contact centres spotting signs of vulnerability or financial hardship is built into the quality management framework which leads to ongoing coaching and engagement from line managers. Around 2,000 customers per month join our PSR, or have their details updated, as part of these interactions. Our Extra Care team receives 4,000 warm transfers a month from our Billing First Contact Resolution teams who have spotted signs of Financial Hardship and the customer would benefit from Affordability support. In our Operational Contact Centre PSR champions support teams in bringing our Priority Services to life and share best practice in spotting signs of vulnerability.



PSR champions in our Operational Contact Centre and who conduct huddles to engage front line teams in vulnerability



Internal communications play a valuable part in increasing our employee's understanding of the role they can take in supporting customer's that need extra help. Sharing news internally about the external impact we have means our employees are more curious of how vulnerability plays a part in their own role. From Water Quality and Meter Readers to Property Searches and Financial Customer Care – so many more people are getting involved and playing their part in spotting signs of vulnerability or ways they can change their own work practices. In 2022/23 for example ongoing vulnerability focused comms across all Thames Water's internal channels has resulted in 46k⁹³ views from our people.

In AMP8 we will continue this approach and will explore opportunities for voice analytics to improve the consistency of our

vulnerability spotting, as described in section 6.4.

7.6 Partner signposting - AMP7 case studies and AMP8 approach

Organisations that support customers with their specific circumstances have an important role to play in advocating services that help their clients to continue to live independent lives with confidence. Through AMP7 we have engaged with over 450 organisations, such as advice agencies, charities, job centres and local authorities to encourage them to do this. We invite them to a biannual webinar to update them on our extra support services and creating a forum to share and discuss cases. These sessions have given us a platform to ensure that the most up to date knowledge is out there helping our customers, but also an opportunity to hear from the agents that support our customers in crisis.

Where possible we ask that our partners signpost to Thames Water within their own engagement channels – this can be newsletters, help pages on their website, waiting rooms and social channels. These are a part of our 'always on' channel within our communications but hard to measure in terms of their success. Where possible we put google analytics on any links that we share but some of this work is very organic and happens without our intervention.

Examples of working in this way to reach key groups of customers.

⁹³ Thames Water Records

- Age UK Berkshire during their phone support service are trained to signpost or register their service users to the PSR once and they have leaflets in their centres
- Berkshire Vision helped us create a short video with one of their service users and promote on social channels but also help us ensure we are using the right language when speaking to our customers
- Together with Dementia UK we have trained each other's front-line advisors on our reciprocal services and Thames Water has amplified Dementia UK's above the line advertising campaign through their own social channels to raise awareness of the charities work and reframe our own support services – over the course of the partnership customers registering with a dementia needs code increased by 44% over 2021 to 2023.
- Scottish & Southern Electricity Networks – using translated promotional materials during joint faith centre visits increases awareness within faith groups for both water and energy services.



7.7 Marketing campaigns - AMP7 case studies and AMP8 approach

Three approaches are used to increase awareness of our services through marketing: we run social campaigns, add vulnerability messaging to our brand campaigns and run targeted PSR email comms to key geographical groups.

With our social campaigns, we aim to post at least twice a month on our support services to ensure we have a regular cadence of comms across Facebook and Twitter. On average we achieve a 3.3% engagement rate on Facebook against a benchmark of 2.8% and a 2.8% engagement rate on Twitter against a benchmark of 0.8%, showing that our support services are valued. In terms of our brand campaigns in winter and summer these include our extra support services as shown. These reach around 1.5 million customers with a 'click through rate' of 0.5%. Examples of these communications are shown in Figure 7.6.

Lastly, we undertake targeted email campaigns to raise awareness. For example, targeting PSR awareness to over 65-year-olds. These have a smaller reach but a higher 'click through rate' of 5% due to the targeted nature of messaging for the audience.

Figure 7.6. Examples of social media messaging raising awareness of our services.




Get set to show winter who's boss

Hello James,

We know winter might be the last thing you want to think about right now. But with leaves falling and boilers clicking 'on' across the country, there's no better time than now to make sure you're ready to meet the chilly season head on.

