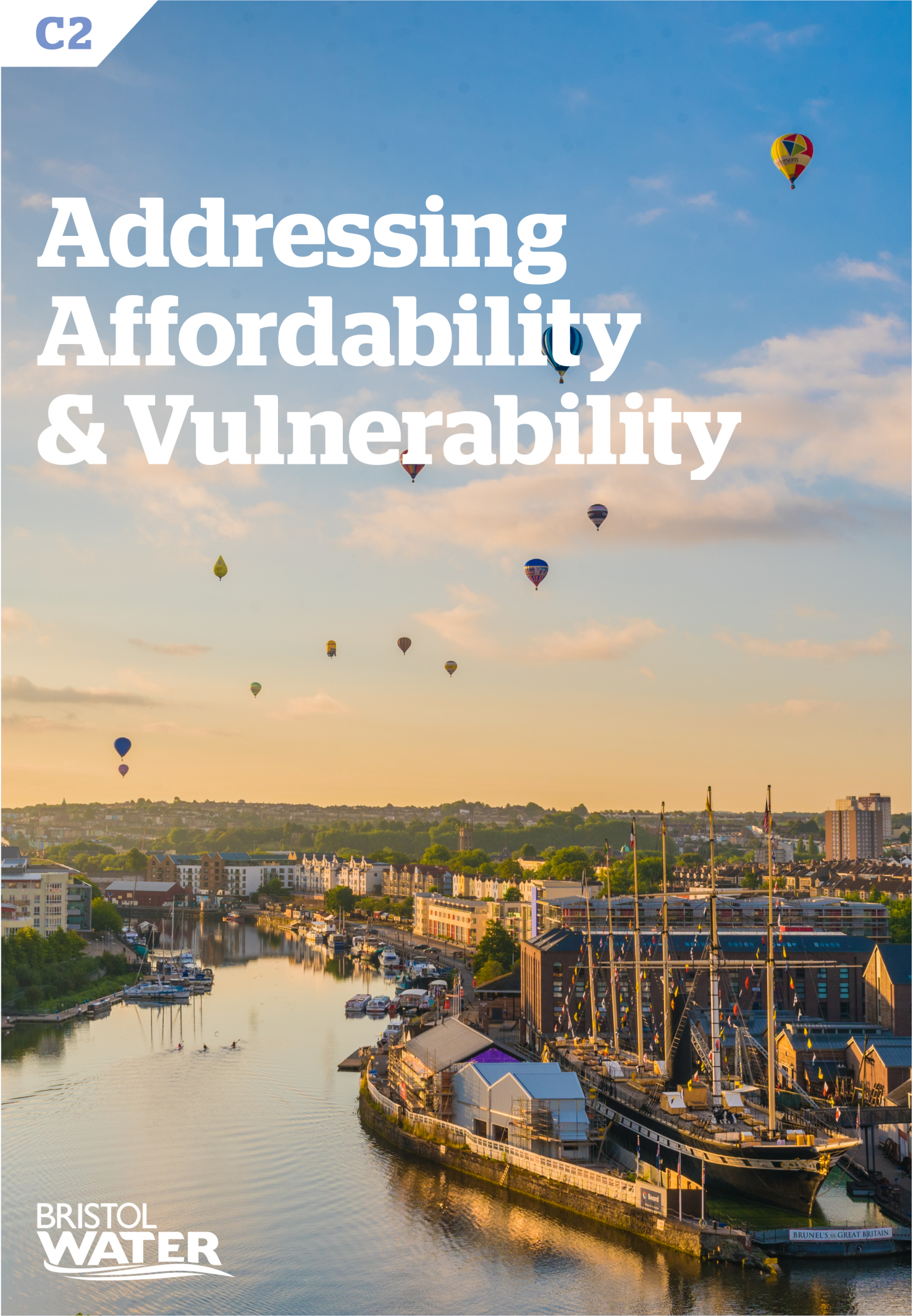




Addressing Affordability & Vulnerability



Structure of our Business Plan Submission

Appointee plan

<p>A1 Bristol Water For All</p> 	<p>A2 Customer summary</p> 
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Wholesale controls

<p>B1 Water resources</p> 	<p>B2 Water network plus</p> 	<p>B3 Residential retail</p> 
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Supporting evidence

<p>C1 Engagement, communication and research Engagement Summary</p>	<p>C2 Addressing affordability and vulnerability</p>	<p>C3 Delivering outcomes for customers</p>	<p>C4 Bristol Water... Clearly Resilient</p>
<p>C5 Cost and efficiency Investment cases</p>	<p>C6 Financeability, risk & return, and affordability</p>	<p>C7 Track record of delivery</p>	<p>C8 Securing Trust, Confidence and Assurance</p>

Board Assurance Statement

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1. About this document

This document provides supporting evidence to demonstrate our plans for addressing affordability and vulnerability and how we have used customer insight to influence our strategy in this area. This chapter of the business plan addresses how we are keeping bills affordable for all particularly for those who are struggling to pay and how we are ensuring an inclusive service for customers in vulnerable circumstances. More information on overall affordability can be found in document **C6 – Financeability, risk & return and affordability** .

This document should be read alongside a number of others:

- **C1 - Engagement, communication and research** sets out our innovative approaches to explore customer perceptions and behaviour and how we have brought the customer voice into a more inclusive and participative way.
- **C3 - Delivering outcomes for customers** describes how our customer engagement has directly informed the development our outcomes framework.
- **C6 - Financeability, risk and return and affordability** describes how our plan is affordable to customers overall

IAP Test area		Questions	Evidence provided in this document
Engaging customers	EC 1	What is the quality of the company’s customer engagement and participation and how well is it incorporated into the company’s business plan and ongoing business operations?	In this document we set out our research in relation to affordability and vulnerability, linking back to document C1- Engaging Customers for the research summaries.
Addressing affordability and vulnerability	AV 1	How well has the company demonstrated that its bills are affordable and value for money for the 2020-25 period?	<p>In this document, within a dedicated chapter, we provide a summary of the evidence which demonstrates that our bills are affordable and value for money for 2020-25. The primary source of evidence for this test is provided in document C6 - Financeability, risk and return & Affordability .</p> <p>Value for money is an outcome of all of the decisions made to develop our plan and therefore the evidence is provided throughout each section of our plan.</p> <p>We firmly believe that our plan provides value for money to our customers. Our plan has been co-created with our customers and provides the service improvements that they value. It provides significant improvements to service whilst reducing bills.</p> <p>Ultimately our customers will decide whether our plan provides value for money based on the services they receive. We have set ourselves challenging targets against the associated performance commitment.</p>
	AV 2	How well has the company demonstrated that its bills will	In this document, within a dedicated chapter, we provide a summary of the evidence which

	be affordable and value for money beyond 2025?	demonstrates that our bills are affordable and value for money beyond 2025. This is based on our longer-term investment needs. The primary source of evidence for this test is provided in document C6 - Financeability, risk and return & Affordability
AV 3	To what extent has the company demonstrated that it has appropriate assistance options in place for those struggling, or at risk of struggling, to pay?	<p>This document provides the primary source of evidence for this test within a dedicated chapter.</p> <p>We already offer a great range and debt write-off options for our customers who struggle to pay. In this document we describe how we plan to significantly increase the number of customers supported.</p>
AV 4	To what extent does the company identify and provide accessible support for customers in circumstances that make them vulnerable, including proposing a bespoke performance commitment related to vulnerability?	<p>This document provides the primary source of evidence for this test within a dedicated chapter.</p> <p>We set out how we have assessed the needs of our customers and developed a range of services to match. We also set out how we plan to work with our partners to triple the number of customers who are register for our services through our priority services register.</p>

2. Executive summary

We were founded in 1846 to bring fresh, clean drinking water to the area we serve - essential to the health and wellbeing of all our communities. We remain a trusted and innovative company that is true to our original roots whilst recognising that the communities we serve and the world in general has changed. At the core of our business plan is a determination to find better ways to respond to our customers' expectations, changing societal and environmental needs, whilst being cognisant of the needs of future generations.

Using the views of our customers, stakeholders and employees we developed our consultation paper "Bristol Water... Clearly"¹ where we set out our future ambition that can be summarised as;

- Fulfilling a role beyond the basic provision of water;
- Keeping bills affordable through innovation and efficiency;
- Improving resource efficiency by cutting leakage and boosting water efficiency; and
- Keeping our supplies resilient.

This chapter of our business plan addresses the second of those ambitions; keeping bills affordable through innovation and efficiency. Additionally, we set out how we intend to provide inclusive services, supporting those customers who are vulnerable be that financially or circumstantially.

We have worked hard to support our customers as highlighted in an Auringa report², we have already reduced those in water poverty from 2.1% (2013) to 0% (2018) of our population. We have also increased the number of our customers registered for a priority service by c13% year-on-year since 2015. Our research has confirmed that there still remains an opportunity, and a need, to do more to ensure our vulnerable customers, financially or otherwise, have access to our support when they need it most. This need is driving our ambition to:

- Continue to eliminate water poverty in our communities;
 - Extending financial support to a further 12,000 eligible customers over 2020-2025 – ensuring everyone who is eligible receives financial support.
- Treble the number of customers registered for our Priority Services Register (PSR) to more than c14,000 by:
 - Developing and enhancing third party relationships to support identification of vulnerable customers; and
 - Data sharing with other utilities and interested parties - subject to data protection legislation.

¹ Water Matters: Household customer views on their water and sewerage services 2017

² Auringa Report, 'Help with Water and Energy Bills', 15th Ed. May 2018

- Introduce a bespoke measure for customers in vulnerability and achieving 85% customer satisfaction among those who are receiving assistance;
- Continue to eliminate bill confusion; and
- Increase meter option uptake.

With our customers, we have co-created our approach to affordability. Our customers have suggested that they wish to be part of ensuring our bills are affordable. Our plan reflects a reduction of c£8 on the average bill in the first year of the regulatory period and then remains flat for the remainder of the period. To our customers, this means their bills will be lower (before inflation) than they were a decade ago, while the service we provide will improve. We will do this by continuously looking for ways to improve our service effectiveness and efficiency through the exploitation of our digital channels. We will create more opportunities for customers to self-serve and transform our approach to managing debt. Of the elements of affordability that we control, namely the bill size, our customers provided a 93% acceptability of our suggested plan. This rate of acceptability indicated strong support for our proposals and demonstrated affordability. Our plan ensures that our bills will stay low on a sustainable long-term basis.

In short, our plan guarantees that customer bills are affordable today, tomorrow and beyond whilst supporting those who are vulnerable, however caused, ensuring such support is available and easily accessible. We are confident our plan fulfils this ambition and our customers support it.

This chapter, therefore, sets out both our plans and the evidence to support our ambition by:

- Demonstrating that our bills are affordable and provide value for money for the period 2020-25;
- Demonstrating that our bills will be affordable and provide value for money beyond 2025;
- Evidencing that we have appropriate assistance options in place for those struggling, or at risk of struggling to pay; and
- Continuing to eliminate water poverty in our community.
- Illustrating how we identify and provide accessible support for customers in circumstances that make them vulnerable:
- Proposing a bespoke performance commitment related to vulnerability.

3. Key definitions

3.1. Affordability

Affordability is defined as the ‘ability of a customer to pay their bill without falling into water poverty’. Our long-term aspiration is to make our bills affordable so that our customers can pay them without falling into debt, water poverty, or otherwise experiencing a negative impact on other defined factors relating to their standard of living.

3.2. Water poverty

We measure water poverty as the ‘percentage of customers within our supply area for whom their water bill represents more than 2% of their disposable income, defined as gross income less income tax’. Our definition is different from that used by the Government and organisations such as the Joseph Roundtree Foundation and CCWater; their definition relates to the percentage of customers for whom their water bill, covering water and sewerage charges, represents more than 3% of their disposable income after housing costs and income tax. Because we do not have access to the housing costs used in the Government’s definition, we use an alternative definition. We took advice from one of our local Citizens Advice Bureau to determine how best to define local poverty for our supply area. We introduced our measure ahead of the PR14 Final Determination and use a model supplied by a population analytics company to estimate the disposable income of each of our customers. By comparing our customers’ most recent water bill we are able to calculate the reportable figure each year.

3.3. Value for money

Value for money is measured as the percentage of customers within our supply area who consider that the services we provide are good value for the cost of their bills.

3.4. Seldom-heard customers

We consider seldom-heard customers to be those that generally have low participation rates in consultation and engagement processes (such as future customers and rural customers). We also include those customers who face barriers in understanding – whether due to linguistic or cultural differences (i.e. English as a second language).

3.5. Vulnerability

Ofwat provide the definition of a vulnerable customer as being one “who due to personal characteristics, their overall life situation or due to broader market and economic factors, is not having

reasonable opportunity to access and receive an inclusive service which may have a detrimental impact on their health, wellbeing or finances”.³

A 2015 paper on consumer vulnerability by the Financial Conduct Authority⁴(FCA) gave the following working definition: “A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.” The paper goes on to explain the transient nature of vulnerability, saying that the latter “can come in a range of guises, and can be temporary, sporadic or permanent in nature. It is a fluid state that needs a flexible, tailored response from firms. Many people in vulnerable situations would not diagnose themselves as ‘vulnerable’.” Moreover, “vulnerability is not just to do with the situation of the consumer. It can be caused or exacerbated by the actions or processes of firms.”

We consider both of these definitions and explanations, recognising that consumer vulnerability is a complex and dynamic concept. We also consider that vulnerability is often multi-dimensional and can be a transient state that affects people at different periods of time, or it can be long-term in effect. Customers’ personal circumstances are not the only factors to consider; external events, or the actions or processes of companies, can equally contribute to the risk of vulnerability.

³ Ofwat, Vulnerability Focus Report, 2016

⁴ Occasional Paper No. 8, Consumer Vulnerability: Executive Summary, February 2015

4. Overview of our plans

Our proposed bill profile (see Figure 1) demonstrates that, in real terms, our bills will be lower than they were a decade ago and they will remain flat during next regulatory period whilst we will continue to make improvements to our service. One of our key priorities, detailed in our business plan, is to ensure that our customers receive a bill that they can afford.

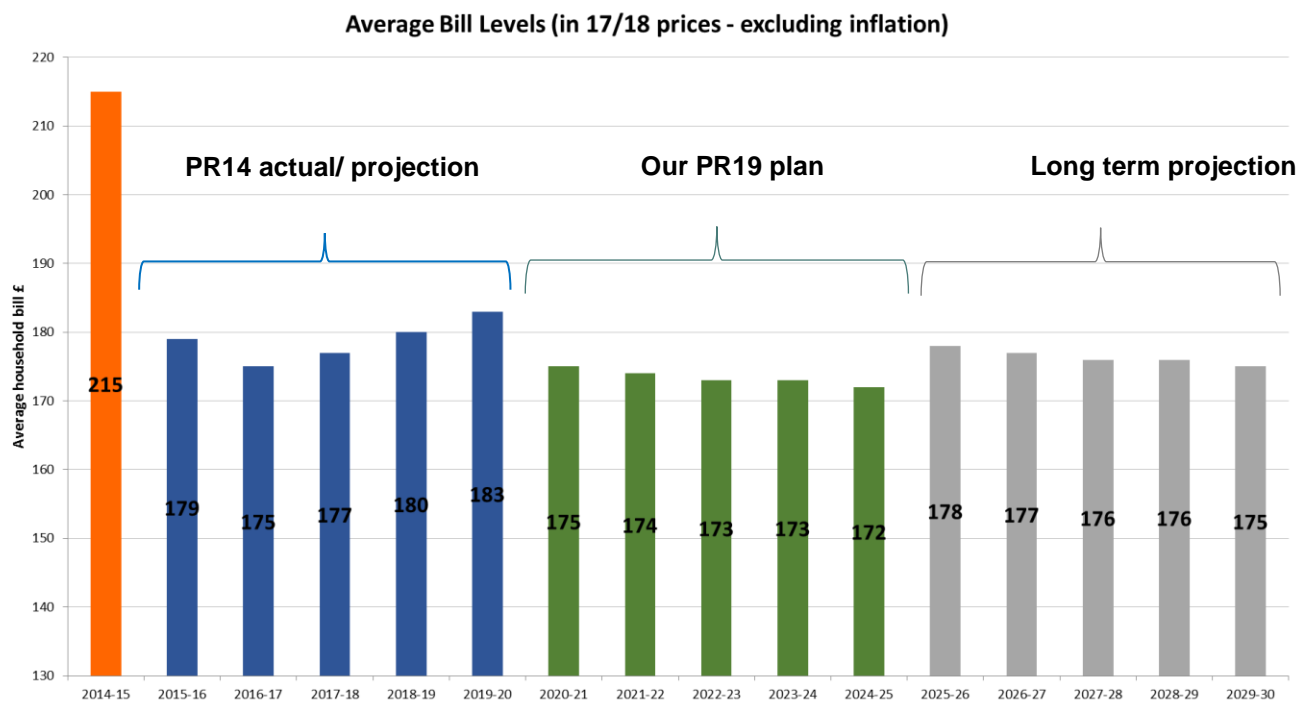


Figure 1: Suggested bill profile in real terms (without inflation)

We plan to achieve this objective by ensuring affordability and value for money for all and to help our customers who are struggling to pay:

- Keeping bills affordable for all customers, now and in the long-term by;
 - Reducing consumption; and
 - Reducing leakage.
- Being efficient and effective – providing the right service level at the right price;
- Continuing to eliminate water poverty –responding as income levels change;
- Providing additional support to those customers who are struggling to pay by;
 - Supporting 100% of customers who need to be on a social tariff - an additional 12,000;
 - Reducing debt by using better insight; and
- Ensuring a better experience – customers will get the support from us when they are most vulnerable.

Another key priority for us is to proactively support customers in vulnerable circumstances, this will happen across every aspect of the business

4.1. Our social tariffs

Our customer and stakeholder research has told us we have a strong and robust package of social tariffs, therefore we are not proposing to expand our offering of social tariffs within this plan. Our assistance packages are designed to encourage customers to improve their payment habits and to start making regularly monthly payments. We partner with 19 charities that are able to assist our customers with debt advice. We signpost our customers to these charities to ensure they seek debt advice before we place them on a tariff the financial support we offer is outlined in Figure 2.

 Assist	<p>This is a low rate banded tariff for customers in extreme financial difficulty. They will need to seek free independent debt advice and complete a financial budget. Assist can be used with our 'Restart' scheme.</p>
 WaterSure Plus	<p>WaterSure Plus offers assistance to low-income, vulnerable customers with high water use by putting a limit on the annual bill. We go further than other water companies by capping the bill at the average metered bill.</p>
 Pension Credit	<p>A bill discount of around 20% for customers who receive Pension Credit.</p>
 Restart	<p>Restart is a debt write-off scheme used for customers with significant water debt. It is designed to encourage better money management through an agreed payment plan.</p>
 Flexible payment plans	<p>If short term help is required we offer flexibility in payments to support short term financial difficulty.</p>
 Water direct	<p>Customers in receipt of benefits can choose to pay their bill directly from their benefits.</p>
 Priority Services	<p>Offers extra support to customers with additional needs. It includes communications in Braille, large print or a language other than English, a password system to help protect against bogus callers and extra assistance in the event of water supply interruptions.</p>

Figure 2 - Support available for customers in vulnerable circumstances

Assist is a low rate tariff for customers in extreme financial difficulty. Customer applications are received through one of our partner debt advice agencies and are received after they have provided financial advice to the customer, this tariff is often used alongside Restart.

Within Assist there are six levels, reflecting the financial need of each group, these levels are shown in Table 1 below.

	18/19 Tariff £/year	Discount vs. avg. bill
Level 0	22	88%
Level 1	47	75%
Level 2	80	57%
Level 3	113	39%
Level 4	145	22%
Level 5	147	21%

Table 1: Tariff for customers in extreme financial difficulty

Water sure plus is a tariff that offers assistance for vulnerable customers. It helps our low income customers who have a high need for water. Unlike other water companies, we cap the bill at the average metered bill, rather than the overall average bill. To qualify, customers need to have a low income and high water usage.

Pension Credit is a tariff for customers who are in receipt of pension credit. These customers can make a one-off application for a 20% reduction on their bill. The package acts a simple way to get vulnerable customers support and helps us identify customers who may be eligible for further support.

Restart is our debt write-off scheme and is a two year payment plan for customers in significant water debt. We support around 4000 customers through Restart with most of these customers also supported through our Assist tariff. Payments are designed to cover the customer's current usage along with some of their debt. If all of the first year's payments are met we then reduce their debt by an equal amount. If all of year two's payments are met we then write off their debt. Research has found that, of the customers who complete the two year scheme, over a third of our customers continue to pay their on-going water charges and become habitual payers once their debt has been removed.

Flexible Payment Plans are available for customers requiring short term help; the scheme offers flexibility in payments to support short-term financial difficulty.

Water Direct allows customers in receipt of benefits the option to pay their bill directly from their benefits. Consequently, we are planning a range of activities to significantly increase the number of customers receiving financial support and free debt advice. We will share the burden of this cost with our customers.

4.2. Providing an inclusive service

We recognise the transient nature of vulnerability and, as such, we are working to embed an awareness of the full range of vulnerability risk factors across our business. We are developing new ways to proactively target customers in vulnerable circumstances and to close the gap between need and support. In addition, we are driving community awareness of the support available for customers in vulnerable circumstances, particularly with regard to transient vulnerability.

Vulnerability assistance includes customers receiving support through our Priority Services Register (PSR). The PSR is our register of vulnerable customers and offers extra support to customers with additional needs. This support includes communications in Braille, large print or a language other than English, a password system to help protect against bogus callers and extra assistance in the event of water supply interruptions. The register means we can identify and respond quickly to the needs of customers who require extra care and we are able to offer extra consideration for those who are older, have a disability or additional needs.

We are making a performance commitment to reach a target of 85% customer satisfaction of those customers receiving vulnerability assistance by 2025. Our target of 85% is informed by the results of the Institute of Customer Service Business Benchmarking survey in January 2018⁵. The survey is the UK's largest cross-sector benchmarking study and reveals that the water and energy combined all-sector average is 78.1. We want to be best in class for customer satisfaction, inside and outside of the industry, and we believe a reasonable stretch beyond 78.1 for the services we provide to vulnerable customers is 85% satisfied customers, with a long-term ambition of 100%. We strive to help those most in need, at times of need, and double the number of people who receive support.

The Citizens Advice Bureau (CAB) suggest that 9 million of the 27.2 million households in the UK could benefit by being on a priority services register⁶ which points to an opportunity to significantly increase our current numbers. This is reflected in our ambition to triple the number of our customers registered for a priority service by 2025 (from today's number). This ambition compliments our research findings which told us that our customers want to hear more about what support we offer.