We want to help as much as we can, so why not take a look on our website – from our collection of handy tips to our brand new videos, you'll find plenty of easy-to-follow ways to get your home fighting fit for the months ahead.

Watch the videos and find out how to beat winter here: [thameswater.co.uk/winteradvice](https://www.thameswater.co.uk/winteradvice)

Here's three top tips to get you started:



Check your loft insulation

Keep your house warm and your energy bills low.



Bleed your radiators

Let out any air to keep your rooms toasty.



Insulate your pipes

Protect your pipes from freezing and even bursting.

Know someone who could use some backup to beat winter?

We know winter's not just hard on our homes – but we're here to support you all year round. As a priority services customer, we hope you find the extra peace of mind helpful. If you know anyone else who could benefit this winter, or in the years ahead, please ask them to get in touch with us. They can find out more and check they're eligible at [thameswater.co.uk/priorityservices](https://www.thameswater.co.uk/priorityservices)

And don't forget, if you have an urgent issue like flooding, or your water stops, don't worry – as a priority services customer, you can call our 24 hour priority helpline any time on our dedicated number: 0800 009 4544.

Protect your home – protect your pipes

Whatever the weather, it's important to take good care of your pipes to keep your home running smoothly. So please make sure you always bin any wet wipes, tissues and sanitary products and never pour fats or oils down the sink – they're key causes of blockages and can build up to create giant fatbergs. You can find loads of tips to protect your pipes and help us fight the fatberg at [thameswater.co.uk/fatb](https://www.thameswater.co.uk/fatb).

Wishing you a safe and cosy winter.

Best regards,
The Thames Water team.

Thames Water



Thames Water
May 2 · 12

If you use British Sign Language, you can see live video interpretations across our three main phone lines and directly with our team in the field. Find out more at <https://bit.ly/4Vc0phY>
#DeafAwarenessWeek #PriorityServices



You, Rosemary Waugh, Sam Warren and 3 others

Like Comment Share



Thames Water
April 13

Direct Debit is the fastest, most flexible and fuss-free way to pay your water bill – and setting one up is nice and easy. If you haven't already, activate your online account to set up your Direct Debit and manage all your payments in one place. Make the switch now: <https://bit.ly/43H67T1>



You and 3 others

Like Comment Share



Thames Water
April 4

If you're on a meter and use a larger amount of water because you have a big family or a water-dependant medical condition, we may be able to cap your bills. To learn about the different financial support options we can offer, and find out if you're eligible, visit <https://bit.ly/3MxvMfm>



You and 3 others

8 comments

Like Comment Share

7.8 Partner campaigns - AMP7 case studies and AMP8 approach

By undertaking a gap analysis of populations with inclusive service needs in our region against the reach of specific 'needs codes' within our PSR we identify where we should focus.

For example, we identified the potential to increase the numbers of customers who were blind or partially sighted on our PSR. This community is not geographically focussed and typically would have good engagement with support organisations. We identified five organisations that support this segment of customers and found that Sense was the most engaged and willing to collaborate in a paid for partnership. Sense reviewed our service proposition, accessibility of services, made recommendations for change and then promoted our PSR through their own

targeted channels, over social media, posters in their high street charity shops and in the press. This included two videos featuring Sense clients advocating registering for Priority Services.

'Smiley news' picked up on this campaign along with other brands but not mainstream media. As a result, the PSR registrations during the three months after the campaign were 900%⁹⁴ higher than the three months prior, with around 1,000 customers registering per month.

Following a similar process our next campaign under development is with Kidney Care UK.



“It’s a comfort to know that it’s there and it takes away a bit of the worry.”

Our free priority services look after you if you need an extra helping hand. We'll tailor our communications to suit your needs and offer dedicated support if your water stops flowing.

To find out if you're eligible go to thameswater.co.uk/priority



Case Study: Engaging a community through partners

Our partnership with Sense was driven by their insight into an inbound BSI channel via video plus increased awareness on social media channels. The outcome was Thames Water's highest monthly sentiment score plus a 900% increase in registrations for relevant needs codes, which are a particularly hard to reach segment.

8. Delivering our strategy

To deliver our stretching vulnerability and affordability strategy funding will be made to support those initiatives that have the largest impact on supporting our customers that need extra help, ensuring our plan are value for money. This will include continued investment in our people data, processes and systems.

8.1 Delivery programme

Figure 8.1 describes the high-level delivery plan for affordability plans described in section 5 and Figure 8.2 for inclusive proposals described in section 6. While we continue to focus on our turnaround plan, we are carefully phasing investment across our business to create balanced outcomes. This strategy has dependencies on three strategic platforms delivered through digital CapEx – the single customer communications strategy, the digital toolkit for customer engagement to utilise smart meter data within customer communications, plus the customer and property data transformation to ensure our property data is consistent across all systems. Another key enabler using digital CapEx is the integration and automation of the I&E portal into our billing systems. The phasing of the digital CapEx creates dependencies for this strategy.

Over the remainder of AMP7 we will continue to refine our propositions, including our social tariff, extra support scheme and payment matching schemes and play a leading role in

⁹⁴ Thames Water analysis

supporting the development of more consistent social tariff criteria across England. As our digital enablers are implemented in AMP8 we will then transition to a tiered social tariff based on the Affordability Threshold. We shall also pilot our Rising Block Tariff. Optimising our smart engagement with customers will be a key enabler before rolling out the Rising Block Tariff across all metered customers.

Improvements to inclusive service in AMP7 focus on the delivery of alternative water supply capability. In AMP8 we will improve our incident customer communications through the implementation of our single customer communications strategy. Proposition enhancements will roll out over AMP8 to meet the 30% increase planned.

To extend the reach and awareness of services we will pilot our affordability data sharing and identify ways of working that can be increased in scale. We will continue to take our leading role influencing PSR data sharing and influence industry direction to create a sharing mechanism that sectors outside of water and energy can join. The Master Data Management Strategy enablers will ensure efficient matching of customer and property data for both PSR and Affordability Data sharing. This system will also enable our waste only PSR in AMP8.

Our community engagement campaign approach will be piloted over AMP7 with our Customer Representative team and once optimised additional team members will be recruited to increase capacity for this way of working. In parallel we will develop the data dashboard and affordability data sharing pilots so that we can be highly targeted with our community presence.