⁵ A6: ICS Benchmarking Survey

⁶ "How we're making the Priority Services Register more accessible to the people who need it", CAB 2018

5. How we developed our approach

5.1. Understanding the scale of affordability and vulnerability

An increasing number of customers are finding themselves in vulnerable circumstances. Increased pressure on household budgets has been caused by the economic downturn and the impact of welfare reform means that more customers are struggling to pay their bills. Real wages are falling at rates not seen in four years, some consumers are maintaining living standards through unsecured debt; at over £200bn it is at its highest since 2008. Welfare changes, such as the introduction of universal credit and funding cuts, are predicted to make it even more difficult for customers to manage their money and potentially more difficult to access support and advice.

More specifically for our area, Bristol is growing and has a population expected to reach half a million by 2027. The housing supply may not keep pace with the rising population, exacerbating the current above-average house prices and leading to issues around⁷. We have more children under sixteen than people of pensionable age, which is the antithesis of the global trends prediction, and brings different challenges to those faced elsewhere within the country - though we expect this dynamic will change over time. We also have a high student graduate population looking to start their professional careers with large student loans to pay off. Research estimates that there are c25,000 people unemployed in Bristol and household composition plays a role in the vulnerability issue. It is predicted that there are 31,000 people living alone with dependent children and a further 47,500 living alone and over sixty-five⁸. Furthermore, we are a diverse community and embrace the eclectic nature of our area with 16% of our population being black or from minority ethnic backgrounds and this is predicted to increase significantly⁹. As well as this, our area of supply covers rural communities who face challenges in accessing services and support.

5.2. Understanding who our customers are

Bristol Water serves 1.2 million people over an area of almost 2,400 square kilometres, from Tetbury in the north to Street in the south, and from Weston-Super-Mare in the west to Frome in the east. To help us understand our customers in more detail, we have combined our customer data with other relevant data to form six unique customer segments. We have used these segments to help us understand the different circumstances and behaviours of our customers and to understand how their views may differ to help us target our engagement and communications. Most specifically for affordability, the analysis looked at data on customer age, household disposable and discretionary income, last water charge, property rateable value, employment and propensity to save. This has helped us to understand what

⁷ Bristol local economic assessment March 2011

⁸ B13: Customers in vulnerable circumstances

⁹ Population of Bristol: July 2018

affordability looks like across our customer segments so that we can identify the drivers of affordability for each group and to identify those customers who may require additional financial assistance to pay their water bills thus target support appropriately.

The six personas we identified are:

- Young Urban Renters;
- Mature and Measured;
- Social Renters;
- Comfortable Families;
- Safely Affluent; and
- Thirsty Empty Nesters.

Full explanations and attributes of each category are detailed in **Appendix 2**.

We understand that our approach to helping our customers who fall into vulnerable circumstances, whether it is due to financial, circumstantial issues or both, needs to be tailored and personalised in order to meet the needs of each individual who requires additional support at any given point in their life.

The App 4 table of data collects metrics on affordability and vulnerability. It is built, managed and reported to Ofwat as part of the PR19 Business Plan and reporting process. Further details can be found in the App 4 Data Table commentary document.

Parts of the table are distributed throughout this document and the full table can be found in **Appendix 1**.

6. How we have engaged with our customers

We have taken every opportunity to engage our customers throughout the development of our plans and we will continue to do so beyond the submission of our plan. We have engaged with over 37,000 customers since we started on the journey of preparation for the PR19 submission, see Figure 3. Our research approach has ensured that we have a robust, balanced and proportional evidence base to really understand our customer's priorities and expectations. We have used a mix of engagement methods and research approaches including quantitative, qualitative and behavioural research. As well as this, we have also drawn on data from a wide range of sources including customer contact and complaints¹⁰.

We have taken a phased approach to engagement during which we have taken stock of our existing understanding, gathered evidence on customer views and opinions, tested our proposed options with customers, consulted on our plans and then refined our final proposal. Throughout these stages, we have sought to ensure that our engagement activities are customer centered, transparent, accessible, relevant and sustainable.

Throughout the programme, we have made improvements to our business as usual work as well as developing a business plan that reflects the priorities of our customers and the services they value. We are proud of our customer engagement work and believe it represents a step change in how we as a water company relate to the communities we serve. Further, this insight has helped to shape our approach to both affordability and vulnerability and our customers have been clear in their expectations regarding actions to take. A full description of this research can be found in document **C1 – Engagement, communication and research**.

¹⁰ A1: Customer dashboard

Customer Engagement Roadmap

37,539
customers engaged

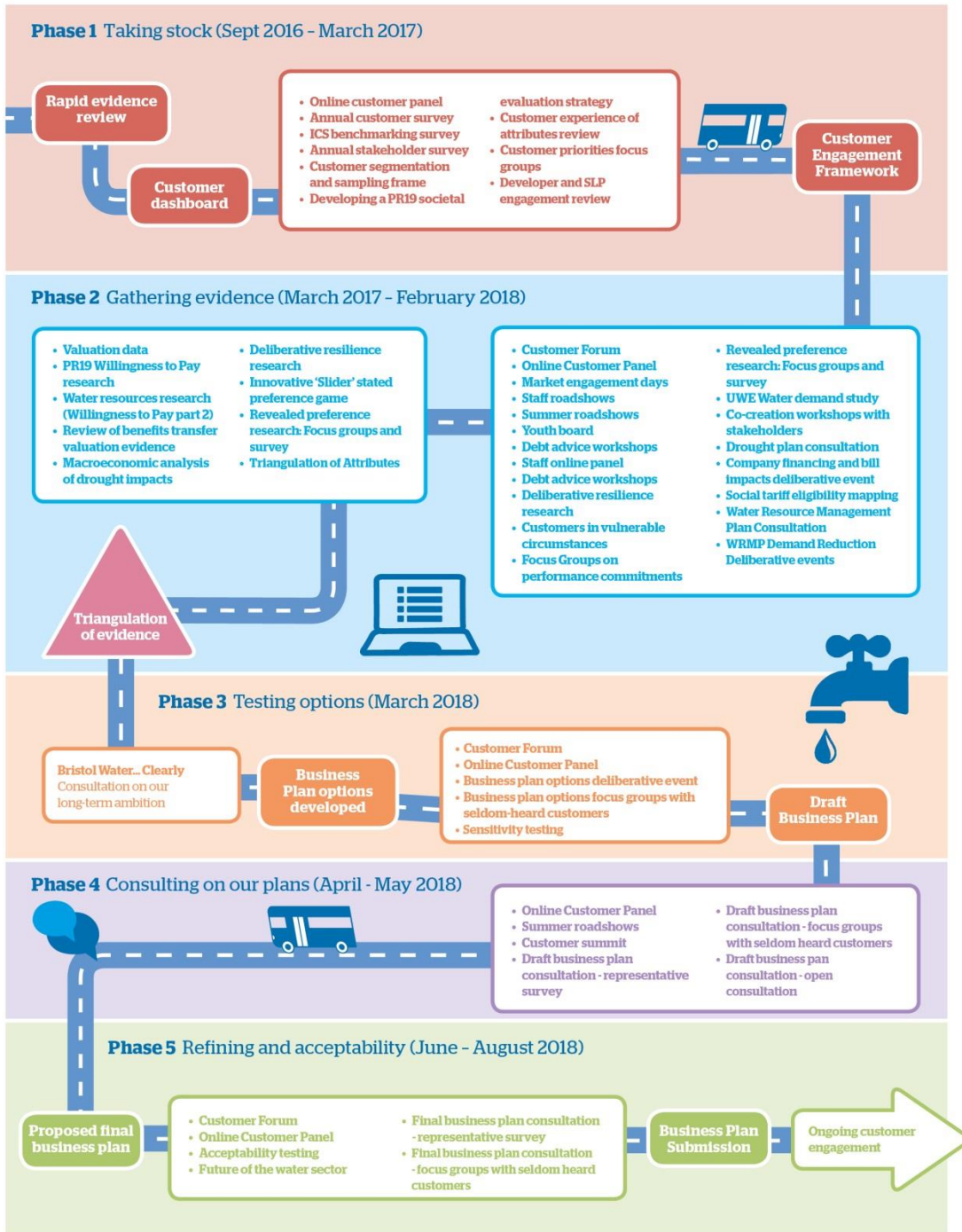


Figure 3: Customer engagement roadmap

We have connected extensively with seldom-heard customers in order to engage different customers and to ensure we have really captured and understood their needs.

We conducted focus groups with:

- Customers living in a rural areas;
- Customers on a social tariff;
- Customers from lower socio-economic groups;
- Customers from minority ethnic groups; and
- Customers with English as a second language.

In addition, with many of our representative online and telephone surveys, we also included a sample of 100 face to face interviews to ensure we had captured the views of customers who are harder to reach through these channels. This face to face interaction helped us to understand what vulnerability factors these customers may experience thereby ensuring we are better informed and able to provide truly inclusive services.

6.1. Customer views on affordability for all and value for money

We have engaged at length with customers about the affordability of their water bill, through our engagement we have been able to develop a robust understanding of what affordability means for all of our customers. Our understanding has enabled us to develop and co-create a plan that not only meets, but exceeds their expectations.

We have asked customers about their views on value for money as part of the following activities:

Ongoing and regular engagement:

- Online customer panel;¹¹
- Annual customer survey;¹²
- ICS benchmarking survey¹³;
- Customer dashboard¹⁴;

One-off engagement:

- Customer priorities focus groups¹⁵;
- Triangulated valuation research¹⁶;

¹¹ A4a: Online Customer Panel April 2016

¹² A5: Annual customer survey

¹³ A6: ICS Benchmarking Survey

¹⁴ A1: Customer dashboard

¹⁵ B5: Customer priorities focus groups

¹⁶

- Willingness to pay stage 1 and 2¹⁷;
- Benefits transfer;¹⁸
- Macroeconomic analysis of drought impacts¹⁹;
- Revealed preference;²⁰
- Slider game²¹;
- Mini-stated preference²²;
- Company financing and bill impacts deliberative event;²³
- Business plan options research ²⁴;
- Sensitivity testing²⁵; and
- Draft business plan consultation²⁶.

Value for money is an important concept in measuring whether customers consider that the service that we provide is worth what they pay for it. 'Bills are too expensive' is one of the top three reasons for customers expressing dissatisfaction in our annual survey since 2015²⁷. We know from our annual survey, and other studies, that customers think keeping bills affordable for all is important however customers consistently rate our performance on affordability low.

To help us understand what customers would like us to invest in we have carried out surveys with over 3,000 customers on the different elements of our service (see **C1 – Customer engagement, communication and research**). Looking at this research along with our research from 2014 we can see that our customers expect us to do more for less. We can also see that our customers are not interested in lower bills at the expense of the current service we provide.

When we have spoken to customers about options to invest in long-term initiatives such as resilience schemes. Some of our customers told us that although they believe they are important, their choice would still ultimately come down to the affordability of the bill. When it comes to spending money to improve services we know that most customers want us to invest, but not if bills are going up anyway, making them less affordable. Rather than reduce the bill, our customers have said that they prefer us to offer an improved service at the same price. We know that there is a close link between the overall bill

¹⁷ B6: PR19 Willingness to pay research

¹⁸ B8: Review of benefits transfer valuation evidence

¹⁹ B9: Macroeconomic analysis of drought impacts

²⁰ B15: Revealed preference research: Focus groups and survey

²¹ B12: Innovative “Slider” stated preference game

²² B11: Deliberative resilience research

²³ B19: Company financing and bill impacts deliberative event

²⁴ B24: Business plan options deliberative event

²⁵ B27: Sensitivity testing

²⁶ B28-30: Draft business plan consultation – representative survey, Draft business plan consultation – focus groups with seldom heard customers, Draft business plan consultation – overall consultation

²⁷ A5: Annual customer survey

level and our customers' willingness to invest in improvements, especially when their personal financial circumstances are difficult.

During a day-long workshop, we talked to customers about how we finance our investments.

Customers told us that their priority was for bills to stay low and stable and that this drove their financial decisions. Where possible, many of our customers indicated a desire to pay up-front and not incur debt, whilst they realised that this wasn't possible for everyone, especially for those in financial vulnerability, they prioritised keeping bills low and stable overall. Where customers did choose to spread the cost, they indicated a desire to spread repayments over a shorter period to avoid storing up costs for future generations and paying high interest. None of our customers wanted repayments to extend beyond the lifetime of an asset. Overall, 67% of customers thought Bristol Water's current proportion of finance was "about right" and 24% considered it to be too high²⁸. Customers were interested in using models that would allow people in different circumstances to pay different amounts.

We spoke to customers about our proposed performance commitments; they prioritised value for money as a key performance measure due to the lack of open market competition.

We conducted a range of valuation research to ensure that our business plan delivers outcomes that customers value at a price they are willing to pay. The breadth of the research techniques used helped to ensure that the resultant valuations provide a robust, balanced and proportional evidence base triangulated to support the cost benefit analysis for the Water Resource Management Plan and the business plan.

For a detailed explanation of how our outcomes framework has been driven by the preferences and priorities of our customers and the service levels that represent the most beneficial option at a cost that customers view as good value see our business plan document **C3 – Delivering Outcomes for Customers**.

During our draft business plan consultation, we provided customers with a range of options and the financial impact of each on the bill post our innovation and efficiency measures both pre and post inflation. Two key concerns for customers, across all questions, are lower bills and good value for money. Customers indicated that the faster option was the least preferred option across all questions. Customers' overall preferences did not necessarily match their preferences in relation to individual issues. Across all the outcome packages, more customers chose the slower plan and fewer chose the faster plan when just looking at the individual services. Customer choices are heavily influenced by the impact on their bill, with the higher bill impacts seeing less support from customers.

²⁸ B19: Company financing and bill impacts deliberative event

The consultation showed that when bills are lower overall our customers are more willing to pay for improvements (i.e. the suggested or faster plan). This effect is stronger for customer segments with lower household incomes and supports the view that customers are constrained by their personal circumstances when making choices about investment.

The support for our overall plan by each of the persona groups, reveals that Social Renters preferred the slower plan, see Figure 4. A higher proportion of Safely Affluent, Mature and Measured, and Thirsty Empty Nesters showed a higher preference for a faster plan but the majority still preferred the suggested plan.

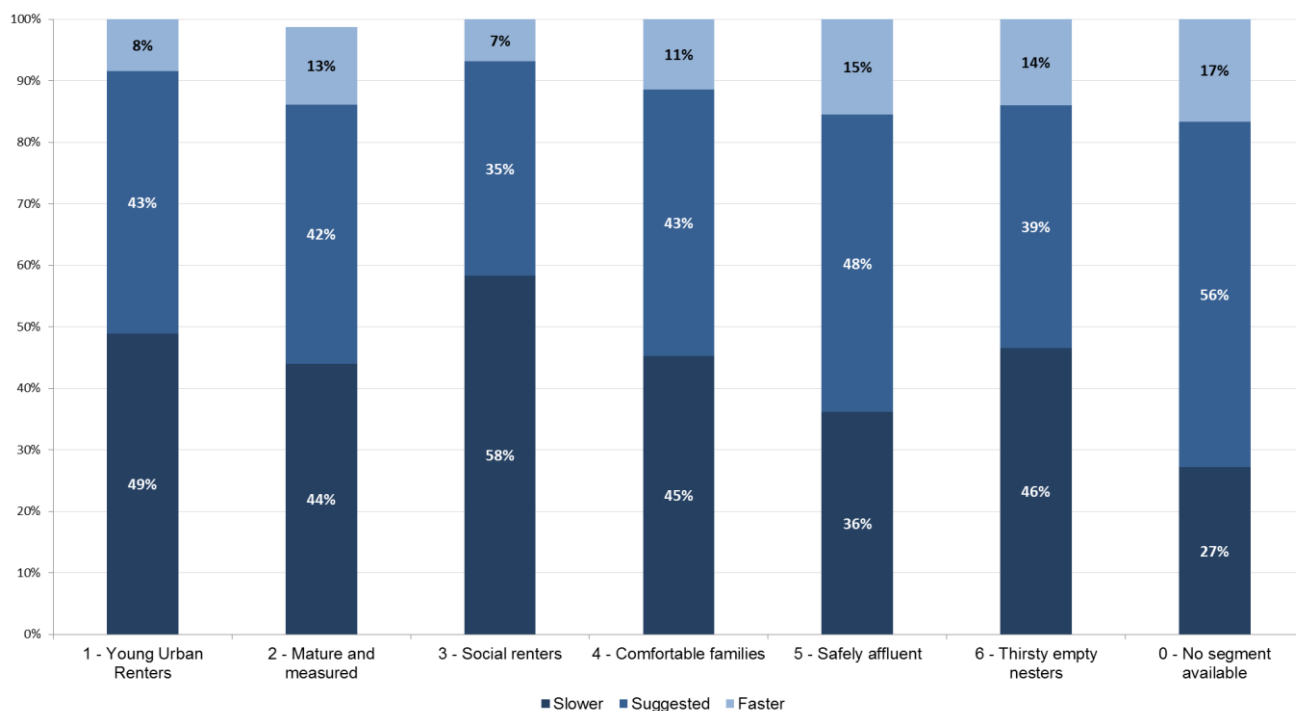


Figure 4: Preferred plan by persona groups²⁹

As well as understanding customer preferences for overall bill levels and priorities for investment, we have also engaged with customers about specific mechanisms that have an impact on their bill such as cost adjustment claims, company specific adjustment to cost of capital, incentives³⁰ and underperformance penalties and outperformance payments³¹.

²⁹ B30: Draft business plan consultation – overall report

³⁰ A3d: Customer Forum July 2018

³¹ B14: Focus Group on performance commitments

6.2. Customer views on supporting those struggling to pay

Our research has told us that our customers think keeping bills affordable for all and that helping people who cannot pay their bills is important. Some of our customers were concerned that while they may be able and willing to pay higher bills, others may not be able to, and believed when formulating our plan we should take that into consideration.

Analysis of our segmentation shows that 13% of our customers have an average household income of £19,000 and nearly all of these customers are struggling financially with low discretionary incomes. 99% of this customer base are struggling to make ends meet or running into debt³².

The engagement activities undertaken to understand customers' views on supporting customers in vulnerable circumstances:

Ongoing and regular engagement:

- Customer dashboard³³;
- Real time feedback following incidents²¹;
- Debt advice workshops³⁴; and
- Online panel³⁵.

One-off pieces of engagement:

- Customer priorities focus groups³⁶;
- Social tariff eligibility modelling³⁷;
- Customers in vulnerable circumstances research³⁸;
- Revealed preference focus groups with customers in vulnerable circumstances³⁹;
- Performance commitments focus groups²⁰;
- Business Plan options focus groups with seldom heard customers⁴⁰;
- Draft business plan consultation focus groups with seldom heard customers⁴¹; and
- Acceptability testing focus groups with seldom heard customers.⁴²

³² B1: Customer segmentation and sampling frame

³³ A1: Customer dashboard

³⁴ A14: Debt advice workshops

³⁵ A13: Staff online panel

³⁶ B5: Customer priorities focus groups

³⁷ B21: Social tariff eligibility modelling

³⁸ B13: Customers in vulnerable circumstances

³⁹ B15: Revealed preference research: focus groups and survey

⁴⁰ B25: Business plan options focus groups with seldom-heard customers

⁴¹ B29: Draft business plan consultation – focus group with seldom heard customers

⁴² B34: Final business plan consultation – focus group with seldom heard customers

In September 2017, we met with around 18 customers in vulnerable circumstances and 10 stakeholders to provide qualitative insight into stakeholder and vulnerable customer perceptions and to understand what is most important to them⁴³. Most of the customers we interviewed were either eligible or currently registered on one of our social tariffs or our Priority Services Register and had multiple reasons for being in financial or circumstantial difficulty as a result of employment issues, health conditions and family circumstances.

We found that many customers were accustomed to having challenging relationships with organisations in general, and that they had low expectations of being proactively offered help and support. Conversely, after speaking with us regarding the possibility of receiving financial assistance they were positive about the experience. These customers consider us easy to work with and found the signing up process straight forward. Customers and stakeholders are impressed by the range of support that is offered, but too few customers are aware of the help we can offer with bills and other needs. These customers feel more could be done to raise awareness and promote the help available to them. They also suggested that we develop a deeper understanding of individual circumstances by building personal relationships and being aware that it is better to act before there is a problem and provide frequent reminders of the support options available.

Following our in-depth research, we wanted to understand how many of our customers might be eligible for support. We carried out some social tariff eligibility modelling⁴⁴, this testing has helped us to understand the proportion of customers eligible for our schemes and enabled us to understand which geographic areas are under or over represented for help with affordability. Our findings told us that we are not currently reaching as many customers in vulnerable circumstances as we should.

As part of our draft business plan consultation⁴⁵, we spoke to customers about the level of support we should be providing to our customers who are unable to afford their bill. 75% of customers agreed that we should support people who cannot afford their bill and 84%⁴⁶ thought we were taking the right approach in encouraging customers to pay something they could afford see Figure 5 .

When given the choice between different levels of assistance for vulnerable customers, customers had a higher level of agreement to maintaining the current level of cross subsidy to support social tariffs compared to the two higher levels which would see their contributions increase. However, 53% of customers showed support for increasing social tariffs from 50% of those eligible to 75% of those who could potentially benefit, see Figure 6. This is particularly true for future customers, affluent customers,

⁴³ B11: Customers in vulnerable circumstances

⁴⁴ B21: Social tariff eligibility modelling

⁴⁵ B28-30: Draft business plan consultation – representative survey, Draft business plan consultation – focus groups with seldom heard customers, Draft business plan consultation – overall consultation

⁴⁶ B30: Draft business plan consultation – overall consultation report

and rural customers. We tested acceptability of how we can share benefits of performance with customers, including the degree to which ensuring all eligible customers who want a social tariff should be able to benefit from it.

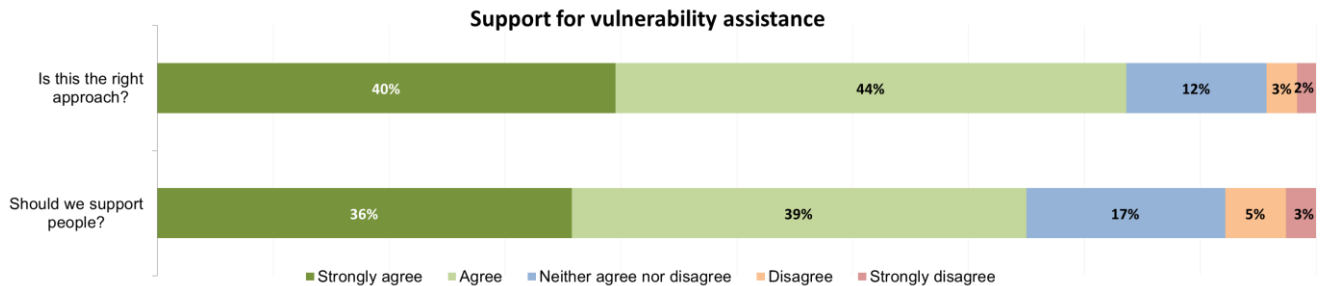


Figure 5: Vulnerable customer survey results⁴⁷

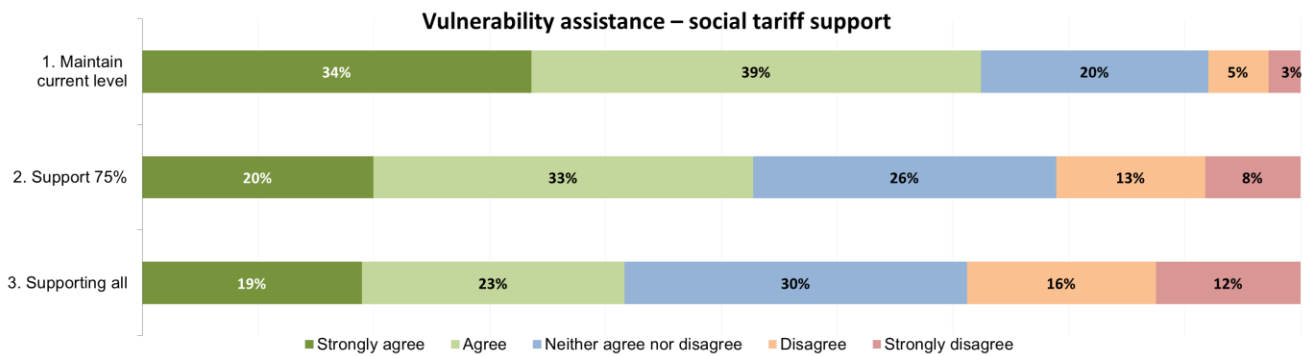


Figure 6: Social tariff survey results³⁹

6.3. Customer views on supporting customers in vulnerable circumstances

As well as engaging customers on overall affordability, we have also engaged with customers in vulnerable circumstances to better understand their specific needs and how we can deliver an enhanced and more inclusive customer experience.

The engagement activities undertaken to understand customers in vulnerable circumstances:

Ongoing and regular engagement:

- Customer dashboard;⁴⁸
- Real time feedback following incidents³⁶;
- Debt advice workshops⁴⁹; and

⁴⁷ B30: Draft business plan consultation – overall report

⁴⁸ A1: Customer dashboard

⁴⁹ A14: Debt advice workshops

- Online panel⁵⁰.

One-off pieces of engagement:

- Customer priorities focus groups⁵¹;
- Social tariff eligibility modelling⁵²;
- Customers in vulnerable circumstances research⁵³;
- Revealed preference focus groups with customers in vulnerable circumstances⁴⁵;
- Business plan options focus groups with seldom heard customers⁵⁴;
- Draft business plan consultation focus groups with seldom heard customers⁵⁵; and
- Acceptability testing focus groups with seldom heard customers.⁵⁶

We understand that vulnerability is multifaceted with knowing that both financial and circumstantial vulnerability can go hand in hand. At our in-depth interviews, and from ongoing engagement, we have found that too few customers were aware of the Priority Services Register and the range of assistance and support we offer.

When consulting with stakeholders who work with people with specific needs, we found that where we have a close working relationship, stakeholders were happy with the service and support we provided to people. However, there is an opportunity for us to collaborate more closely with non-financially focused stakeholder groups (such as local authorities, community groups and charities such as groups who work with people with sensory deprivation or mental health issues).

We also talked to our customers about how well we support them in difficult circumstances – for example during supply interruptions. Customers told us that they need more notice for such events – whether to plan for help, to budget for bottled water, or for health planning reasons. For the same reasons, it is important for these customers to have a clear sense, as soon as possible, about how long the interruption may last. Customers value regular, honest and transparent communication. Using multiple communication channels is important to make sure as many people as possible are being reached. Customers also requested delivery of water directly to the most vulnerable within a few hours.

As part of our revealed preference research, we held focus groups with customers who had recently been affected by a supply interruption⁵⁷ to understand their perceptions of how we handled the incident. Some of our customers raised concerns about residents that may have been in more vulnerable

⁵⁰ A4: Online Customer Panel

⁵¹ B5: Customer priorities focus groups

⁵² B21: Social tariff eligibility modelling

⁵³ B13: Customers in vulnerable circumstances

⁵⁴ B25: Business plan options focus groups with seldom-heard customers

⁵⁵ B29: Draft business plan consultation – focus group with seldom heard customers

⁵⁶ B34: Final business plan consultation – focus groups with seldom heard customers

⁵⁷ B15: Revealed preference research: Focus groups and survey

circumstances during the interruption. For example, some wondered how elderly people, who may have been immobile or relying on the support of carers, would have coped. One customer cited an issue relating to a family with a disabled child who didn't receive the support from Bristol Water that they were expecting.

“The lady who lived around the corner from me, I do her cleaning every now and then. She has carers come in four times a day, and obviously it was horrendous for her because they couldn't put her in the shower or anything. For her it was really hard so I should imagine that was a problem for a lot of people, if that are being cared for at home” – Whitchurch, family & older lifestage, mix SEG

“I work with some people locally and one of them has disabled children and they were badly affected. They were supposed to get some sort of priority but they didn't get it” – Shirehampton mixed lifestage ABC1

Following a precautionary boil notice, we asked customers on our PSR how satisfied they were that their needs had been met during our response. 27% were fairly or very satisfied, the rest remained neutral. No customers on the PSR expressed dissatisfaction. When we asked all customers whether our handling of the issue had altered their view of Bristol Water, 30% said their view had altered positively. 23% said that it had altered negatively and the rest stated that their view hadn't altered or that they weren't sure. The findings indicate that there remains some work to do to increase customer satisfaction among those who are receiving assistance.

During the development of our new bespoke performance commitment for customers in vulnerable circumstances, we engaged with customers to understand what they think we should measure. Our online panel ⁵⁸(n=900) prioritised satisfaction of vulnerable customers as a key performance measure followed by measuring the number of customers on the PSR (see Figure 7). We also wanted to gain qualitative insight into customers' views on what we should measure. We asked for customers views at our performance commitments focus groups ⁵⁹(n=29) and saw that our customers prioritised the introduction of a new performance commitment around vulnerability. Customers indicated that they saw Bristol Water as having a role in supporting vulnerable people and ensuring everyone has access to the water they need. There were mixed views about whether we should measure the number of customers we are supporting, how satisfied those customers are with the service we provide or the number of customers contacted by the company about support eligibility.

⁵⁸ A4e: Online customer panel July 2017

⁵⁹ B14: Focus Groups on performance commitments

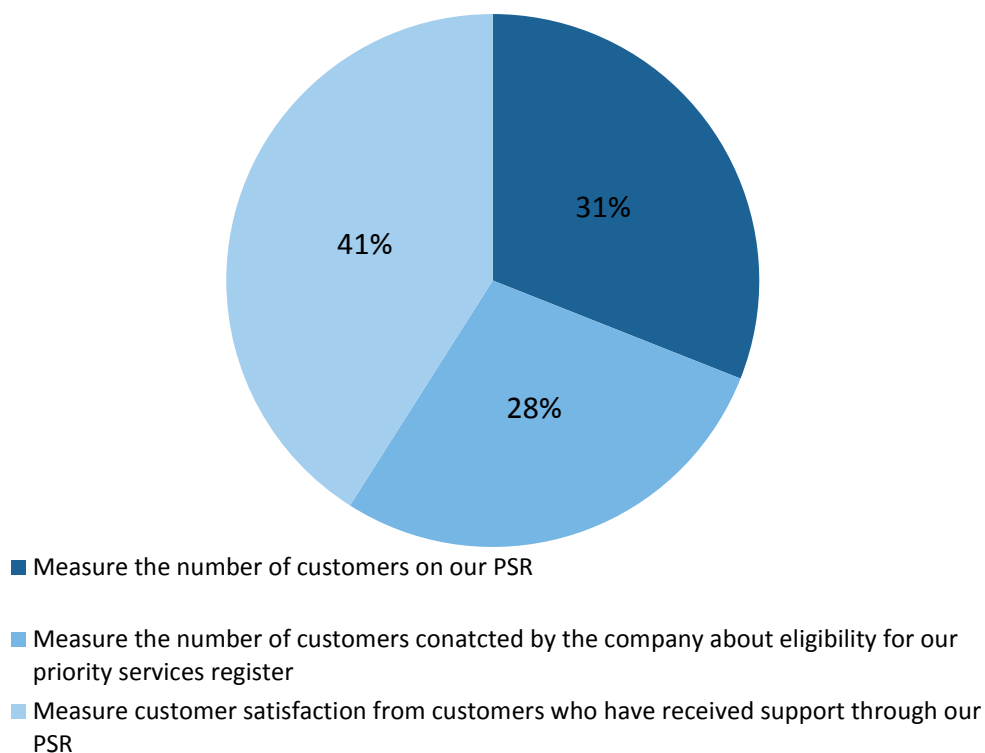


Figure 7: Customer preferences for bespoke performance commitments relating to vulnerability⁶⁰

In our draft business plan consultation, the majority of customers chose the suggested plan for vulnerability assistance⁶¹. For the customer experience commitment we found that twice as many customers chose the faster plan. Future customers, affluent customers and rural customers appear to support higher levels of help to vulnerable customers, and previous engagement has shown that customers do tend to value some degree of support to vulnerable people. In addition, customers who supported faster plans overall often mentioned vulnerability as a reason for their choice and noted that they see it as a worthwhile investment.

6.4. Customer acceptability of our plan

We consulted with 1,479 customers on our Final Business Plan in July and August 2018. To ensure that our research provided robust customer evidence we used different methods including online surveys, focus groups and telephone surveys as well as capturing the views of different customer segments. It was particularly important to talk to future customers and customers on a low income as these customers had the most diverse views from our draft business plan consultation.

⁶⁰ A4e: Online customer panel July 2017

⁶¹ B28-31: Draft business plan consultation – representative survey, Draft business plan consultation – focus groups with seldom heard customers, Draft business plan consultation – overall consultation

Overall the majority of customers accept our final business plan, with very few customers saying that it is unacceptable. Customers were pleased to see that the bill is reducing in real terms, although have concerns about levels of inflation over the period.

Generally, customers were more accepting of our plans when we spoke to them face to face rather than through the online and telephone surveys which are consistent with previous findings. In the focus group with low income customers some commented that bills already felt too high, and so supported the reduction. In the online and telephone surveys we were able to analyse the results by customer segment. As with previous research we found that the plan was most commonly acceptable to the higher income segments (comfortable families in particular) and least acceptable to social renters, with this pattern repeated across the bill with and without inflation. However, even for social renters when considering the bill with inflation, a minority of customers disagreed that the plan was acceptable but many more were unsure.

Comparing this research with our draft business plan consultation, where over half of social renters preferred the slower plan, it seems that the final plan is more acceptable but we still have work to do to make sure bills are affordable to all our customers and that the support we offer is more widely known.

Acceptability of planned improvements

We presented our performance commitments for each of the three areas and asked customers to what extent they agreed with the proposed changes, with varying levels of detail in each method. In the telephone survey and focus groups we asked customers for their views on each of the three service improvement areas (customer service, water supply, environment and community). Over 70% of customers agreed with each option, and less than 5% disagreed, with the remainder expressing a neutral view or saying they did not know.

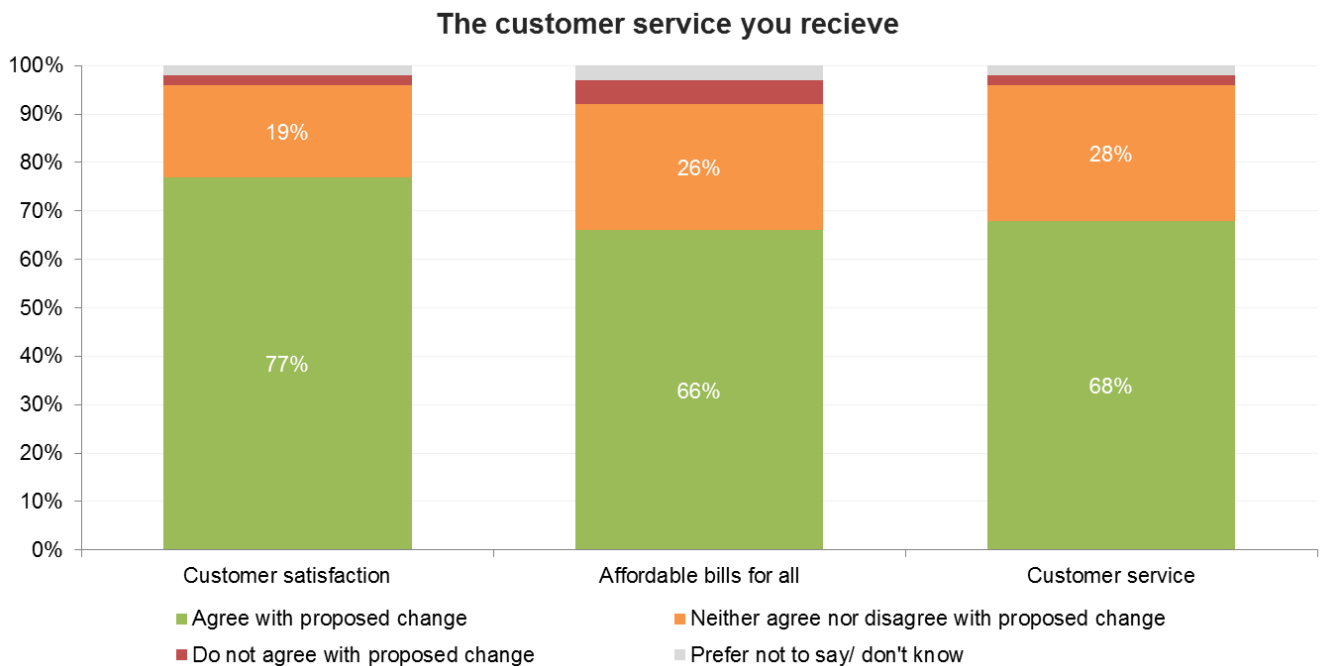


Figure 8 Online survey n=304

For customer service specifically, in both the online and telephone surveys we found that around 80% of our customers agreed with our planned improvements. In our online survey we were able to ask customers about each of the three performance commitments separately, as shown below (Figure 8) we found that over 90% of customers surveyed agreed with each one. Qualitative feedback from our focus groups and customer survey told us that we need to better communicate the support we offer to customers in vulnerable circumstances. Our Customer Forum strongly support our work with vulnerable customers but question whether improving customers service should be something that requires additional customer investment.

Comparing our customer segments we find that in our telephone survey the strongest support for our customer service proposals comes from our social and young urban renters. We also found that customers in our low income focus group were more supportive of these improvements, particularly the support for vulnerable customers, compared with the future customers group who had more questions about the social tariffs and how they would affect other customers' bills.

The level of support for our plan expressed by our customers, both those we have engaged with over a period of time, and those we met for the first time, gives us confidence that our final business plan strikes the right balance of delivering service improvements that customers value at a price that is acceptable to the majority. However, we do not underestimate the challenge of serving all our customers, including those in vulnerable circumstances for whom affordability is a challenge.

A full description of the acceptability testing results can be found in document **C1 – Engagement, communication and research**.

Spotlight on: customers in vulnerable circumstances research

Our research on customers in vulnerable circumstances⁶² provided us with an example of how we have tailored our approach to engaging our hardest to reach customers. The research was conducted in three phases including interviews with:

- Key Bristol Water staff who are involved in activities with third party stakeholders and vulnerable audiences;
- Key third-party stakeholders including charities, consumer interest groups and other organisations who exist to promote the needs of customers in vulnerable circumstances (Centre for Deaf, Eye Clinic (social services), Somali Community Centre, Talking Money, CAB Yate, CAB Bristol, Independent People, Alliance Homes, Bristol Mind, Dementia UK (Bristol); and
- 18 in-home or in-venue paired depth interviews, each comprising one customer who is in vulnerable circumstances, together with a trusted friend, family or carer – who may also be vulnerable.

This approach is considered most appropriate because it is less intimidating for respondents to meet a researcher in their own home or at a neutral venue of their choice (a coffee shop, a community centre) etc. and to be accompanied by a trusted person. The in-depth interviews provided the time and focus to really understand the detail on the lives of these customers in order to understand how we can best meet their needs. Also, the personal nature of the interview allowed us to tailor the approach to given the customers personal circumstances, for example a conversation will be very different for an unemployed man with a family to support in contrast to an affluent widow with limited mobility.

⁶² B13: Customers in vulnerable circumstances

Spotlight on: making better use of data

Ofwat’s report, ‘Making better use of data: identifying customers in vulnerable situations’ encourages companies to move forward in utilising available data in order to identify and target customers for support. To establish how many of our customers might be eligible for support, and to obtain spatial analysis on affordability issues among our customer base we commissioned a Customer Affordability Assessment which was conducted early in 2018. The objectives of the report were as follows:

- To understand what proportion of customers are eligible for social tariffs relative to Bristol Water’s customer base;
- To understand the proportion of customers currently on social tariffs relative to those who are eligible for social tariffs;
- To understand which geographic areas are under or over represented for help with affordability; and
- To identify those customers who are eligible for social tariffs but are not on a social tariff.

The report includes visual maps (see Figure 9), measured on the lowest possible geographical level, and provides the postcodes in which these eligible customers live. The analysis enabled us to have a better understanding of our customer base to inform our strategy and advise business as usual decisions by identifying opportunities for targeting efforts.

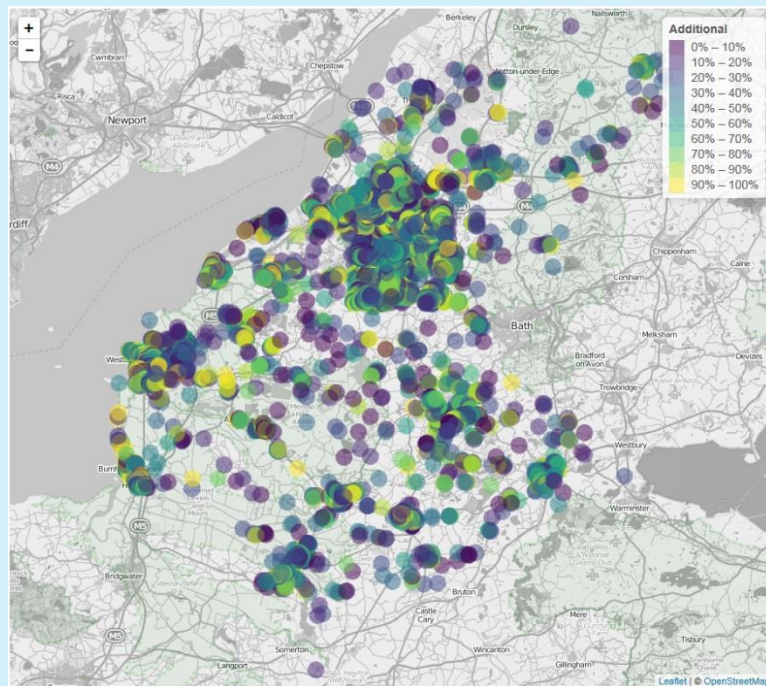


Figure 9: Social tariff eligibility mapping

7. Our plans to provide affordability and value for money for all between 2020-25

Across our customer research, affordable bills are consistently identified as one of our customers' top priorities. Our aim is to ensure our customers feel confident that they are receiving affordable, value for money services, both now and in the long-term. As part of our ongoing research, we ask customers if we provide good value for money and how affordable the bills are. We find that the satisfaction in this area is good but when combined with it being a top priority we could do more to improve the satisfaction levels. The 2018 Water Matters⁶³ survey showed that 80% of customers confirmed their water charge is affordable, this is encouraging, although it suggests we still have work to do.

During the next regulatory period (AMP 7) customer bills will be sustainably lower in real terms than they were a decade ago, while we will continue to deliver service improvements in the areas that customers have told us are their priorities. We want customers to feel confident that they are receiving affordable, value for money services, both now and in the long-term.

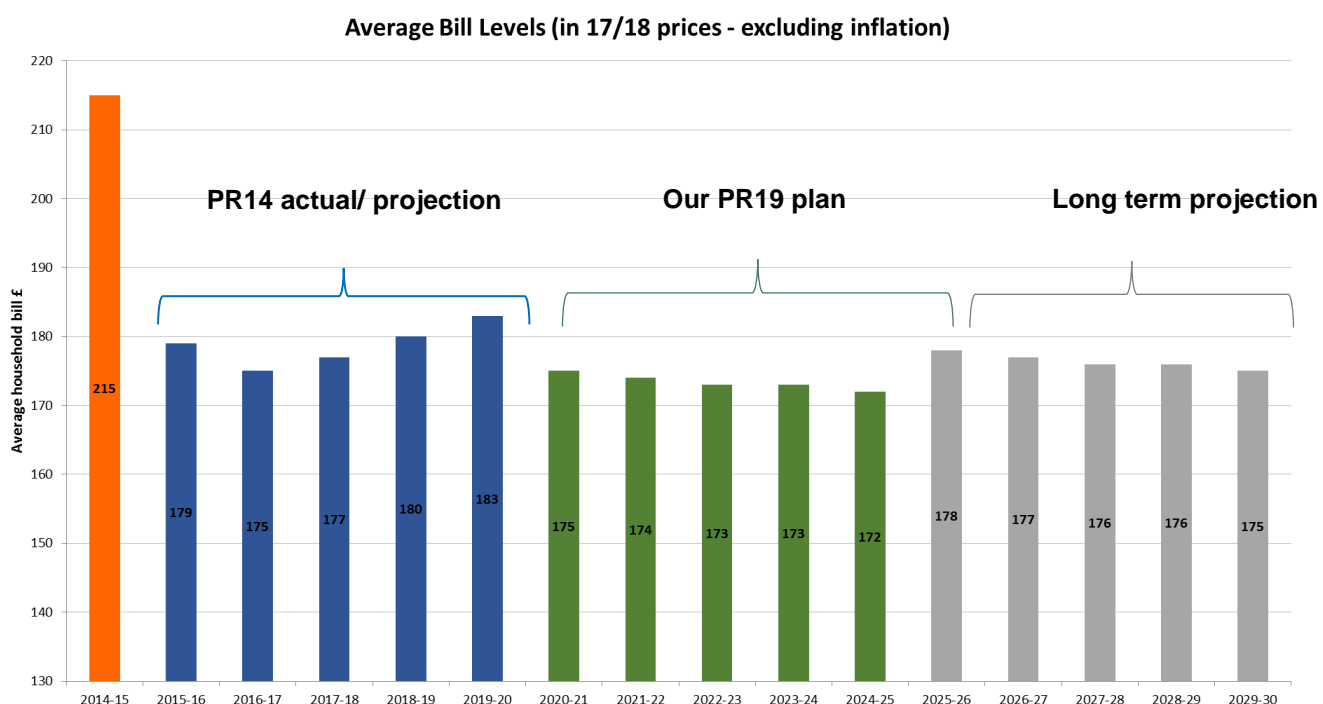


Figure 10: Bristol Water household bill forecast 2017 – 2030

Our bills decreased by £33 (16%) in 2015 and have subsequently increased by less than retail price index (RPI) inflation since then. Our plan anticipates bills to reduce by 4.5% in 2020 and remain flat through the remainder of the period, see Figure 10.