Figure 8.1: Affordability delivery plan

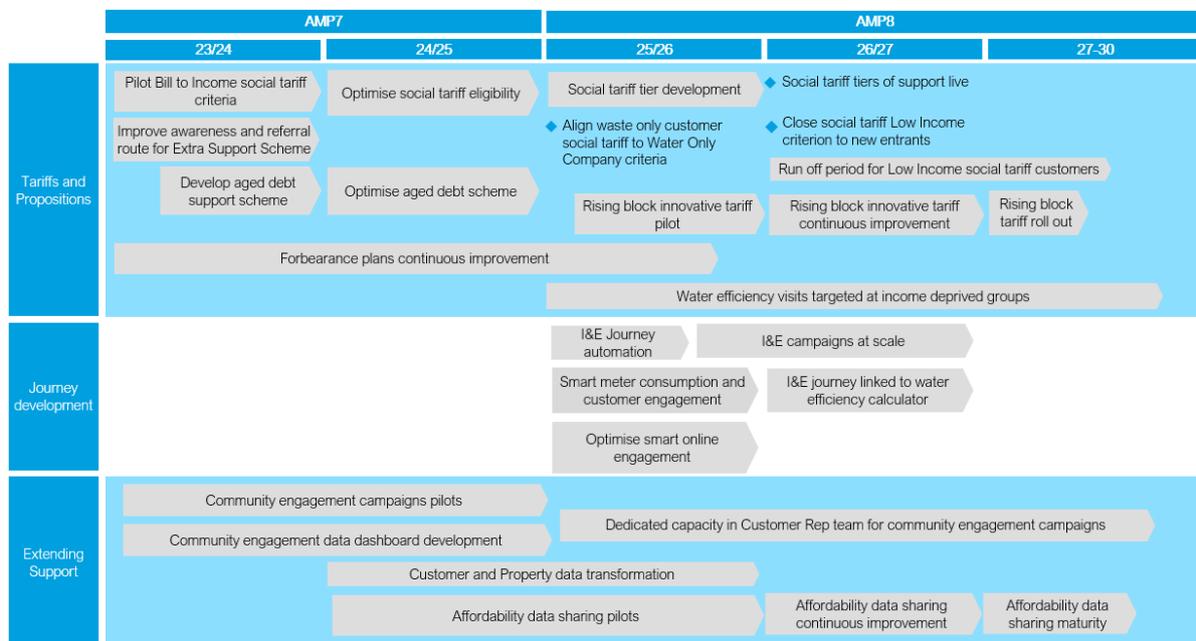
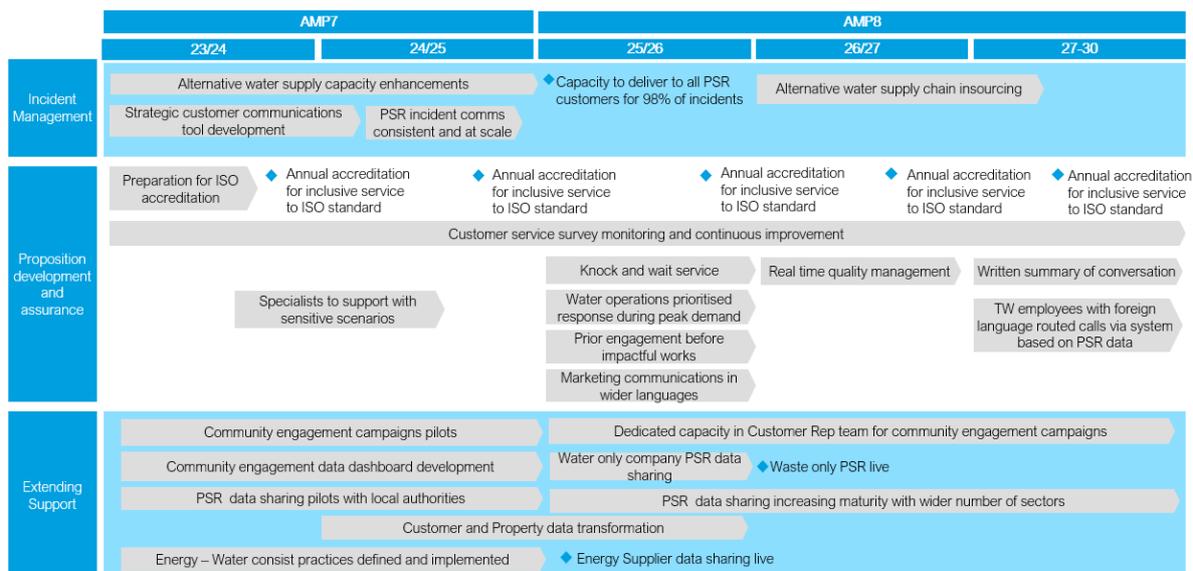


Figure 8.2: Inclusive service delivery plan



8.2 Costs and efficiency have been considered

To enable this strategy, we will invest:

- £30m of OpEx to support our Extra Care team, debt support and partnering activity, continuing the current allocation of spend. This does not reflect all the activity that our contact centres and collections team do to tailor their services, spot signs of vulnerability and make referrals for support. The yearly OpEx increases from £5m/year to £6.2m/year in 2026/27 as our debt matching supports plateau at a steady state.
- £2.5m of funding from our shareholders for the Thames Water Trust Fund to enable us to continue to be a significant provider of debt advice in our region and continue our Hardship Fund that provides essential household goods for those in severe financial hardship.
- £5.1m of additional funding to deliver our ambitions detailed in this plan, providing increased training and support for our people to better serve this segment of customers, funded from reinvesting contact centre efficiencies.
- By continuing our focus on reducing effort for customers through automating 80% of our three key customer journeys – PSR lifecycle, social tariff life cycle and income and expenditure reviews to assess ability to pay funded through an allocation of Digital CapEx.