⁶³ Water Matters: Household customer views on their water and sewerage services 2017.

Using a sample of 304 customers, our further research and acceptability testing found that our suggested plan, at a lower cost, was acceptable to 93% of customers when presented in real terms (see Figure 11).

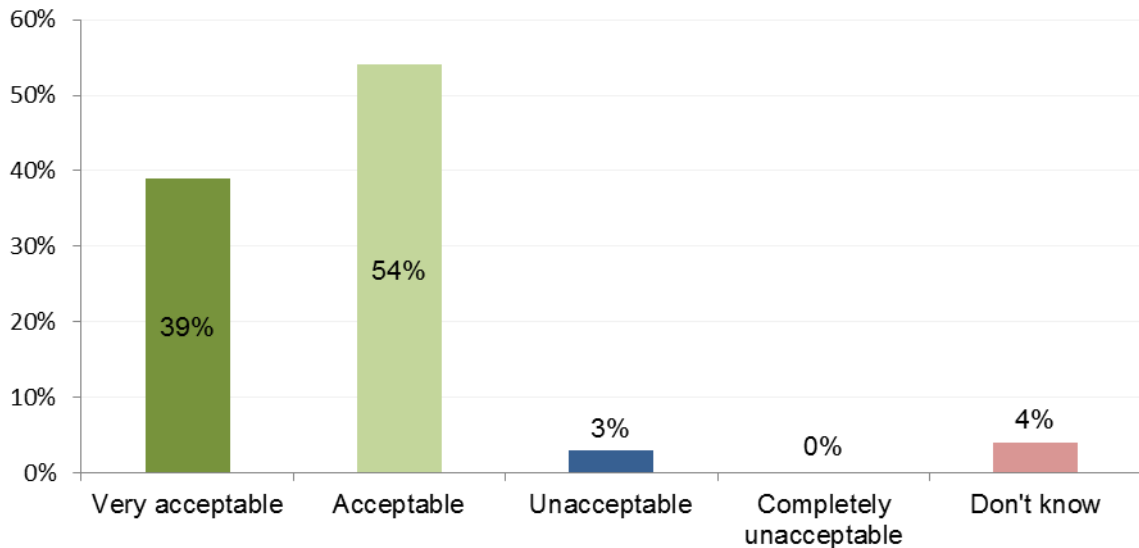


Figure 11: Acceptability of the preferred plan (bill presented in today's prices)

When asked about the proposed plan in nominal terms, i.e. including inflation, 83% of customers found the proposed plan acceptable (see Figure 12).

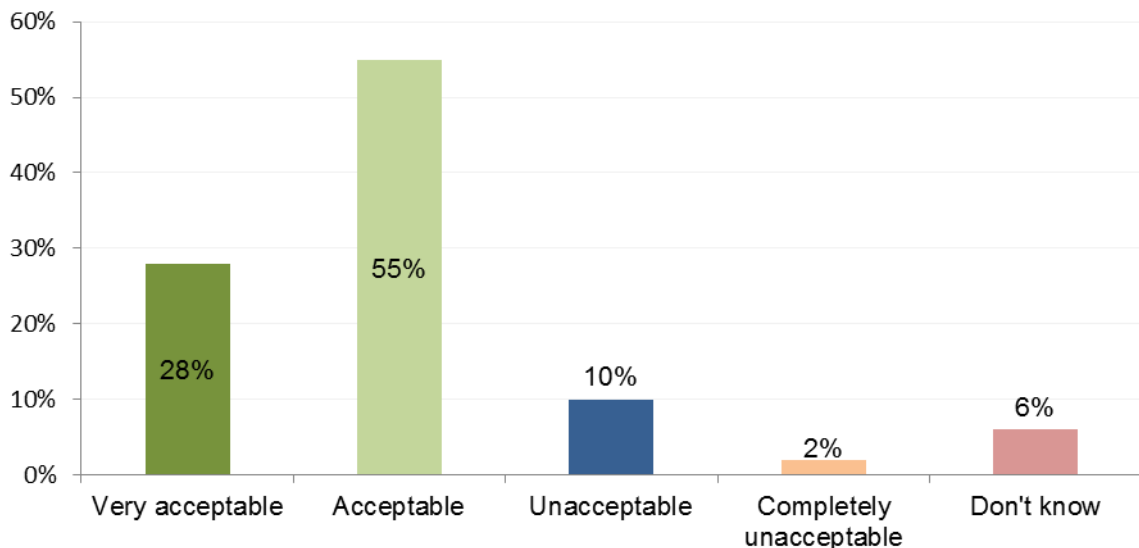


Figure 12: Acceptability of the preferred plan (bill presented with inflation)

Acceptability drops most for social renters (68%) / young urban renters (77%) when inflation is added.

When we gave customers the option of the slower plan with a lower bill, 82% of customers still prefer the proposed plan. Social renters were the most likely to select the slower plan (34%).

7.1. Helping customers to reduce their water usage

Whilst addressing some elements of affordability through the provision of our social tariffs and signposting of independent debt management advice, there were still some customers who remained unable to pay their bill, or unwilling to seek, or accept, support. We recognise, therefore, that creating affordable bills must go beyond the provision of financial support or advice. Indeed the installation of a meter could save up to £100 for our customers and will also likely lead to them having a cheaper energy bill as a result of heating less water. We anticipate meter penetration of our household customers to increase to 75% by 2025. Reducing consumption, leading to a reduced bill, is not only about having a meter installed - it is also about education and fitting water saving devices. Consequently, we will continue to educate on water usage alongside the provision of water saving devices as well as creating awareness of the potential affordability benefits of being on a meter via programmes such as “Beat the Bill” and through targeted customer communications. Further improvements in technology will enable us to develop tools and prompts for metered customers to reduce their on-going usage, including an improved water usage calculator available on the Bristol Water website with the option for customers to ‘save my data’. In addition, we will offer water usage benchmarking and proactively follow-up with customers falling outside the expected range of consumption. Table 2 reveals information on potential savings available by intervention device type that are provided free of charge.

Intervention device	Annual metered water savings	Annual energy bill saving	Total annual utility savings
Shower regulator	£31.76	£10.13	£41.88
Shower timer	£5.29	£1.69	£6.98
Toothy timer	£13.55		£13.55
Tap inserts	£38.11	£10.13	£48.22
Save a flush	£13.55		£13.55
Swell gel	£0.53		£0.53

Table 2: Potential savings available

We are also increasing awareness of water efficiency through developing partnerships with a greater range of local community groups, including local councils and housing associations.

Details of how we will achieve our reduction in both consumption and leakage can be found in our business plan document **B1 – Water Resources**.

Additional measures we are taking to improve overall affordability across our entire customer base include:

- Finding efficiencies by improving our digital offering and leveraging new technologies to reduce our cost to serve;
- Continuing to refine our processes to reduce bad debt; and
- Helping customers find ways to reduce their own bills by reducing their consumption, through education and intervention.

7.2. Reducing our cost to serve

We will leverage new and existing technologies to reduce our cost to serve by improving the range of digitally available services -allowing more customers to “self-serve” and continuing to refine our processes to support reductions in “bad debt.”

When looking to invest in a new solution, we have looked at the different aspects:

- Key Business Drivers – affordable bills for customers;
- Technology Drivers;
- Business Values; and
- Technology Values.

We use these elements to shape the value of the solution, with value being defined as satisfaction of needs over use of resources. The value of the solution will decrease as the use of resources grows and therefore analysing our existing processes and service is vital if we are to ensure appropriate value is gained from any intervention we make.

To drive value, and in turn reduce cost to serve, we will focus on exploiting further the use of digital channels, integrating more activities to be customer self-serve and examining ways in which we can effectively use business automation technologies such as Robotic Process Automation (RPA) and Artificial Intelligence (AI). We also recognise that some customers will still wish to continue to use traditional channels and therefore we will continue to invest in our people to improve first time resolution (using machine learning technologies) thus reducing our cost to serve by avoiding rework.

We anticipate our current investment in self-serve integrations will enable customers, developers and retailers to interact (complete activities) in the same way as traditional channels. Customers will be able to manage their billing and account transactions, complete home moves, update meter readings, view their consumption graphs, order water-saving devices and learn about saving water. Operationally, customers will be able to report a problem, view planned work in their area and complete web forms. Developers will be able to request quotations. Retail portals will enable retailer to electronically submit jobs.

Automating high-volume and standard process steps within the end to end customer journey will result in accurate data being available more quickly. These improvements will also allow our teams to focus on managing exceptions and areas that benefit from closer scrutiny, thereby adding greater value to our customers. Automating business processes will reduce cost to serve by helping to find efficiencies and streamline customer processes.

Efficiency savings will allow us to make service improvements in the areas that customers have told us are their priorities and increase value for money. Another way that we will do this is by refining our debtor strategy to further improve our success in that area.

Pelican Portal

In February 2018, we introduced a new customer billing portal to replace our existing e-billing. The new portal has been developed to improve our online and customer self-service offering so that we can continue to provide the best possible service to our customers. Customers are able to view their bills, make a payment, view and edit their account, view a summary page and re-set passwords. They can also create a services request by sending a move form or Direct Debit form from the portal. The next phase of the portal's development will come later in 2018 and will allow customers to view any service requests they have submitted and edit notifications (e.g. emails from the portal when they have a new bill). Development will continue and in the future customers will be able to view their account statement, payment history and letters or chat history to name just a few services.

7.3. Reducing void households

We will find an additional 1,000 occupied void households to reduce voids to 1.8% of our household properties by 2025 by using our metering programme and system improvements to identify occupied voids. This will take us beyond the upper quartile for the industry. We will support our retailers to reduce business premise voids too by helping them to identify these.

7.4. Debtor Strategy

Our rate of bad debt - 2.27% - and doubtful debt – 3.36 % - is comparatively high within the utilities industry. This is driven, in part, by higher than average deprivation levels in our area. Further, we note that collection rates are around 1% behind council tax collection rates for our area⁶⁴. This and the findings from PWC's Retail Services Efficiency benchmarking report (2017) estimates that achieving an average performance level across the sector for bad debt at the current frontier level (0.6%) could save customers up to £9.40 from their water bill⁶⁵. Achieving the energy sector average (1.5%) could save up to £6.07 and achieving the current upper quartile level of 2% could save up to £4.22 (assuming no

⁶⁴ Bristol HH Retail IPP Economic Insights January 2018

⁶⁵ Retail Services Efficiency benchmarking: Report for Ofwat

increase in debt management costs and that all savings are passed onto the customer). It is clear that an opportunity exists for us to do more to improve our bad debt position and support those struggling to pay.

Critical to our revised debtor strategy is early customer engagement and intervention, encouraging all customers to pay what they can. Our customers have told us what they expect from us and by developing ways to engage early, to motivate and rehabilitate specific debtor groups we anticipate reducing our rate of bad debt to 2.93% from 3.45% in 2017/18.

By defining our 'risky' debtor categories we can use analytics to prompt proactive contact to customers early in the debt cycle (Figure 13). Customers approach money management in different ways and we segment them to ensure we apply the right intervention at the right time. Our separate and tailored strategies ensure that these customer groups are engaged with their water bill.

They are segmented as follows:

Debt Deniers are defined as people with disorganised/chaotic life-styles and money management. They are likely to be in debt with multiple companies and likely to be in denial of the debt;

- In summary they are unengaged or, put another way, ignoring their debt;
- Experiencing financial difficulties - needs include;
 - Achievable way to address debt, manage money holistically;
 - Understanding of their individual circumstances;
 - Direct, personal, tailored information; and
 - Continual and on-going communication;

Debt Copers are defined as people trying to manage their difficult financial circumstances; they are in debt but actively looking for a way out;

- In summary, they are engaged with their debt and open to help and support;
- Experiencing financial difficulties - needs include
 - A solution or new coping strategy e.g. social tariff, debt advice; and
 - The tools and support to manage finances

Active Managers are defined as people who are organised and have money management strategies in place. They will be just about coping financially; and

- In summary they are interacting with their bills, but open to more help and support;
- At risk if circumstances change. Needs include:

- Ways to better manage money and prevent debt in future e.g. payment options, budget plans, payment holidays; and
- Information to help prepare for unexpected problems.

Debt Copers and Active Managers tend to be transient; they are people moving in and out depending on circumstances.

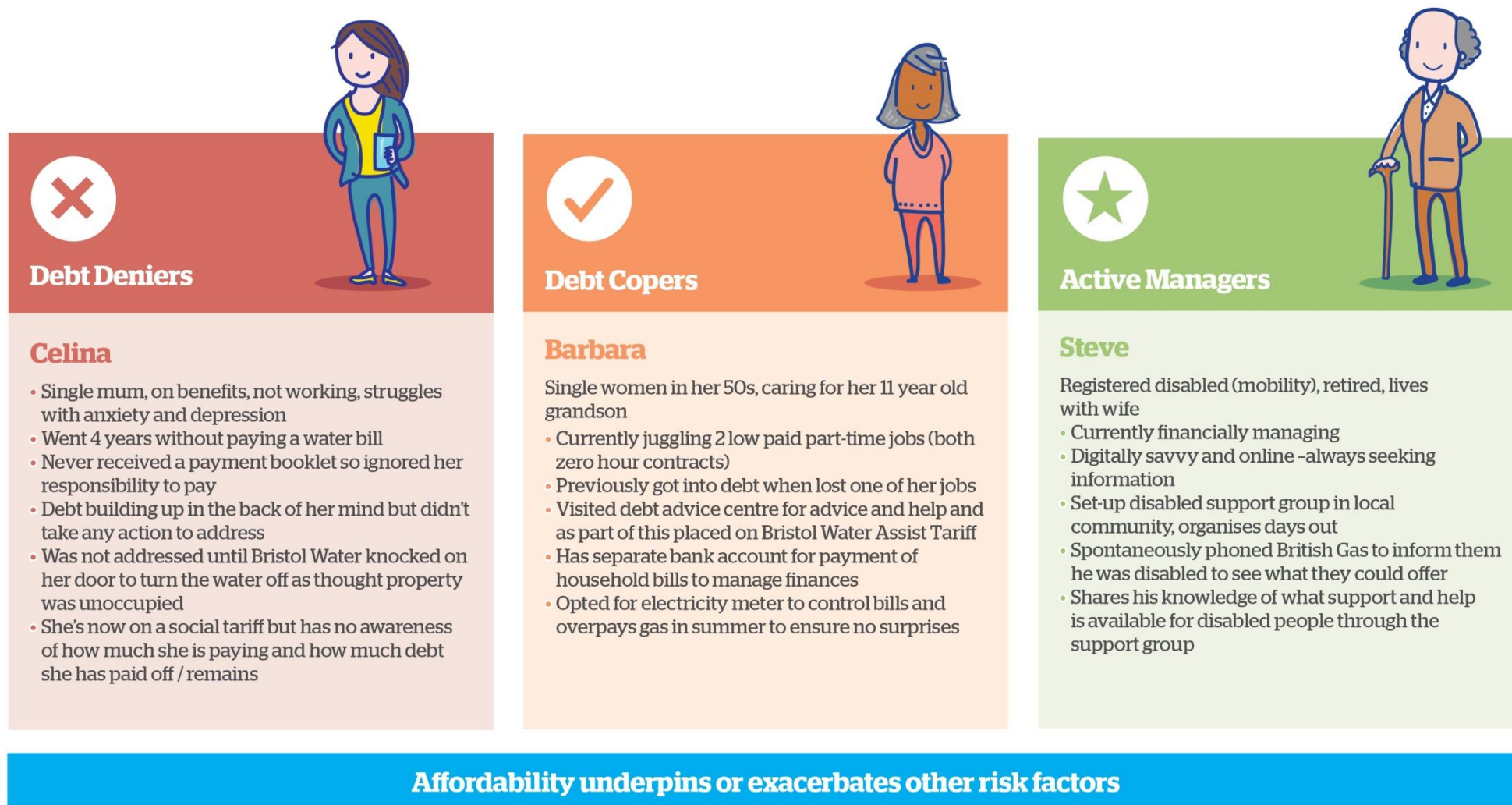


Figure 13 - Our debtor categories

We are committed to measuring and monitoring segmentation data regarding our debtor categorisations; this will enable our support offerings to be tailored to suit the needs of the particular debtors. For example, Active Managers are more likely benefit from a flexible payment plan to provide them with a clear money management strategy if they fall into temporary hardship. On the other hand, Debt Deniers would not be suitable for a flexible payment plan and are more suited to being on schemes such as Water Direct and Restart so they do not need to worry about their ongoing payments and would be slowly paying of debt with little management from them at all.

We understand the characteristics of these debtor groups, including expected conversations and outcomes, and will continue to invest in our people to ensure they receive specialist training to understand what interventions are required by group and to implement them early on.

We will also go further by using machine learning, moreover predictive analytics, to identify customers at risk as well those who have disinclination to pay, so that appropriate interventions are deployed. By flagging and continuously measuring customer groups in our data (such as missed payments) we will be able to focus on early identification, meeting customer needs and supporting them to stay on track to become 'Active managers' or better, encourage all customers to contact us if and when their circumstance change, and ensure they have a constructive experience when they do.

We will refer customers to the 'care teams' so that application can be made with them and if their needs are met by one of the social tariffs.

As our community grows, we want to build further relationships with partners, developers, housing associations and retailers. We want to work together to identify customers who may struggle to pay and are therefore likely to benefit from early interventions. We will extend the support we offer to customers in financial hardship so that we can help people before they get into debt (more detail on page 48).

We will continue to benchmark our effectiveness, through our own KPIs, industry trends and wider cross sector performance as we strive for upper quartile performance. Significant macro-economic changes make it difficult to predict this measure, in particular the continued rollout of Universal Credit which will adversely the number of people who will continue to pay once a plan is place. We expect to immediately improve significantly on our current performance. We are challenging ourselves to unlock new opportunities as more of our customers are migrated to Universal Credit. We want to unlock new opportunities during this period to offset the implications of the Universal Credit rollout. We will incrementally improve the number as we place more customers onto our social tariffs.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Percentage of customers who are in debt who have a repayment plan	32.0	32.3	31.9	32.8	27.1	31.2	31.2	31.2	31.2	31.2	31.2	31.2
Percentage of customers who have a repayment plan and who are continuing to pay	75.7	77.5	74.0	72.4	71.3	72.0	72.0	72.0	72.0	73.0	74.0	75.0

Table 3: Extract from App4 customer metrics

8. Our plans to provide affordability and value for money for all beyond 2025

The world has changed a lot in the last 20 years. In 1996/97 only 16% of UK households owned a mobile phone compared with 95%⁶⁶ in 2017. Today, Facebook has 2.23 billion monthly active users and it only started 14 years ago. These types of developments have dramatically changed how our customers live, think, and shop and the changes are only going to accelerate. Predicting what will happen in the longer-term becomes ever more difficult and the rate of change seems to become ever quicker. If recent trends continue, the total population of Bristol is projected to increase by 95,100 people over the 25 year period (2016-2041) to reach a total population of 551,100 by 2041⁶⁷. This is a projected increase of 21% which is higher than the projections for England of 12% and a higher percentage increase than the other eight English Core Cities. As a consequence, it will be imperative that we effectively deliver our strategy of saving water before developing new supplies and ensuring that bills are affordable today, tomorrow and in the long-term.

Our overall strategy to achieving affordable bills in the long-term does not deviate from the one set out in the 2020-2025 period; reducing water consumption, reducing leakage and finding new and innovative ways to reduce the cost of operating our business. Our proposed bill profile (see Figure 14) which sees bills decreasing (before inflation) through AMP 7 before increasing at the beginning of AMP 8 (a consequence of the c£10m revenue penalties for AMP6 under-performance unwinding) and then reducing throughout AMP 8.

⁶⁶ Statista: *Percentage of households with mobile phones in the United Kingdom (UK) from 1996 to 2017*

⁶⁷ Population projections – local authorities: 24th May 2018

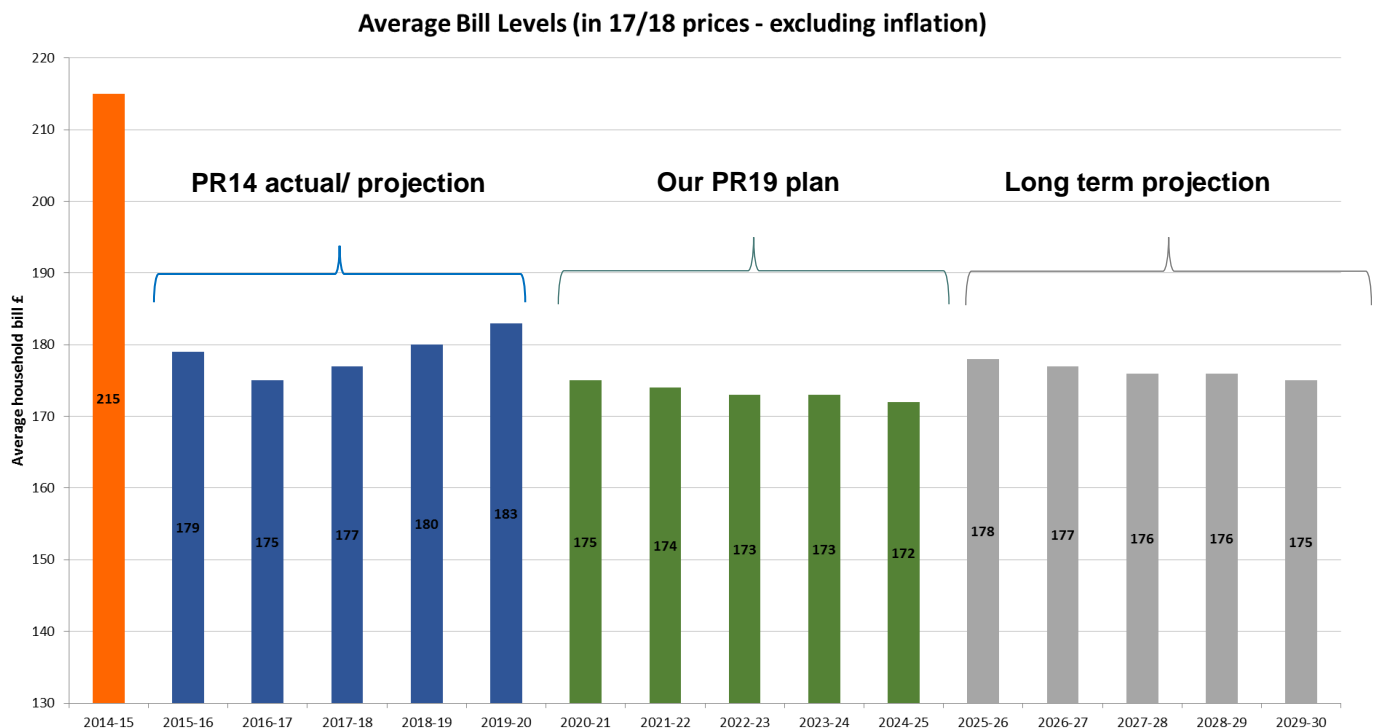


Figure 14: Bristol Water household bill forecast 2017 – 2030

Our long-term ambition, looking ahead to 2050, is outlined in ‘*Bristol Water... Clearly*⁶⁸. We have used the views of customers, stakeholders and employees to develop this ambition and ‘*Bristol Water... Clearly*’ explains how these views translate into our plans for the future.

The process of developing our long-term ambitions was aligned with our customer engagement, participation and research journey. We set out our long-term targets and comparisons of our performance to other companies. We also set out what we had heard from customers and stakeholders earlier in our journey and discussed what Bristol Water’s role should be in the future, and the key, shared, challenges we faced. The summary of our long-term ambition in itself was a key part of the journey; we asked our Customer Forum representatives and the stakeholders who helped us develop our objectives, outcomes and ambition to review our draft thoughts. The main challenge we had was how we were going to summarise our ambition whilst demonstrating transparency for those we had yet to engage with - showing why we believed they should be interested in our plans. This consultation highlighted that affordability and value for money remained a priority for our customers and as a result these priorities are an enduring focus in our long-term business strategy. Put another way, we will safeguard the interests of future customers by keeping our bills low on a sustainable long-term basis.

Our plan to provide affordability and value for money beyond 2025 includes:

- Leveraging customer data to manage affordability in the future;

⁶⁸ Bristol Water...Clearly: Our long-term ambition for excellent community water experiences.

- Driving efficiency; and
- Managing consumption and reducing leakage.

8.1. Customer views on the cost of a resilient water supply

Having consulted with in excess of 37,000 customers, a consistent top priority is to maintain a high quality, reliable water supply. Customers do not want lower bills at the expense of the current service we provide. More specifically, when asked about options to invest in long-term initiatives such as resilience schemes, some customers told us that while they believe they are important, their choice would still ultimately come down to the affordability of the bill. Customers were keen to highlight improving services at the same price was preferable to a reduction in the bill.

Our service incentive mechanism (SIM) replica survey tells us that 80% of our customers have said our bills represent value for money. This evidence fuels on of our long-term ambition of 100% of customers stating that they rate our services as being value for money. Our research reveals, however, that “Social Renters” are twice as likely as the “Safely Affluent” to request lower bills. Equally, “Social Renters” aren’t as likely to comment that their preferred option is good value for money, compared to “Mature and Measured” and “Safely Affluent” customers. In line with the research, we have set a realistic ambition of achieving 90% of customers perceiving we offer value for money in the long-term. We will work hard in reaching out “Social Renters” and providing interventions to help reduce the overall bill, either as result of reduced consumption or application of one of our social tariffs.

8.2. Leveraging customer data to manage affordability in the future

Reducing the amount of bad debt is one pillar in support of creating affordable bills. In the period post 2025 we will make further improvements to debt collection by utilising technology, leveraging further our new billing system, our single view of the customer and the initiatives set out in our 2020 -2025 plan. Deeper customer segmentation analysis will enable us to adapt collections paths to customers, including billing cycles, payment methods, and instalment frequency. We will keep pace, where practical and affordable, with new technologies (and communication channels) as they emerge utilising behavioural economics to tailor messaging, which studies suggest is effective at increasing customer engagement, resulting in improving collection rates.⁶⁹

In line with population growth we anticipate a need to support more financially vulnerable customers, particularly as the population ages. In Bristol, it is expected that the population of over 75’s will increase by 55% by 2041⁷⁰. Consequently, we will build upon the data sharing capabilities built in the prior period

⁶⁹ Retail Services Efficiency benchmarking: Report for Ofwat

⁷⁰ Population projections – local authorities: 24th May 2018

which will allow us to identify those in need, (whether that is situational or financially vulnerability) by working in collaboration with other organisations and groups.

8.3. Driving efficiency

In forming our Continuous Improvement (CI) strategy we have taken a realistic view of where we are in the challenges we face and the progress we and CI can make to ensuring bills are affordable in the long-term. Between 2020 and 2025, we anticipate a continuation of activities driving operational excellence and resulting in further capacity release by speeding up training and administrative processes further. We anticipate the adoption of digital channels will grow as the population in our area matures (i.e. growth in millennials) resulting in increased customer self-serve and opportunities to exploit further business automation technologies such as Robotic Process Automation (RPA) and Artificial Intelligence (AI); Alexa skills, chat bots and any new technologies that may have been developed in the intervening period. We believe the use of open data platforms will also provide an opportunity to utilise our resources efficiently.

As energy costs are likely to rise in the long-term we will continue to explore ways in which we can mitigate these costs. More detail can be found in our business plan document **B1 – Water Resources**.

8.4. Managing consumption and reducing leakage

Consumption and Leakage are two key pillars in delivering our affordable bill strategy during the period 2020–2025 (and will continue to be so beyond 2025). The shape and nature of these areas is largely dependent upon the success of campaigns such as “Beat the Bill” campaign and our leakage performance. Our aim will be to further develop our relationship with our customers, improving the delivery of education on how to manage scarce resources whilst we will continue to find ways to reduce leakage further.

Additionally, we are working with the University of the West of England (UWE) in the largest study of its kind in Europe to gather data on water consumption habits in a student village. This study has given us insight into a future generation of water users with very different habits to the current generation. In particular, shower use is significantly higher, with many students having two showers per day.

Working with research students from UWE on this long-term project, we have been trialling water efficiency products and ideas in the student village and measuring the impact on water use. This collaboration has not only resulted in research benefits, but also wider benefits through reduced water consumption.

There will be challenges in keeping our bills affordable beyond 2025; aside from our charges there are going to be other external factors to consider such as wider macro-economic dynamics (Brexit, inflation,

interest rates, house prices etc.). We will play our part in ensuring our customers' bills are as low as possible without compromising on the service provided because that is what our customers have asked us to do.

9. Our plans for our customers who are struggling to pay, or who are at risk of struggling to pay

We have established a strong foundation of support for customers who are struggling to pay their water bill. The creation of our joint venture billing company, Pelican, with Wessex Water over 15 years ago has helped reduced the customer effort required for those who need extra help paying their water and sewage charges. Customers receive just one bill with the same social tariffs set across both companies and customers seeking help need only speak to one company. We have an established affordability working group which manages the joint Vulnerability Action Plan (VAP) across Bristol Water, Wessex Water and Pelican – the VAP focuses on delivering the service we say we will and embedding changes and improvements.

The working group has facilitated collaborative working across both companies; working together to jointly fund a number of partners in the debt sector who we train and share best practices with. We ask that customers who need a social tariff take the support from one of our partner charities -they are able to discuss their full financial situation and often help tackle a wider range of issues other than water debt. Our partners are then funded based on the volume of successful applications.

We believe this approach is important, customers who are in financial difficulty will often stop paying their water bill first, as we cannot disconnect them, and this often highlights a much deeper financial problem. By encouraging customers to seek advice from debt advice charities first, we are helping our customers to consider more than just their water debt.

We believe we offer an industry leading range of support for customers who struggle to pay their bill (we were the first company to introduce the pension credit tariff), including three social tariff options and a range of additional assistance to manage their finances and support them in handling their debt. We currently support 13,707 customers (as at March 2018) with some form of affordability assistance (Figure 15).

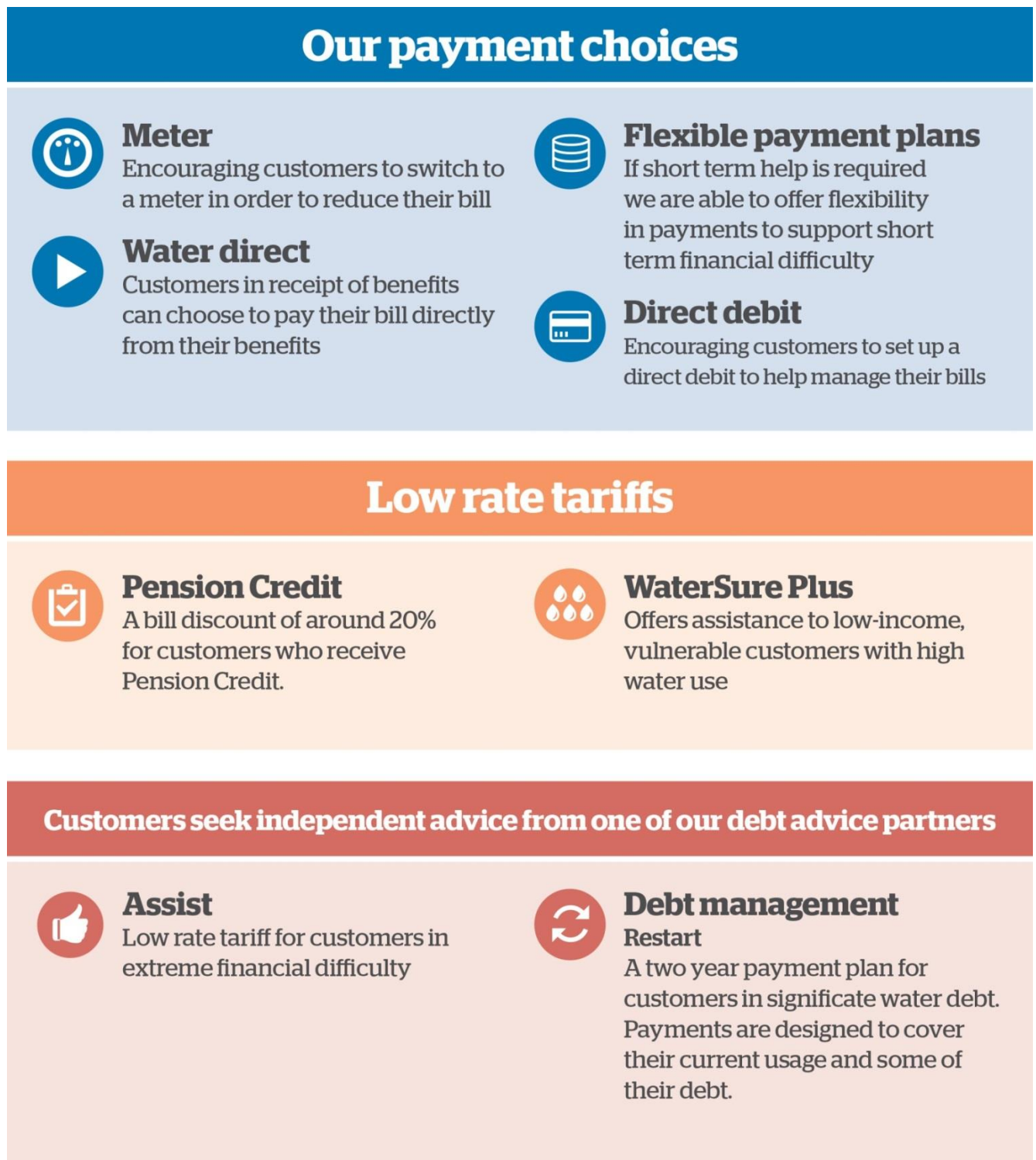


Figure 15 - Affordability assistance available for customers who struggle to pay

Our strategy has been, and will continue to be, to create bills that are “affordable for all”. One of the key indicators demonstrating that we are achieving this ambition is the elimination of water poverty in our supply area and in 2017/18 we eliminated water poverty in our supply area. This was achieved ahead of the planned ambition that we set out in PR14. Whilst it is difficult to predict how the macroeconomic landscape might change (impact of Brexit) we know that there c25,000 customers in our area that could benefit from one of our social tariffs today and our plan seeks to ensure we support 100% of those customers, subject to eligibility, participates in one of our social tariffs and gains some form of financial assistance. In doing this we aim to mitigate any “headwinds” our customers may face - ensuring that our bill remains affordable for all, see Table 4.

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/25
2.5%	0.4%	0.9%	0%	0%	0%	0%

Table 4: Historic and projected percentage of customers in water poverty in the our region

Spotlight on: Pension Credit

In 2016 we saw that our social tariffs had a low uptake of customers in retirement age. In order to apply for a social tariff, our customers need to discuss their financial situation with a debt advice charity, therefore they have to want ask for support. We believe that the requirement to discuss their personal situations discouraged our retirement aged customers, who are often known to go without and not ask for help. With this in mind, and following customer research, we decided jointly with Wessex Water to introduce a new tariff that does not require customers to ask for our charity partners for support. Together we introduced the innovative Pension Credit tariff, an industry first, which provides customers who are in receipt Pension Credit 20% discount on water bills. To apply customers just have to show evidence that they are in receipt of pension credit directly to us. This tariff has proven hugely successful and one key factor in eliminating water poverty in our region with results showing that, after two years of launching, we have over 3,000 customers benefiting. It is a move away from offering the holistic debt advice which we have built our social tariffs on but was planned to help start a conversation with this group of customers with the intention of discussing more generous social tariffs should the help not be enough.

Our aim is to proactively support customers in vulnerable circumstances in every aspect of our business and continue to eliminate the number of customers in water poverty.

We will do this by:

- Using data wisely;
 - Improving our customer segmentation, analysis and modelling capability;
 - Using inbound and outbound data shares; and
 - Developing our debtor strategy to drive early customer engagement and uptake of tariffs most applicable to the customer's need (See page 38).
- Increasing awareness;
 - Driving community awareness of support available for customers in vulnerable circumstances, particularly those in transient vulnerability;
 - Developing new ways to proactively target customers in vulnerable circumstances and close the gap between need and support; and
 - Developing ways to engage early to motivate and rehabilitate specific debtor groups (page 38).
- Improving the customer journey; and

- Eliminating any bill confusion focusing on needs of customers in vulnerable circumstances and embrace new bill formats; and
- Safeguarding communities during incidents and outages.
- Promoting the installation of meters where it would be financially beneficial to the customer.

Our plans to provide affordability and value for money for all within document **C2 – Addressing Affordability and Vulnerability** sets out the ways in which we will reach out to ensure those that need our help receive it, see Figure 16.



Figure 16: Our debtor strategy

9.1. Using data wisely

Ofwat set out in their report “Unlocking the value in customer data” a number of suggestions of how we may use customer data for the benefit of all customers.

Part of our on-going customer strategy is to optimise how we use analytics and third party data sources to address long-term affordability through the use of inbound and outbound data shares. This will expose scenarios in which a combination of risk factors or circumstances may indicate a customer’s ability to pay, and will therefore equip us to proactively contact these customers in the way that best meets their needs, to offer the support that is most appropriate for them.

We have adopted and will continue to adopt, a number of these suggestions alongside seeking new innovative ways to support customers struggling to pay by:

- Exploiting our customer segmentation capability to understand and target different customer groups;
- Sharing our data in a reciprocal arrangement with other organisations and making data available publically (subject to consent and current data laws) this is expanded further in on page 73;
- We will explore what opportunities “blockchain” technologies may offer and seize those that provide benefit to our customers;
- Use external data to target customers;
 - High deprivation postcode areas;
 - Customers in social housing;
 - Customers in receipt of benefits;
 - Cross reference our Priority Services Register (PSR) customer data and social tariff data, ensure internal data links up; and
 - Use all touch points to capture information on individual circumstances.
- Using data analytics to give customers tips on how to save water based on their actual usage; and
- Make regular use of customer research, analysis of our own data and industry insights to inform and benchmark effectiveness of our debtor strategy.

We go beyond these themes ensuring our people, and contractors, are specially trained to identify customers struggling to pay and encouraging these customers to come forward. Crucially, if our customers’ circumstances change, ensuring they are comfortable to contact us knowing that we will support them.

By making improvements to our data we will have more opportunities to identify customers struggling to pay as well as providing targeting support to those with a greater propensity to be struggling to pay by:

- Using our affordability assessment data to target bills and mail drops in high deprivation postcodes where we believe customers may be eligible for social tariffs;
- Targeting customers in social housing and those in receipt of benefit;
- Increasing sign up in the field for priority services, water sure plus and pension credit;
- Introducing flags for missed payments and proactive calls/texts;
- Introducing flags on the accounts of financially vulnerable customers (other than those already in receipt of a social tariff; and

- Picking up on-line adjustments by customers to their direct debit levels, to identify those who may need our help.

9.2. Increasing awareness

Drive community awareness of support available for customers in vulnerable circumstances, particularly those in transient vulnerability

Our customer research has told us that the support we offer is good, however more needs to be done to raise awareness. Based on this feedback, we will continue to drive awareness by strengthening our community relationships, both by using our existing partners and identifying potential new organisations to work with us to enable us to find and engage with customers in need of support.

We will continue to fund our partners, with a budget of £100,000 per year, over 2020-2025. Deepening our relationships with such groups enables us to engage, early in the debt cycle, with customers we potentially would not have been able to by any other means. We will also continue to support hard-to-reach community projects in the area and attend community events such as Blue Monday.

We will look to work with a broader range of partners such as community groups, housing associations, retailers and to extend our developer partnerships to help us identify customers who may be struggle to pay and therefore likely to benefit from early interventions.

To help increase awareness, we will develop a communications strategy which will include tailored communications in applicable channels likely to include printed materials, local media interaction and social media campaigns with our communities. We will also continue to be present at pop-up community events.

Develop new ways to proactively target customers in vulnerable circumstances and close the gap between need and support

We will identify customers that have the potential to be in vulnerable circumstances and by engaging with them at the earliest point using their preferred channels, we will meet their needs and potential needs to prevent deterioration in their situation. We will use customer research and stakeholder input to determine customer risk factors and customer needs.

To improve our access to customers in vulnerable circumstances, we will continue to identify and engage with third party organisations, across the full range of vulnerability areas. We will determine ways of working with developers to better accommodate the needs of vulnerable customers in the planning stages of a development and we will target housing associations to promote awareness of financial and non-financial support available. In addition, we will also make it easier for customers to self-register their needs by making every contact count.

Develop ways to engage early to motivate and rehabilitate specific debtor groups

Our key initiatives to engage specific debtor groups are outlined on page 38. Engaging and addressing debt early will reduce bad debt in the long-term and also help customers to get the support they need with their bills. To ensure that we provide customers with the right support when they engage with us, we will explore expanding our hot key service to more charities to make their contact count and reduce customer effort for our debtor groups.

9.3. Improve the customer journey

Eliminate bill confusion

Customer research indicates that some customers find our bills confusing and hard to understand. Customers in vulnerable circumstances have particular problems understanding their bills and often require help with them. Reliance on the traditional channels such as bill inserts is seen to have a limited effect on the number of customers who are aware of affordability measures available. In the most recent CCWater Water Matters survey (2017/18) only 2% of those surveyed were aware of the support on offer⁷¹. This is why we are committed to improving awareness beyond the current frontier level of performance, 7%, by 2022.

In 2018/19 we have redesigned our bill but recognise there is more we can do in creating customer-specific messaging. We will consolidate our customer insight regarding bills, reminders and water usage and ensure that customers in vulnerable circumstances are included. We will carry out further engagement to closely involve all customer groups and co-create the bill with our customers. We will use our enhanced segmentation capability to develop tailored messaging capability and populate scenarios and messages accordingly. We will record the effectiveness of the tailored messaging and continuously refine.

⁷¹ Water Matters: Household customer views on their water and sewerage services 2017

Spotlight On: “Supporting You”

During 2018 we will be launching our “Supporting You” initiative to leverage our technological improvements and capabilities, see Figure 17. Having a single view of the customer will make it easier for customers to gain support by introducing multiple points of registration for all schemes and increased sign up in the field. Our operational workers will carry a mobile device that provides real-time information and access to registration services for not only for financial assistance but also our PSR. As with our operational workforce, our employees will be able to register customers at other face-to-face interactions such as Bristol Water’s road shows, water bars and attendance at local community events.



Figure 17: Pictorial summary of “Supporting You” initiative

Our objective is to make every contact count for our customers and to reduce our customer effort regardless of their touchpoint with Bristol Water and we intend to do this whilst recognising that vulnerability is multi-faceted and those who need the help are the least likely to ask for it.

Our plan is to provide social tariffs to all customers that are eligible by 2025 and whilst we anticipate an even growth in our numbers each year, this may be subject to change. Notwithstanding, we expect to increase the number of customers on our social tariffs to c25,000 by 2025. For a breakdown of our projections see Table 5.

In response to customer feedback indicating that we need to raise awareness, our commitment is to improve awareness by 7%, beyond the frontier level of performance, by 2022.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total number of customers on a social tariff	8,043	9,836	13,707	15,396	17,085	18,774	20,462	22,151	23,840	25,259

Table 5: Projected numbers of customer in receipt of a social tariff

10. Customer support for helping the financially vulnerable

As outlined earlier, our draft business plan consultation told us that our customers endorse an increase in the number of customers supported by social tariffs.

Our social tariff eligibility modelling tells us that there are potentially around 25,000 customers in our area that could benefit, see Table 6.