Water efficiency and supply interruption support activity is not included in the above costs.

Our affordability strategy provides financial benefits in the form of bad debt reductions, as estimated in data table SUP15.60 as providing over £133m over AMP8.

8.3 How do we know our strategy is successful?

We will monitor the measures described in table 8.1 to guide our vulnerability strategy. While these metrics will evolve, this table summarises the measures, our current state and aspiration for 2030.

Table 8.1: Measures to monitor the success of our strategy.

Dimension	Metric at 22/23	2030 target	Rationale for this metric and notes
Service survey score - % of PSR customers satisfied relative to non PSR customers	+2%	>1%	A negative score will represent inclusive service issues requiring intervention
Employee pride in service delivery for those needing extra help	76%	80%	Our employees will only score this highly if they believe they are meeting the needs of customers. Teams with high scores represent areas of strength (Retail, Extra Care: 94%) and weakness (Operations, Incident support: 29%)
Population below Affordability Threshold lifted above Threshold	34%	63%	Principle outcome of affordability support. Yearly update of model, calibrated with external measures,
Forbearance plans and support tariffs kept rate	Tbc	Increasing trend	Kept rate, or customer adherence to payment plan, will demonstrate setting the outcome of our engagement in setting sustainable payment plans. Reporting under development.
% of our billed population on an affordability proposition as a proportion of income deprived population	49% ⁹⁵	80%	Our ability to extend the reach of our affordability support. Based on unique households on a discount tariff or forbearance plan as a proportion of income deprived population using Ofwat's definition of 11.806% in our billed region
Proportion of eligible customers on PSR	26%	75%	Our ability to extend the reach of our PSR support.
Representation of support: Reduce difference between upper and lower levels of support reach by community	tbc	tbc	Ensure we are reaching underrepresented communities. Affordability proposition and PSR take up rate will be analysed geographically to monitor for consistency of service. Range of take up by compared to modelled need by community (Local Authority / MLSOA) will narrow over time.
Support awareness survey – aware of at least one service proposition for either	74% ⁹⁶	80%	Our 1/4ly customer survey has been tracking awareness of support over AMP7 and represents our efforts to allow

⁹⁵ Thames Water analysis

⁹⁶ Thames Water brand survey

affordability of inclusive service			customers to make informed choices about available support. Note: includes payment plans and direct debit
Debt sector and income maximisation referrals	Live Oct 23	Optimise	Level of engagement with external parties and support provided.
PSR attempted / actual contact with customers on PSR > 2 years	90% / 47%	90% / 45%	Represents our efforts to maintain accurate data
Inclusive service accreditation status	Maintain	Maintain	Overall external assurance of our inclusive service approach, currently audited by external party

8.4 Key assumptions

This strategy document is based on the following key assumptions:

Table 8.2 Key assumptions.

Assumption category	Key Assumptions
Socioeconomic factors, such as economic growth and changes in household incomes	<ul style="list-style-type: none"> Assumes inflation returns to 'normal'/ near normal by FY25 and remains stable for AMP8. Assumes forecasted population and property growth rate based on Census and ONS data.
Government and regulatory policy	<ul style="list-style-type: none"> Assumes single social tariff criteria is no longer centrally defined by Government however we work with key stakeholders such as CCW to trial a criterion is close to what this would be, and this will complement any alternative 'baseline' scheme that is common to all water companies in England Our rising block tariff pilot will be successful and supported by stakeholders such as Ofwat
Customer affordability and vulnerability	<ul style="list-style-type: none"> Assumes 24%⁹⁷ the population eligible for PSR. Assumes 5.5%⁹⁸ of the population below the Affordability Threshold in 22/23, using the CCW recommended household equivalisation rate

⁹⁷ Thames Water analysis

⁹⁸ Thames Water analysis



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