	Total eligible (CACI eligibility, March 2018)	Current volume March 2018	Opportunity
Assist	12,675	6,439	6,236
WaterSure Plus	4,006	2,587	1,419
Pension Credit	8,848	4,681	4,167
Total	25,529	13,707	11,822

Table 6 - Social tariff eligibility model results

Our research (based on Dec 2017 data) estimates that there are an additional 12,000 customers in our supply area who are eligible for a social tariff and not currently on one. In developing our plans to meet the needs of all these customers it is important to understand to what extent our customers are happy to support those in financial difficulty. To support c25,000 customers on a social tariff would require a cross-subsidy in the region £1m per annum which equates to £2.12 per household in 2025. At present, in agreement with CCWater (November 2015), we have support from our customers to pay a £1.41 cross-subsidy, based on our customer acceptability research findings by Blue Marble. If we assume RPI (until 2020) and CPIH (2020-2025) increases to this figure we can anticipate that this cross subsidy would be £1.69 in 2025.

As part of our consultation we asked our customers for their views on supporting customers who are financially vulnerable. 75% of our customers agreed that we should support people who cannot afford their bill and 84% confirmed their support of our approach in encouraging customers to pay something they can afford (see Figure 5).

The challenge in our research is that it does not deliver a clear outcome to what extent our customers are prepared to support those struggling to pay. In this instance we have asked our customers to select from three options indicating the level of support that they would be willing to subsidise resulting in a majority being prepared to support 75% of those eligible, see Figure 18.

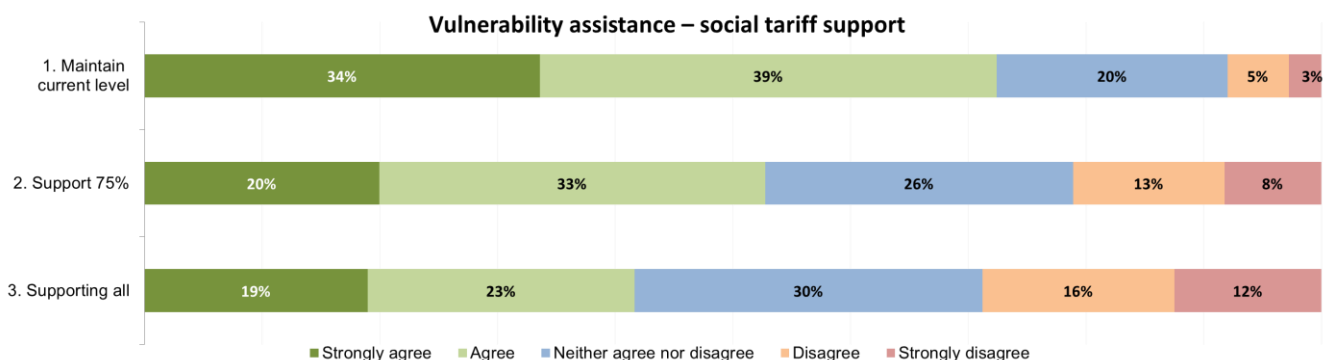


Figure 18: Level of support for increasing the number of customers supported through social tariffs

This research suggests that we would require a cross subsidy in the region of £1.60; a figure which is less than our customers had agreed to when asked about our overall plan. This ambiguity has led us, in consultation with the Bristol Water Challenge Group, to commit to conducting further research with our customers to understand to what extent financial support should be available to those customers who require it, and how much they might be willing to pay for it.

Our aim remains to support all customers who are financially vulnerable and we will support those that are eligible throughout the next reporting period.

10.1. Cost benefit assessment of the proposed measures regarding social tariffs

Our social tariffs have the potential to deliver a wide range of benefits to both us and more importantly our customers who are struggling to pay by:

- helping to prevent new cases of bad debt arising as a consequence of non-payment of water bills that customers may be unaffordable, and helping to resolve the existing problem of bad debt;
- protecting unmetered low income households from potentially unaffordable bills that may arise in areas with high levels of optant metering and deprivation.

In the fiscal year 2017/18 the benefit of our schemes and other affordability measures outweighed the costs associated with it (see Table 7). The provision of social tariffs provide financial support to those struggling to pay and encourage customers to make payments that they can afford.

Line Description	Units	2017/18
Benefits of applying affordability assistance measures	£m	1.978
Costs of applying affordability assistance measures	£m	1.060

Table 7 - Costs and benefits of financial vulnerability assistance

Modelling our proposal reveals that we do not expect our cost of administration to increase (at today's prices), though we do expect revenue forgone to increase. Forecasting future costs (including revenue forgone) is somewhat challenging given the number of variable factors that can influence both the benefit and cost of our affordability measures. E.g. The type of tariff which is dependent upon the individual customer circumstances. Further in calculating the benefit we consider the value of our debt advice agency contributions (£100k p.a.) from Stepchange debt advice charity report which sets out the value of their work.⁷²

In addition, customers in significant water debt (but able to cover their annual charges) are eligible to participate in our Restart programme; a two year payment plan designed to cover current usage and some of the debt. If all year one payments are met, at the end of the year we reduce the debt by an equivalent amount. In year two, if customers continue to pay the current year charges we will clear the remaining debt leaving the customer back on track.

In 2017/18 customers on our Restart programme repaid over £500,000, the cost of administration of this scheme is included within our calculation of the costs above. We will continue to provide this scheme throughout AMP 7.

⁷² Transforming Lives: A review of the social impact of debt advice for UK individuals and families, evaluated using SROI: Executive summary

Spotlight on: hard-to-reach projects

In 2017 we piloted our hard-to-reach community projects which provide funding to local community based one-off projects to raise awareness and increase take up of our affordability support amongst our hardest to reach customers.

Organisations submit applications for funding, the applications received are then assessed and awarded based on a set of criteria which includes expected reach, location and what activities that will be undertaken. Projects can include events at shopping centres, local community drop in centres, door knocking exercises and campaigns to engage hard-to-reach customers. Conditions for the projects are that they must be in a higher deprivation area (IMD score 20+) and in an area where the take up of assist tariff is lower than expected.

Following the success of the 2017 pilot, we have funded two hard-to-reach projects in 2018. The first project was 'Open doors to Water and Energy' led by the Centre of Sustainable Energy; this is a six month project whereby representatives go door knocking to raise awareness. The second project funded was the 'Take one for a friend' campaign; the campaign was run by the Bristol Citizens Advice and South Bristol Advice Services and provided advice at promotional events over a 12 month period. The focus of the programme was to promote the help available by providing pop-up shops at local shopping areas and schools.

Spotlight on Blue Monday

We recognise that attending events in the community is a valuable way to raise awareness of the support we offer. For three years running we have been a key partner and sponsor of Bristol's 'Blue Monday' event. 'Blue Monday' is believed to be the most depressing day of the year which is why a diverse collective of local charities' and agencies have banded together to help people beat the January blues. Over 40 organisations attend to offer support on all aspects of life including money advice, housing, benefits and more to provide a one stop support shop for Bristol residents who feel the pinch in their purses post-Christmas.



10.2. Water meter installations and efficiency

Another way to support those struggling to pay is to reduce their bill through the installation of a water meter. We have noted that bills can be reduced on average following a water meter installation and the provision of free water saving devices combined with advice.

For more details of potential savings available by intervention device type that are provided free of charge, see Table 8.

Intervention device	Annual metered water savings	Annual energy bill savings	Total annual utility savings
Shower regulator	£31.76	£10.13	£41.88
Shower timer	£5.29	£1.69	£6.98
Toothy timer	£13.55		£13.55
Tap inserts	£38.11	£10.13	£48.23
Save a flush	£13.55		£13.55
Swell gel	£0.53		£0.53

Table 8: Potential savings from water saving devices

We will continue to educate customers on water efficiency, alongside metering, and to create awareness of the potential affordability benefits of being on a meter via programmes such as Beat the Bill and through targeted customer communications. Further improvements in technology will enable us to develop tools and prompts for metered customers to reduce their on-going usage by putting them in control of their bill. These improvements will include an improved water usage calculator available on the Bristol Water website with the option for customers to ‘save my data’. In addition we will offer water usage benchmarking and proactively follow-up customers that fall outside the expected range of consumption.

We already know that customers have low expectations when contacting utilities when they are in financial difficulty and therefore have a disinclination to want to contact them directly. Whilst we will reach out to more customers directly through our “Supporting You” initiative we recognise that other organisations may have a wider reach.

Spotlight on: working with partners

We know that water debt is seldom isolated and we work closely with organisations that are routinely engaged with customers in vulnerable circumstances and typically harder to reach. The partnerships provide customers with an independent, free and holistic debt advice service along with benefit checks to maximise income.

We work both local and national partners and have established two different funding arrangements and ways to engage due to their different needs. Our national partners, such as Step Change and Christians Against Poverty, are funded on a fair share basis i.e. they receive a percentage of funding for every successful application. The other local agencies are funded based on the number of successful applications submitted in the previous year.

They must also engage in:

- Quarterly engagement visits;
- Attendance to one of our annual workshops; and
- Submission of quarterly reports outlining number of applications submitted versus accepted.

From 2015-2018, we donated £225,000 to debt advice agencies across our supply area to support them in providing free advice to our customers. We also work closely with our partner organisations to sponsor and attend debt and affordability events in our region and we deliver training packages and workshops to agencies and organisations to promote the services we offer, see Figure 19.



Our partners

Step Change	£4,834	Citizens Advice Mendip	£21,000
Christians Against Poverty	£1000	East Bristol Foodbank	£3,000
1625 Independent People	£3,000	New Start Debt Advice Thornbury	£1,000
Age UK Bristol	£1,000	North Bristol Advice Centre	£6,600
Bristol Somali Resource Centre	£3,000	Shelter	£1,000
Centre of Sustainable Energy	£1,800	South Bristol Advice Services	£11,400
Citizens Advice Bath and NE Somerset	£4,350	South Gloucestershire Citizens Advice	£6,600
Citizens Advice Bristol	£16,200	St Pauls Advice Centre	£9,000
Citizens Advice North Somerset	£9,000	Talking Money	£33,000
		The Brigestowe Project	£1,800

Figure 19 - Our partner organisations and their funding in 2017/18

10.3. Concluding our plan to address affordability

Our customers tell us in our annual priorities and perceptions survey that affordable bills are a key priority for them and this is reflected in our plan; a reduction of circa £8 (in real terms) on the average bill in the first year of the regulatory period and kept flat for the remainder. This means customer bills will be lower (before inflation) than they were ten years previously, while the service we provide will improve. We have set out, in the previous sections of this document, how we will improve both our service effectiveness and efficiency through the exploitation of our digital channels, transforming our approach to managing debt and reaching out to those who find themselves struggling to pay.

Our plan is built on extensive customer research, this delivers a lower bill in real terms and eliminates water poverty in our region - extending financial support to a further 12,000 eligible customers by 2025.

We will do this by:

- **Using data wisely;**
 - Improving our customer segmentation, analysis and modelling capability;
 - Using of inbound and outbound data shares; and
 - Developing our debtor strategy to drive early customer engagement and uptake of tariffs most applicable to the customer's need (page 38).
- **Increasing awareness; and**
 - Driving community awareness of support available for customers in vulnerable circumstances, particularly those in transient vulnerability;
 - Developing new ways to proactively target customers in vulnerable circumstances and close the gap between need and support;
 - Developing new ways to engage early to motivate and rehabilitate specific debtor groups (page 38)
- **Improving the customer journey.**
 - Eliminating any bill confusion focusing on needs of customers in vulnerable circumstances and embrace new bill formats; and
 - Safeguarding communities during incidents and outages.

We recognise that financial vulnerability and affordability often underpins, or exacerbates, other risk factors. We will ensure neither is singularly viewed and commit to considering the measures we need to undertake to address affordability in those who are financially vulnerable and ensure that they benefit too.

11. Our plans for supporting customers in vulnerable circumstances, or are at risk of being vulnerable

Vulnerability is ubiquitous and can be either permanent or temporary, in the UK there are over 13 million people living with a disability with around 17% of those being born with the disability⁷³. There are now 11.8 million people aged 65 or over in the UK. The number of people aged 65 and over is projected to rise by over 40 per cent (40.77%) in the next 17 years to over 16 million. By 2033 the number of people aged 85 and over is projected to more than double again to reach 3.2 million accounting for 5 per cent of the total population⁷⁴. The census in 2011 revealed that there around 70,000 (16.7%) people with a disability living in Bristol⁷⁵. It is widely recognised that providing accessible and excellent services to rural communities is challenging due to their geography and demographics. Rural areas are more dispersed and have a high percentage of older residents and projections anticipate by 2039 one in three people living in rural areas will be over 65 and a third of those people will be over 80.

We have a Priority Services Register (PSR) which customers who require extra support can self-register to be on. The data from the PSR then flags to our customer-facing teams so that they can connect the extra support that the customer has registered for. By March 2018 we had 0.35% of our population registered to our Priority Services Register - (PSR) which suggests we have some work to do to support our community.

We are seeking to triple the number of customers registered on our PSR to 1.2% by 2025 . At the same time, we want to ensure that the service they receive is best in class so we have planned a bespoke performance commitment to measure this. Results from the July 2018 UK Customer Satisfaction Index survey, the UK's largest cross-sector benchmarking study, showed that the all-sector average satisfaction is 77.9 (out of 100) and the utilities sector average is 74.7 We believe a reasonable stretch beyond this, for the services we provide to vulnerable customers, is 85% satisfied customers and we have a long-term ambition of 100%.

We have challenged ourselves on the best measure for our strategy for protecting our customers who need the most support. We have considered the impact that the national data sharing initiative is expected to have on our volume of customers on the PSR and the BWCP challenged us to ensure we provide a high quality service to all who need it. We also encourage all employees who serve customers who need additional assistance (and are not registered) to be registered on PSR if they consent. The combined approach of self service on the PSR, data sharing and employees encouraging

⁷³ Depart for Work and Pensions – family resources survey 2015-16

⁷⁴ Age UK - Later Life in the United Kingdom April 2018

⁷⁵ Bristol City Council- Equalities Profile Disabled People living in Bristol – October 2014

sign up should give us a good proportion of customers who need additional help to be registered on the PSR. It is our intention to survey the satisfaction of all of those customers who have registered.

11.1. Our service for customers in vulnerability circumstances

Today we have over 4,000 customers registered on our PSR that on average are registered for 1.68 services. Of those registered on the PSR a number receive a social tariff which indicates a correlation between being registered for a priority service and being financially vulnerable.

Table 9 below is an extract taken from our APP4 submission and provides a break down by category of the services customers.

Line	Vulnerability	2013/14	2014/15	2015/16	2016/17	2017/18
13	Customers on Special Assistance Register/Priority Service Register (SAR/PSR)	2,103	2,542	2,884	3,315	4,018
14	Customers on Special Assistance Register/Priority Service Register (SAR/PSR)	0.19%	0.23%	0.26%	0.29%	0.35%
15	Customers receiving services through the (SAR/PSR): (a) support with communication	570	632	667	706	776
16	Customers receiving services through the (SAR/PSR): (b) support with mobility and access restrictions	496	639	769	906	1,065
17	Customers receiving services through the (SAR/PSR): (c) support with supply interruption	342	489	639	766	1,017
18	Customers receiving services through the (SAR/PSR): (d) support with security	623	684	672	700	735
19	Customers receiving services through the (SAR/PSR): (e) support with "other needs"	1,481	1,880	2,197	2,576	3,166

Table 9: Extract from APP4 submission

Improving our data for customers registered on our PSR will make responding to their needs more efficient. Due to the nature of vulnerability, we cannot assume that we can solely depend on the data in the system (Figure 20). This is because customers may not want to let us know they need extra support, that they may not need that help until they are in difficulty or their circumstances may have changed and they may not have told us. Therefore, our strategy also focuses on the inclusive service we aim to provide to all customers so when they do need that extra bit of flexibility or support they do not need to ask for help. We have seen with our business benchmarking survey from the Institute of Customer Service that our face to face interaction is our highest satisfaction at 9.2/10. The survey

showed that our customers' interactions with us are rated very highly and this provides us confidence that the service we provide is of a high standard. The survey did show us that we need to do more to improve the customer journey as our customer effort score was 7.0. We are working on an action plan to address this in collaboration with the Institute of Customer Service; we intend to apply to be accredited by the Institute for this high level of service.

We ask that when our staff interact with customers that highlight the scheme and for those not registered we ask them to encourage registration. This approach allows for us have a better data going forward and also includes them in our bespoke performance commitment measure.

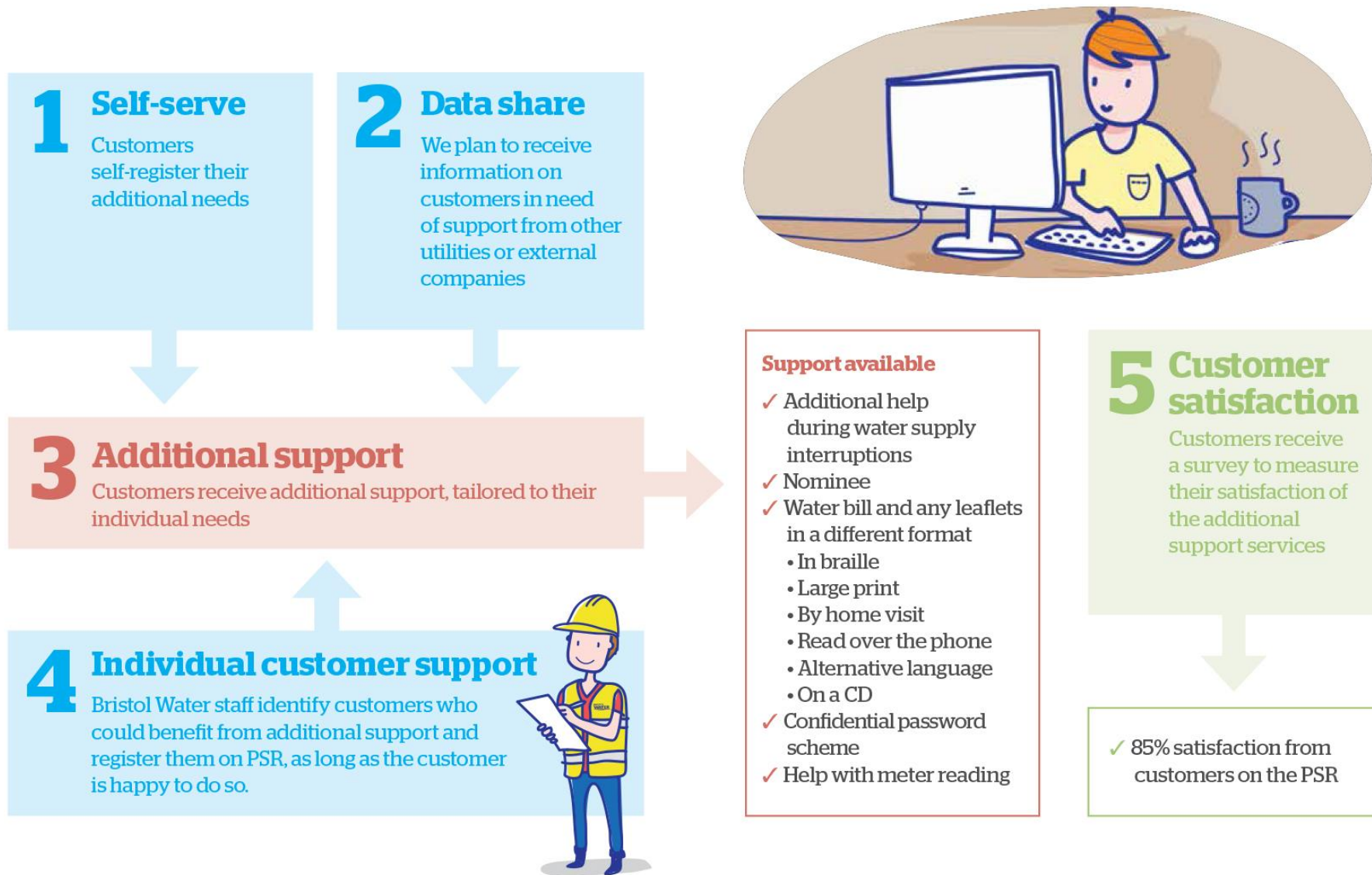


Figure 20 - Helping customers in need of additional support

11.2. Measures to improve our offering

We have reflected on the customer insight we have available and the views of our stakeholders and the Bristol Water Challenge Panel to create a bespoke performance commitment that will have an impact that matters to those who need it. The insight and challenge was that we need to let those who need help be more easily aware of it and our stakeholders want to ensure that we are delivering a high level of service to our vulnerable customers. Therefore, we propose that our bespoke performance commitment relating to vulnerability is ensuring at least 85% of customers receiving vulnerability assistance are satisfied with the service. We are also committing to increasing the numbers of customers on our social tariffs and the PSR, by doing this and committing to a performance commitment to measure satisfaction we will reach out to more and maintain a high standard of service.

We will measure our ability to get this right by ensuring that every customer registered on the PSR will receive a customer care call once a year to ensure that their needs are still being met (this is in addition to any operational calls that would take place during a response to a major incident). During the call, we will ask customers to rate their satisfaction in respect of the assistance we have given. They will be asked ‘thinking about the assistance given, overall how would you rate Bristol Water in relation to the services they provide?’

This measure captures satisfaction from a random sample of all of our Priority Services Register (PSR) customers. It is calculated as the percentage of respondents (taken from a random sample of 300 of the total number of calls made) who answered ‘very good’ or ‘fairly good’ (using a five point scale). This involves adding together those who rate it very and fairly good and dividing by the total respondents (excluding those who answer don’t know and refused), expressed as a percentage of the number of respondents.

- The bespoke performance commitment will be conducted via outbound calls to customers who are registered on the PSR. This has multiple benefits including;
 - Measuring customer satisfaction with the service;
 - Understanding customer issues and concerns; and
 - Checking that they are registered for the help that they need.

To achieve these commitments, we plan to use the learnings from our research with stakeholders and customers:

- Proactively and repeatedly reaching out to raise awareness of the support on offer;
- Partnering with a broad range of stakeholder groups;
- Making it easier for customers to self-register for support;

- Increasing the number and quality of channels through which customers can access support;
- Making better use of internal and external data to identify and target eligible customers;
- Increasing awareness of customers in vulnerable circumstances across all aspects of our business through bespoke training;
- Refreshing our alternative water supply strategy during incidents to safeguard communities during outages;
- Creating a Customer Care Team with a dedicated phone number for customers on the PSR;
- Developing ‘community reps’ - trained staff to help deliver alternative water;
- Developing our ability to capture temporary vulnerability with an end date;
- Creating heat maps of community groups, schools and ethnic minorities to create more tailored communication during an incident;
- Continuing to conduct post event surveys and check-ups with affected customers to ensure we are constantly improving our response during incidents;
- Making our bills easier to understand; and
- Continuing to be members of the Rural Services Network in order to share best practice and improve our outreach to rural communities.

Developing new ways to proactively target customers in vulnerable circumstances

As of 2018, the working group in place with Wessex Water and Pelican has been expanded to include vulnerability in addition to the established work on affordability. The action plan is now the Vulnerability Action Plan (VAP). Through this expansion, the working group intends to increase its remit to identify and engage with relevant third party organisations across the full range of factors linked to vulnerability. Establishing relationships with these organisations - which include national organisations and local community groups such as charities, councils, social services, supermarket pop-ups, advice centres, health professionals and specialist schools - has the potential to improve our access to customers in vulnerable circumstances in order to offer them support, and simultaneously makes it easier for customers to self-register their vulnerability. We will seek to create sustainable relationships with them for the benefit of our customers. We will continue our membership on the Rural Services Network to safeguard rural customers and work towards the shared goal of increasing the number of rural customers on PSR.

Establishing an awareness of customers in vulnerable circumstances across all aspects of our business

We have developed, and are delivering, a series of employee training sessions focused on ensuring our staff understand that vulnerability comes in many forms. The training will also ensure that staff are alert to the potential for vulnerability and are confident in supporting vulnerable customers throughout

their end to end customer journey. We recognise that better understanding with the support of triggers leads to providing the best possible service. The training content is refreshed annually and offered whenever a new joiner starts. The training covers the following elements:

- Awareness of customers in vulnerable circumstances and the types of vulnerability that exist;
- Awareness of the transient nature of some vulnerabilities, and the potential to be vulnerable;
- Understanding how vulnerability relates to our roles within the business;
- How to identify vulnerable customers, and those with the potential to be vulnerable;
- How we support customers in vulnerable circumstances during an incident; and
- How the needs of vulnerable customers differ from those of other people, for example the importance of regular updates and setting expectations about resolution timelines.

In addition to the above, in conjunction with our partner groups, we have developed a series of additional focused training programmes around specific issues. Our first in the series, on living with dementia, was delivered in May 2018. We will continue, to deliver such interventions on an ongoing basis.

Data sharing

We recognise the sometimes transient nature of affordability and vulnerability, we are undertaking an audit of the data we hold on the circumstances of customers on the PSR to ensure that it is up to date and that services are still required. Parallel to this audit, we will continue to liaise closely with affiliated third parties to gather up-to-date information.

Part of our ongoing customer strategy is to optimise how we use analytics and third party data sources to address vulnerability through the use of inbound and outbound data shares. This work will expose scenarios in which a combination of risk factors or circumstances may indicate that a customer needs additional support, and will therefore equip us to proactively contact these customers in the way that best meets their needs, to offer the support that is most appropriate for them.

One of the steps we are taking to meet this aim is participating in the WaterUK working group to liaise with other water and energy utilities on aligning need codes and resolving issues, in order to make it possible to share priority service registers. We are also identifying other third parties, with whom it will be beneficial to share data, including councils, other governmental bodies, charities and debt agencies. Customers will benefit by having a single point of registration that provides automatic registration across all of their utility providers. We are in the early stages of engagement with these organisations to establish relationships in which we can share data effectively..

Closing the gap between need and support

Establishing the number of people who would benefit from being on our Priority Services Register is somewhat challenging; there is no one data source. The Department for Work and Pensions suggest that there are c13 million people in the UK living with a disability with this estimate covering the number of people with a longstanding illness, disability or infirmity, and who have a significant difficulty with day-to-day activities⁶² with the census in 2011 (the most up to date reliable data available) revealed that there around 70,000 (16.7%) people with disability living in Bristol ⁷⁶. Whilst not everyone with a disability will have a need for our priority services our current registration penetration of our customer base of 0.35% suggest we much significant unmet needs in our customer base and we must do more to provide help to those that need it.

We have set out in the previous section a number of activities we are undertaking to reach those that are financially vulnerable, many of which are equally applicable (and will be applied) for those in non-financial vulnerability, including:

- Enhancing our use of internal and external data;
- Data sharing; and
- Developing deeper relationships with Third parties.

Therefore we do not propose to repeat detail of those measures in this chapter.

As a community focussed business, it is important to raise awareness within the community of the support available for our customers in vulnerable circumstances.

We are driving community awareness of support available for customers in vulnerable circumstances. We want the strength of our community relationships to mean that customers are aware of the range of support available to customers in vulnerable circumstances. We want customers to be confident to ask for help; reassured by our reputation that they will be listened to and supported. Broadly, around 50% (as shown in Table 10) of customers are aware of the non-financial vulnerability assistance measures offered ⁷⁷ which indicates that we have an opportunity to make more customers aware.

	Units	2013/14	2014/15	2015/16	2016/17	2017/18
Customers aware of the non-financial vulnerability assistance measures offered	%	38.0%	55.0%	53.0%	52.0%	48.0%

Table 10: Percentage of customers aware of non-financial assistance measures available

⁷⁶ Bristol City Council- Equalities Profile Disabled People living in Bristol – October 2014

⁷⁷ Water Matters: Household customer views on their water and sewerage services 2017

In order to deliver this, we have already established important and supportive relationships with the Citizen Advice Bureau and other community partners. We are also working with debt advice agencies to automatically sign people up to our Priority Services Register automatically if the customer is eligible for vulnerability, as well as affordability assistance. In terms of community groups who we do not currently partner with, both in and out of our supply area, we are identifying those with the greatest potential to provide us with access to customers affected by vulnerability risk factors and reaching out to determine the most effective approach to working with them to engage and support our customers. These will include, but are not limited, to health professionals, local community centres, advice centres, councils, social services and schools. We plan to be efficient with our resources by targeting which communities to work and by utilising our data to understand the most needed geographical areas to focus on.

One challenge we face is that that vulnerable customers may not contact us. In attempting to address this challenge we initiate proactive communication through social media (c3,500 followers Twitter, c2,600 followers on Facebook and c4,800 followers on Linked In (see forecasted PSR registrations to 2025) and more widely through our community work including attendance at local MP events, Blue Monday and Safe & Warm for Winter. Indeed, this challenge exists with those currently registered on PSR. We have contacted around one third of registered customer in the previous two years and will expect to contact 100% prior to the end of this reporting period. This is recognition of not only the regulatory need to do so, moreover it is driven by our recognition that vulnerability, whether financial or otherwise, is transient in nature. This will also provide an opportunity to understand any other needs of the customer and to provide feedback on the service they receive.

Additionally, we are extending developer partnerships beyond affordability by determining ways of working with developers to better accommodate the needs of vulnerable customers in the planning stages of a development. We are doing this by targeting Housing Associations to promote awareness of financial and non-financial support available.

Our ambition is that we will reach 1.2% of our population by 2025, which is treble the amount that we support today by increasing our awareness within our community of the services available.

To support the sharing of data across both local government and utility services in our area we are working hard to establish common understanding and metrics across all parties to facilitate increased data sharing which all parties are committed to under the new Digital Economy Act. We will continue to work with the industry, the DWP and Defra on the implementation of the Digital Economy Act.

Our expectation is that these activities will result in both a greater awareness of the PSR and the number of customers registered to it. By 2025 more than 14,000 people (c4,000 today) will be registered. Table 11 depicts the rate of growth we expect.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Customers on special Assistance Register/Priority Service Register (SAR/PSR)	4,018	4,626	5,364	7,105	8,885	10,400	12,196	14,330

Table 11: Forecasted PSR registrations to 2025

As our customers have suggested, we will measure the level of satisfaction from those in receipt of this service. Making this our bespoke performance commitment i.e. Achieve 85% customer satisfaction among those who are receiving assistance.

Safeguarding communities during incidents and outages

We recognise that water supply interruptions can be frustrating to all of our customers and they are particularly difficult for our customers in vulnerable circumstances. We need to have a particular focus on our response to vulnerable customers and be conscious that incidents can push customers who maybe on the cusp of vulnerability into a vulnerable situation.

We have learnt a lot from previous incidents and not just operationally, we have taken our learnings and considered how we might improve the service we provide. Key learnings have been gained from experience and from customer feedback instigated through surveys we have issued after incidences. We have used these key learning to revise and refresh our response for safeguarding communities during incidents and outages. Our aim is to be able to readily identify customers that are or have the potential to be vulnerable by leveraging the improvements planned for the Priority Service Register (Page 71) and awareness of vulnerability (page 74) within our incident planning to focus on being proactive and prepared. From August 2018 we have additional resource focused on how we respond to customers who need extra support during incidents. We have plans to review our response to our Alternative Water Supply (AWS) and to refine our channels of communication with customers and stakeholders.

We will also create a Customer Care Team with a dedicated phone number for customers on the PSR, including sensitive non-householders, providing them with a direct channel and personalised call assistance for before, during, and after an incident. In addition, we are currently refreshing our Incident Command Unit. The Unit will be deployed in the affected community during incidents to act as the hub for providing customers with face-to-face support, advice, and real-time updates over a cup of hot tea as well as providing water for residents. The Unit will also be the key information centre for our ‘community reps’ who are trained staff that help to deliver alternative water and provide a reassuring voice out in the community with key responsibilities including schools and care homes.

Data plays a key role in ensuring that appropriate services are provided to all vulnerabilities, we will review our account “flags” to be more robust in providing more tailored assistance to these customers. We are currently undergoing system updates to standardise needs codes in line with the industry. We want to go further by capturing temporary vulnerability with an end date for example for pregnancy or a temporary impairment which could make it more difficult for the customer to obtain alternative water. We will also be looking to expanding the criteria for delivering an emergency water supply based on this.

We will identify customers in home care and in we will create heat maps of community groups, schools and ethnic minorities as we recognise that a more tailored communication could be required during an incident.

We will form closer ties with community groups and look into using existing and well established channels for updates such as community Facebook groups. We will enhance our relationships and partnerships with health groups, community groups and organisations like the Red Cross and continue our representation on the Utilities Safeguarding Group. This will allow broader community planning and a more pertinent contact lists and chains.

We will continue to undertake post event surveys and check-ups to affected customers to ensure we are constantly improving our response during incidents.

Spotlight on: Clevedon precautionary boil notice

In early 2018, we had to issue a precautionary boil notice to customers in the Clevedon area. The incident received a lot of local media coverage and we saw a large amount of customer contact as a result. We decided to ask customers on our PSR how satisfied they were that their needs had been met during our response. 27% were fairly or very satisfied, the rest remained neutral. No customers on the PSR expressed dissatisfaction. When we asked all the affected customers whether our handling of the issue had altered their view of Bristol Water, 30% said it has altered it positively. 23% said that it had altered it negatively, while the rest stated that it either hadn't altered their view, or they weren't sure. This result indicates that there remains some work to do and that achievement of 85% customer satisfaction among those who are receiving assistance is both challenging and ambitious.

Spotlight on: Willsbridge burst

On 18 July, Bristol Water identified increased flows through a flow meter at 11.30pm and started receiving customer calls about loss of water at 1.16am on 19 July. The contact was due to a burst main in Willsbridge. Re-routing of supplies for 21,000 properties meant that this reduced to 14,000 were without water by 7am on 19th July, by which time bottled water was being delivered to those customers requiring additional support. Five temporary water supply locations, each with a number of water bowsers, were set up from 11.30am to mid-afternoon on 19 July and these allowed customers with the ability to access them to take as much water as they needed. The Alternative Water Supply (AWS) locations were manned by Bristol Water staff representatives who not only answered questions but provided customer updates. During the incident we made 35 proactive Facebook and Twitter updates, which received 750,000 views and more than 600 customer responses. Of those affected and surveyed, 62% were very or fairly satisfied with how the burst was handled. Social, and other media views, also supported a general satisfaction with our response. We recognise there is always room to improve communication and response and we have since reviewed our processes to improve the timing and accuracy of all our customer communication channels to ensure that accurate information is kept flowing, even when there is no significant update. It is recognised that in this type of scenario, customers are keen to know about how we mobilise our response and who is involved, not just information about their water supplies.

Measures to increase awareness and the accessibility of the support and assistance available

As articulated earlier (page 73) we will explore further opportunities for data sharing across a wider group and expand on our work to date as well as understanding how best to garner further insight from our own data. We will triangulate this data, using it to identify the presence or risk of vulnerability, mapping the customer to our segmented customer groups and characteristics in order to predict where vulnerable circumstances may arise. In recognition of the fact that vulnerability and affordability often go hand in hand, the mapping will leverage the social eligibility modelling we have done, at the lowest possible geographical level, to target customers in areas where affordability is also an issue. The data from the mapping exercise will inform the Bristol Water incident scenarios described earlier in section and will enable fast-track care for customers in vulnerable circumstances even if they are not on the PSR.

Making our bills easy to understand is something our customers have suggested we review. Having redesigned our bills to improve their clarity we recognise that opportunities exist to improve further use customer feedback and wider insight. Consequently, we are taking the following actions:

- Identifying elements of the bill for change and engaging appropriate customer focus groups to better communicate them, in particular by using everyday language and visualisation;
- Prototyping example bills and reminders across multiple tariffs, service types, payment methods and customers in vulnerable circumstances for consultation with customer and stakeholder groups; and
- Developing a tailored messaging capability and mapping messages to customer characteristics and scenarios, including vulnerable circumstances and risk factors.

Included in the improvements will be updates to the format and production of bills in braille and updates to the presentation of electronic bills. Further to this, we will produce interactive bills to simplify the ways that customers interact with their bill following the deployment of our new billing system.

Throughout the change and refinement process, customer groups - including customers in vulnerable circumstances, their nominees and carers - will be closely involved. We will gather customer and stakeholder feedback and update our output accordingly. We will repeat the process until we are confident in the new bills and reminders. On an on-going basis, we will record the effectiveness of the tailored messaging and continuously refine.

Taking measures to improve how understandable and accessible our services are will further support delivery of excellent customer experiences. Additionally, we anticipate that it will lead to a reduction in customer calls, thus reducing cost to serve and improving overall affordability.

11.3. Plans to support vulnerable customers beyond 2025

Our long-term ambition is to reach the maximum number of people who require assistance and that all of them are satisfied with the services we provide.

We set out in our document, Bristol Water...Clearly, four priorities, based on customer feedback, that are pertinent to affordability and vulnerability, namely

- Exceling at Customer Experience - Building trust and achieving customer excellence as a top priority, including for those customers in vulnerable circumstances;
- Leading Efficiency - We are committed to transforming our cost base, driving overall affordability and enabling more customers struggling to pay their bills to be supported;
- Developing our people and our business - Our employees and delivery partners are crucial to our strategy – they are the source of our customer excellence and innovation. Customer excellence means we need to be ready for the future shape of utilities that provide services that customers want (potentially not just water), rather than just a product; and
- Being trusted – by all. The subject of our reputation runs through the entirety of our strategy and supports all the other strategic objectives. It is not only about maintaining legitimacy with customers, consumers, communities and other stakeholders, but also about them having trust in our stewardship of the long-term sustainability and resilience of Bristol Water and our local environment.

As we progress through AMP 7 and beyond, and in line with our four strategic objectives above, we will continually refine our strategy to address vulnerability and affordability and listen to our customers to find ways to further build upon and enhance the initiatives we had laid out. One way in which this will be achieved is through leveraging our new digital technology to introduce interactive bills. This will allow customers to log onto their online account and click on areas of their bill to reveal further cost breakdowns, detail and explanations, with personalised content, formats and messaging for customers identified as having vulnerable circumstances or risk factors, including proactively reaching out to them to offer support and guidance. We are establishing processes and practices that will pave the way for best in class customer service, with increased focus on vulnerable customers, now and in the future.

11.4. Conclusion to our plans to address vulnerability

We have engaged with customers and stakeholders through surveys, panels, focus groups, social media, ongoing data gathering and face-to-face interactions to understand their views on our plans to improve the service we provide to customers who are vulnerable, or at risk of being so.

We have gathered the output and feedback and reflected them in our plans, making sure that there are appropriate measures in place to address the issues and challenges faced by our vulnerable customers

with respect to how they deal with their water supplier. This matters for how and when we communicate with them and support them on an on-going basis, as well as at times of particular need such as during an incident.

Our plan sets out to support, by a factor of three, more customers who are vulnerable, by:

- Improving our customer segmentation, analysis and modelling capability and to identify customers at risk;
- Establishing partnerships with a wide range of local community groups;
- Offering tailored channels and communications to target these customers;
- Improving our PSR to map customer to need and nominee details;
- Scenario-mapping customer needs and priority levels for different types of incident;
- Sharing data with utilities and third parties and working towards introducing a single point of registration of vulnerability for customers across all utilities; and
- Introducing a joined up approach to enable increased sign-up in the field.

We understand it is not only what we do but crucially how we make our customer feel; therefore we will introduce our bespoke performance commitment to achieve 85% customer satisfaction among those who are receiving assistance as explained further in document **C3 - 'Delivering Outcomes for Customers'**.

12. Our approach to governance

12.1. Assurance

As part of our business planning process, the creation of this strategy has been part of the assurance framework. This ensured that the key stakeholders within the business were involved and aware of key decisions and that the strategy adhered to the Ofwat methodology.

Our governance approach included two lines of defence, these are;

First Line of Defence

Customer Work Package

- This included a review by work package lead (Head of Customer Service) and the work package sponsor (Chief Customer Officer) to check that the strategy met the requirements of the regulatory regime and needs of the business.

Affordability Action Group (AAP)

- This included a review in AAP meetings which includes key stakeholders from Wessex Water, Pelican and Bristol Water (customer work stream) to ensure we had the right foundations to deliver our strategy.
- The review format was an initial meeting during the development of the strategy to ensure all parties were in agreement with the key deliverables and provided an opportunity to challenge and raise actions.
- Upon completion there was a further meeting for sign-off and confirmation that actions from meeting 1 were complete.

Second Line of Defence

Director of Regulation

- To review that we have met Ofwat requirements.

Retail Steering Group

- A higher level review than AAP by key stakeholders from Pelican, Wessex Water and Bristol Water to ensure that the plan is deliverable and aligns with business needs. The review also confirmed that the investment is aligned to the retail plan.

12.2. Bristol Water Challenge Panel

The Bristol Water Challenge Panel is part of Bristol Water's wider engagement strategy with its customers and has been in place since November 2015. The panel play an active role in ensuring that our work around vulnerability and affordability is grounded on robust customer engagement. It is here to

provide assurance that Bristol Water is incorporating the preferences and priorities of customers in our business plan. We engage further in key pieces of research such as ‘Customers in Vulnerable Circumstances research’ where the chair attended the initial briefing meeting and challenged us to make the objectives more encompassing of wider affordability issues, as well as understanding the more specific issues around social tariffs and priority services. In addition, every year we engage the panel on our proposed tariffs and charging policies for the next financial year, including any new social tariffs.

The Bristol Water Challenge Panel have had a strong interest in the creation of this strategy and have encouraged us to think widely around vulnerability, to be ambitious with our thoughts on using technology and to consider what other partners we can work with beyond what we currently do.

Our performance commitment was considered in response to a specific challenge from the group which asked us to consider how it would consider the satisfaction of customers on the PSR.

The range of discussions taking place in Challenge Panel meetings have been extensive and provided an opportunity to demonstrate, and accept challenge, how we are taking into account the concerns and interests of our customers in our future investments. A record of the challenges and our response, which details what has happened as a result of such challenge. This register, among other documents, provides an important part of the assurance the Challenge Panel gives to Ofwat on how well Bristol Water addresses and responds to its customers, both present and future, and will be published their report in September 2018, which will accompany our business plan submission.

This strategy, whilst building on the solid foundation of work we have already achieved is still ambitious, stretching and challenging. We have committed to updating the Customer sub-group of the Bristol Water Challenge Panel on how we are performing against the commitments we have made in this strategy, the outputs of this will be reported back in the group’s annual report.

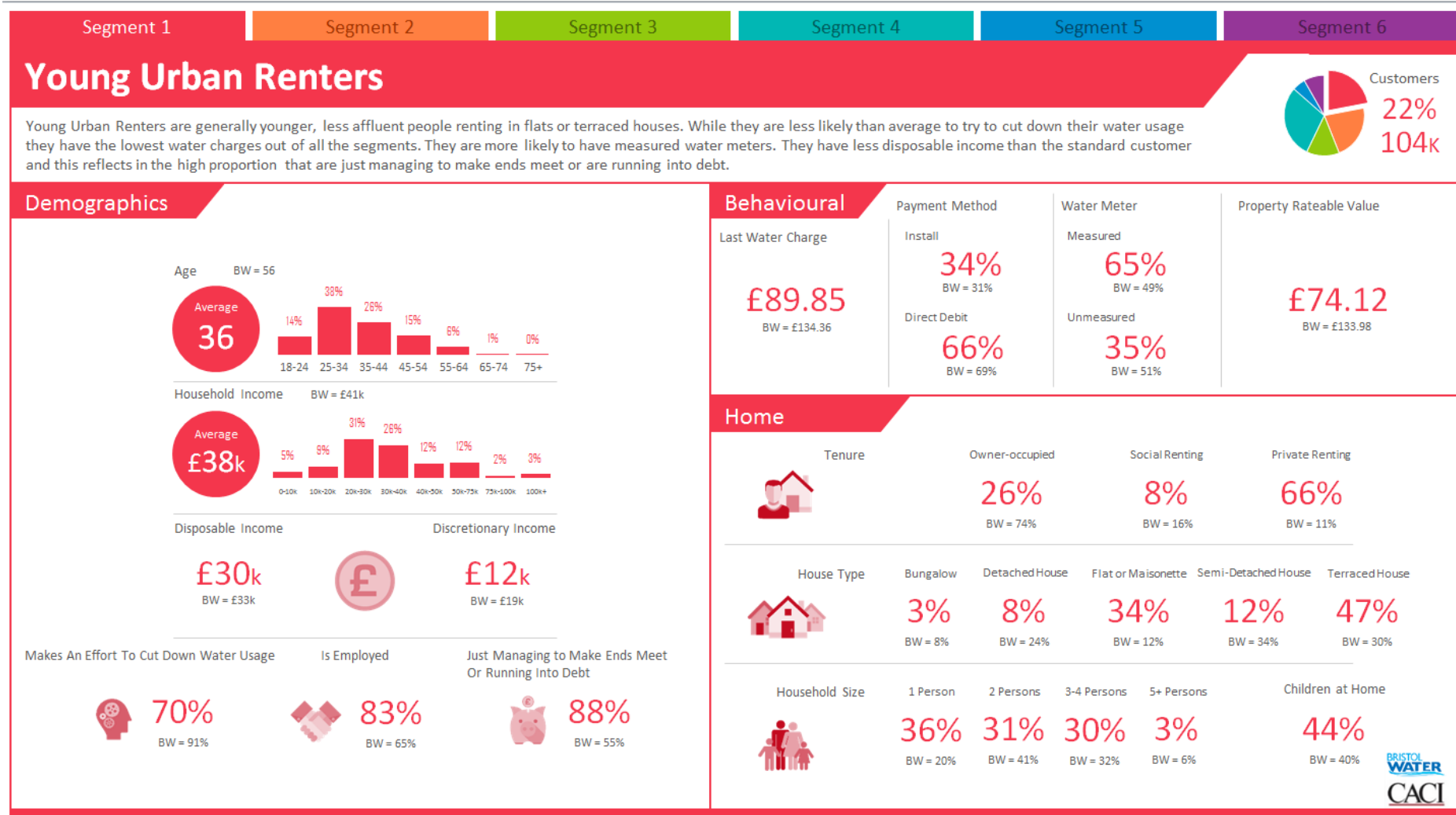
C2 – Addressing affordability and vulnerability

Appendix 1: App. 4 data table

App4 – Customer metrics

				Residential retail customers												
Line description	Item reference	Units	DPs	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
A Affordability																
1	Customers finding the level of their water bills affordable: (a) for companies who charge for water only (WoCs)	See item	%	1	68.0%	76.0%	77.0%	65.0%	80.0%	75.0%	76.5%	78.0%	79.6%	80.4%	81.2%	82.0%
2	Customers finding the level of their combined bills affordable: (b) for companies who charge for both water and wastewater (WaSCs)	references	%	1												
3	Customers finding the level of their combined bills affordable: (c) for companies who charge for water only (WoCs)	in columns	%	1	67.0%	74.0%	74.0%	66.0%	77.0%	73.0%	74.5%	75.9%	77.5%	78.2%	79.0%	79.8%
4	Customers finding their water bills acceptable: (a) for companies who charge for water only (WoCs)	AL to AQ	%	1	51.0%	64.0%	59.0%	51.0%	67.0%	60.3%	62.1%	64.0%	65.9%	67.2%	68.6%	69.9%
5	Customers finding their combined bills acceptable: (b) for companies who charge for both water and wastewater (WaSCs)		%	1												
6	Customers finding their combined bills acceptable: (c) for companies who charge for water only (WoCs)		%	1	0.0%	0.0%	0.0%	0.0%	50.8%	51.8%	52.9%	53.9%	55.0%	56.1%	57.2%	58.4%
7	Benefits of applying affordability assistance measures		£m	3					1,978							
8	Costs of applying affordability assistance measures		£m	3					1,060							
9	Customers aware of affordability assistance measures		%	1	6.0%	2.0%	1.0%	3.0%	2.0%	2.3%	2.5%	4.0%	6.0%	8.0%	9.0%	10.0%
10	Customers who are in debt who have a repayment plan		%	1	32.0%	32.3%	31.9%	32.8%	27.1%	31.2%	31.2%	31.2%	31.2%	31.2%	31.2%	31.2%
11	Customers who have a repayment plan and who are continuing to pay		%	1	75.7%	77.5%	74.0%	72.4%	71.3%	72.0%	72.0%	72.0%	72.0%	73.0%	74.0%	75.0%
B Vulnerability																
12	Customers aware of the non-financial vulnerability assistance measures offered		%	1	38.0%	55.0%	53.0%	52.0%	48.0%	50.2%	51.7%	53.3%	54.9%	56.0%	57.1%	58.2%
13	Customers on Special Assistance Register/ Priority Service Register (SAR/PSR)		nr	0	2,103	2,542	2,884	3,315	4,018	4,626	5,364	7,105	8,885	10,400	12,196	14,330
14	Customers on Special Assistance Register/ Priority Service Register (SAR/PSR)		%	1	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%	0.5%	0.6%	0.8%	0.9%	1.0%	1.2%
15	Customers receiving services through the SAR/PSR: (a) support with communication		nr	0	570	632	667	706	776	833	895	1,028	1,142	1,226	1,317	1,414
16	Customers receiving services through the SAR/PSR: (b) support with mobility and access restrictions		nr	0	496	639	769	906	1,065	1,250	1,466	1,975	2,488	2,919	3,425	4,019
17	Customers receiving services through the SAR/PSR: (c) support with supply interruption		nr	0	342	489	639	766	1,017	1,258	1,556	2,294	3,109	3,846	4,757	5,885
18	Customers receiving services through the SAR/PSR: (d) support with security		nr	0	623	684	672	700	735	764	795	858	909	945	983	1,022
19	Customers receiving services through the SAR/PSR: (e) support with 'other needs'		nr	0	1,481	1,880	2,197	2,575	3,166	3,712	4,352	5,854	7,369	8,640	10,130	11,878
20	Customers satisfied that the services are easy to access		%	1	96.3%	95.4%	94.7%	94.4%	93.1%	94.1%	96.5%	97.0%	97.0%	97.0%	97.0%	97.0%
21	Customers on SAR/PSR contacted over the previous two years to ensure they are still receiving the right support		%	1					28.2%							

Appendix 2: Customer segmentation



C2 – Addressing affordability and vulnerability

Segment 1

Segment 2

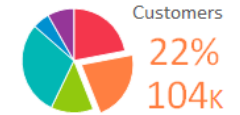
Segment 3

Segment 4

Segment 5

Segment 6

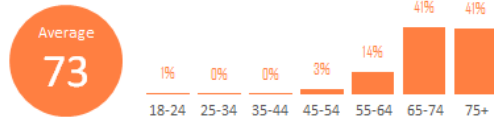
Mature and Measured



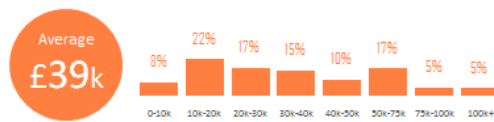
Mature and Measured are older couples of above average affluence that own their homes. The lower than average household incomes are due to a large proportion of this segment being retired. All of these people make an effort to cut down water usage and this can be seen in their low water charges. The ratio of measured to unmeasured customers is much higher than average for this segment.

Demographics

Age BW = 56



Household Income BW = £41k



Disposable Income

£32k
BW = £33k



Discretionary Income

£24k
BW = £19k

Makes An Effort To Cut Down Water Usage

100%
BW = 91%

Is Employed

33%
BW = 65%

Just Managing to Make Ends Meet Or Running Into Debt

29%
BW = 55%

Bristol Water

Last Water Charge

£96.61
BW = £134.36

Payment Method

Install

24%
BW = 31%

Direct Debit

75%
BW = 69%

Water Meter

Measured

71%
BW = 49%

Unmeasured

29%
BW = 51%

Property Rateable Value

£147.99
BW = £133.98

Home

Tenure



Owner-occupied

98%
BW = 74%

Social Renting

0%
BW = 16%

Private Renting

2%
BW = 11%

House Type



Bungalow

17%
BW = 8%

Detached House

37%
BW = 24%

Flat or Maisonette

5%
BW = 12%

Semi-Detached House

37%
BW = 34%

Terraced House

22%
BW = 30%

Household Size



1 Person

27%
BW = 20%

2 Persons

67%
BW = 41%

3-4 Persons

5%
BW = 32%

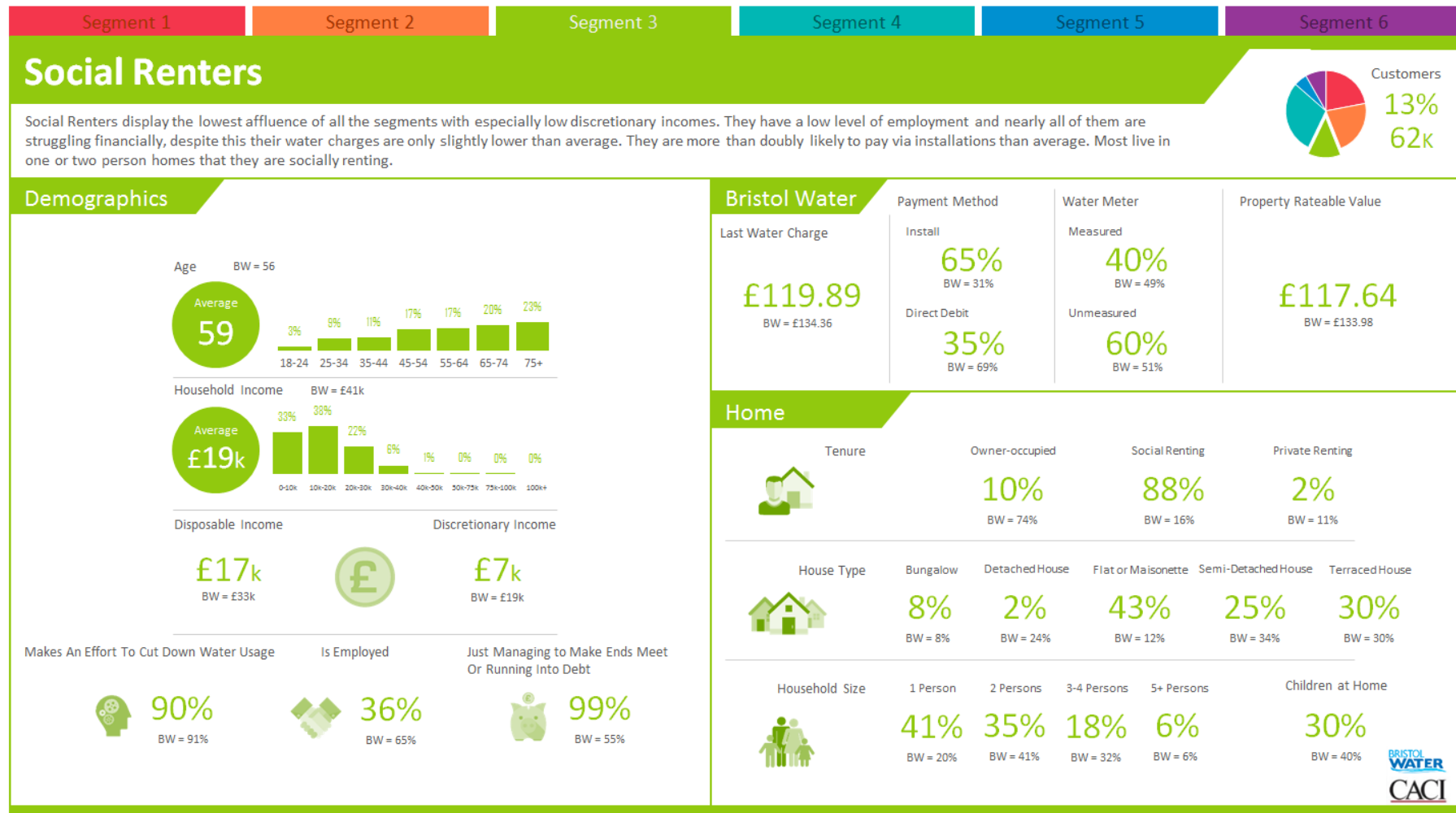
5+ Persons

0%
BW = 6%

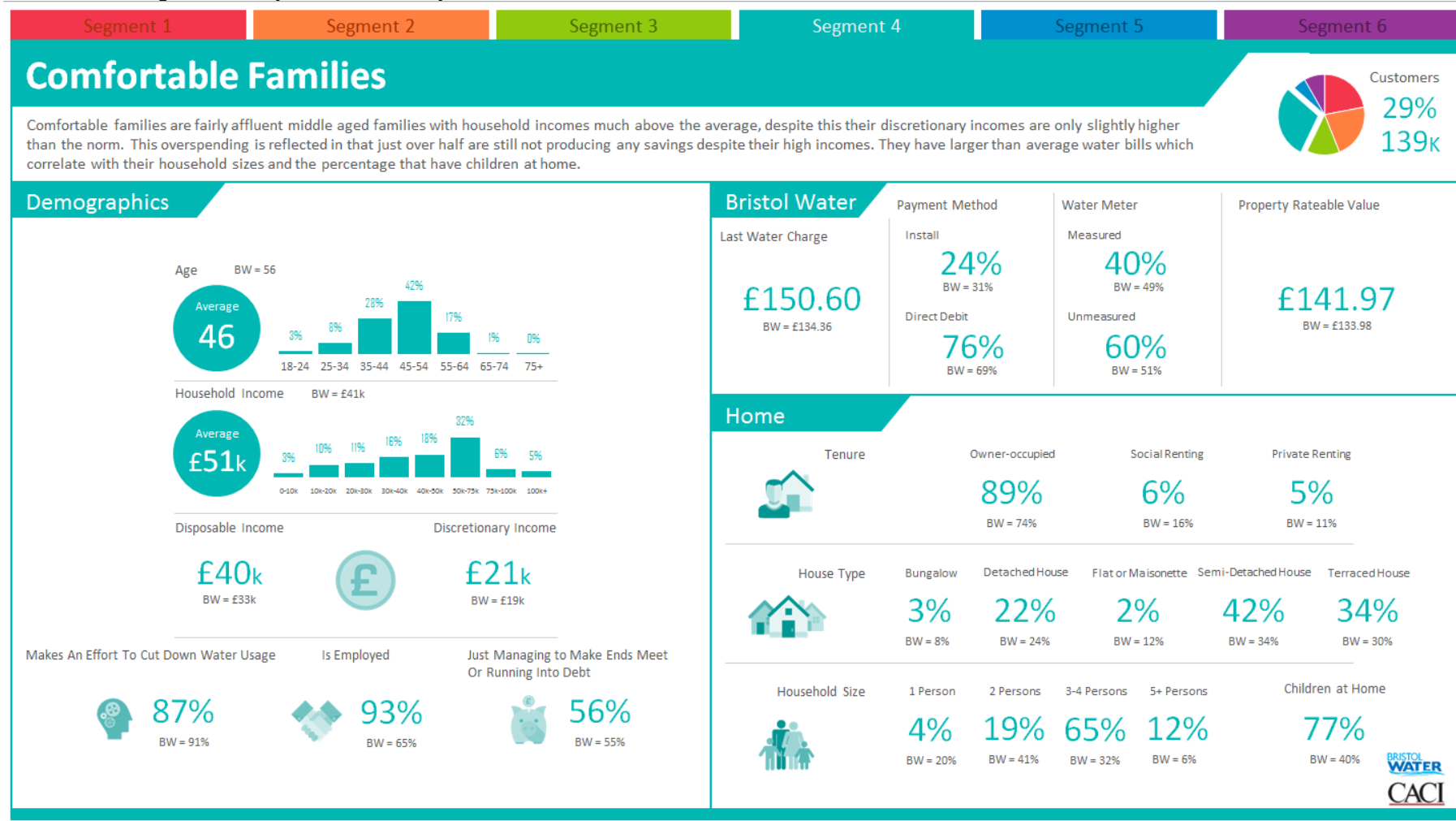
Children at Home

7%
BW = 40%

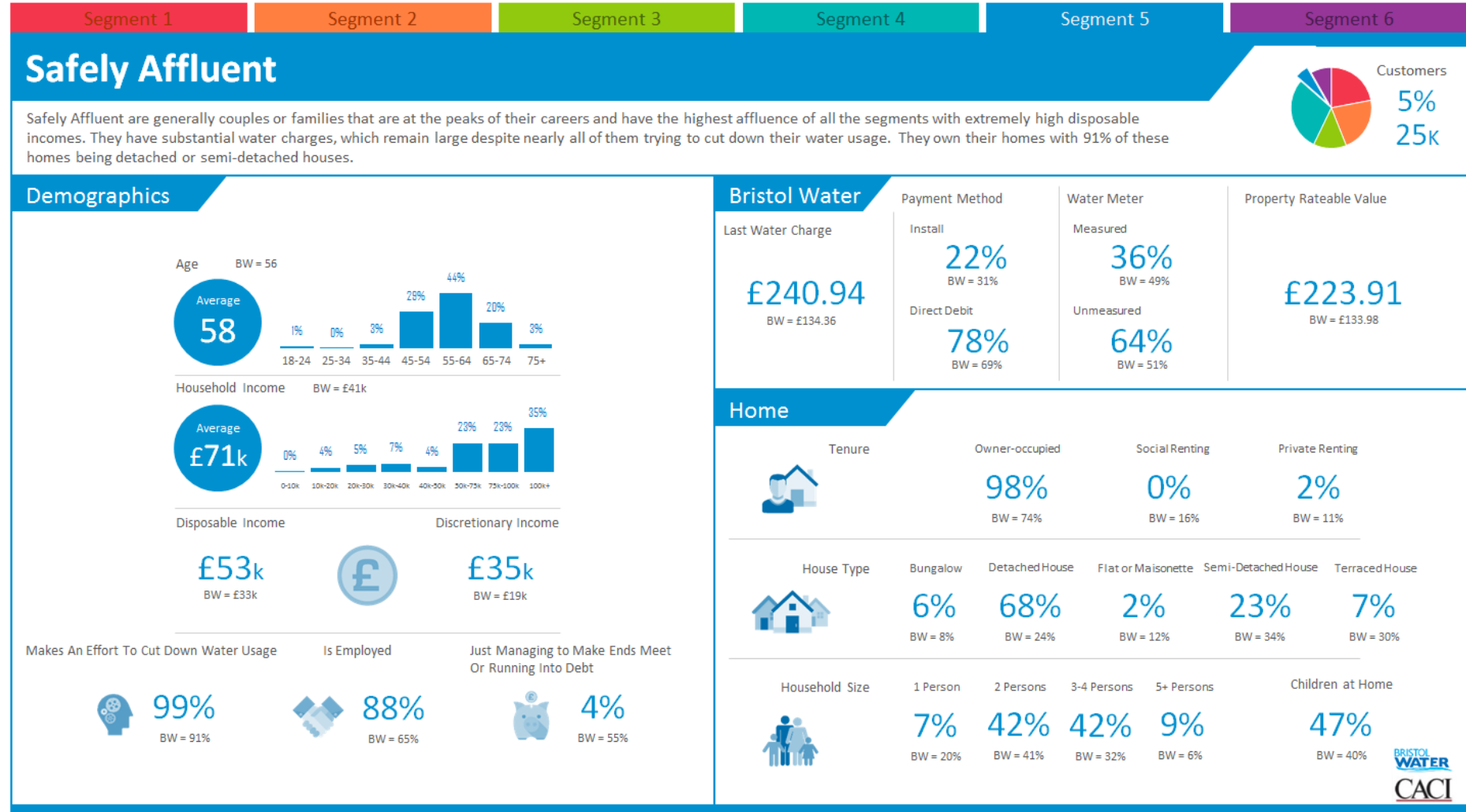




C2 – Addressing affordability and vulnerability



C2 – Addressing affordability and vulnerability



Segment 1
Segment 2
Segment 3
Segment 4
Segment 5
Segment 6

Thirsty Empty Nesters

Thirsty Empty Nesters have the highest water charges of all the segments, they are older than average with adult children that have left the family home. They own their homes which are generally houses but this segment also includes farmers. They have average incomes but over half are having financial issues. The overwhelming majority are using unmeasured and are paying for their water via direct debit.

Customers
8%
39k

Demographics

Age BW = 56

Average **63**

Household Income BW = £41k

Average **£36k**

Disposable Income

£30k
BW = £33k

Discretionary Income

£20k
BW = £19k

Makes An Effort To Cut Down Water Usage

99%
BW = 91%

Is Employed

59%
BW = 65%

Just Managing to Make Ends Meet Or Running Into Debt

59%
BW = 55%

Bristol Water

Last Water Charge	Payment Method	Water Meter	Property Rateable Value
£250.83 <small>BW = £134.36</small>	Install 19% <small>BW = 31%</small> Direct Debit 81% <small>BW = 69%</small>	Measured 6% <small>BW = 49%</small> Unmeasured 94% <small>BW = 51%</small>	£196.30 <small>BW = £133.98</small>

Home

Tenure	Owner-occupied	Social Renting	Private Renting		
	90% <small>BW = 74%</small>	5% <small>BW = 16%</small>	5% <small>BW = 11%</small>		
House Type	Bungalow	Detached House	Flat or Maisonette	Semi-Detached House	Terraced House
	8% <small>BW = 8%</small>	17% <small>BW = 24%</small>	6% <small>BW = 12%</small>	42% <small>BW = 34%</small>	34% <small>BW = 30%</small>
Household Size	1 Person	2 Persons	3-4 Persons	5+ Persons	Children at Home
	20% <small>BW = 20%</small>	69% <small>BW = 41%</small>	9% <small>BW = 32%</small>	1% <small>BW = 6%</small>	11% <small>BW = 40%</small>

Appendix 3: Summary of our commitments

	Type of measure	What we are committing to do
Affordable bills and value for money for all now-2025	Commitment	<ul style="list-style-type: none"> • We will develop ways to engage early, to motivate and rehabilitate specific debtor groups using segmentation data • We will continue to invest in our people to deliver specialist training • We will benchmark our effectiveness through our own KPI's industry trends and wider cross sector performance as we strive for upper quartile
Affordability and value for money beyond 2025	Commitments in retail plan	
Customers who are struggling or at risk of struggling to pay	PC: Percentage of customers in water poverty	<ul style="list-style-type: none"> • Continue to fund partners • Expand our range of events • Develop a communications strategy to tailor messaging across a range of accessible channels • Improving awareness of our affordability offering to 7% by 2022. • We will make our bills easier to understand and involve customers in the redesign • Continue to fund our Hard-to-reach projects.
	KPI: Number of customers receiving help paying their bill	

C2 – Addressing affordability and vulnerability

Customers in circumstances that make them vulnerable or at risk of being vulnerable	PC: 85% customer satisfaction among those who are receiving assistance	<ul style="list-style-type: none"> • We will make our bills easier to understand and involve customers in the redesign • Continue to do post event surveys and check-ups to affected customers to ensure we are constantly improving our response during incidents • Refresh our alternative water supply strategy during incidents to safeguard communities during outages
	KPI: Number of customers on the Priority Services Register	<ul style="list-style-type: none"> • Introduce a joined up approach to enable increased sign-up in the field. • Sharing data with utilities and third parties and working towards introducing a single point of registration of vulnerability for customers across all utilities.