

UUW55

# Retail Business Plan

October 2023

Chapter 8 supplementary document

This document provides context to the operating environment that the Household Retail business operates in in the North West of England and presents details of our plan up to 2030. We provide details of the major initiatives that have helped to deliver our strong customer service and bad debt performance in AMP7.

## Contents

<b>1. Introduction.....</b>	<b>3</b>
1.1 Key messages .....	3
1.2 Structure .....	3
1.3 Overview .....	4
<b>2. Household Retail Business Context.....</b>	<b>5</b>
2.1 Understanding Customers in the North West .....	5
<b>3. Engaging with key Household Retail stakeholders in the North West .....</b>	<b>9</b>
<b>4. Customer Priorities .....</b>	<b>11</b>
<b>5. Responding to customer insight, changing customer expectations and a new licence condition</b>	<b>13</b>
<b>6. Providing a service that is accessible.....</b>	<b>14</b>
6.1 Work to improve accessibility for all customers.....	14
6.2 Priority Services for customers in vulnerable circumstances .....	15
<b>7. Leading the way with affordability support .....</b>	<b>18</b>
7.1 Comprehensive tariff support.....	18
7.2 Customer Affordability.....	19
<b>8. Being attentive to customer needs .....</b>	<b>23</b>
8.2 Future Trends and Smart Metering .....	23
8.3 Industry leading Mobile App.....	24
8.4 Widening our customer contact channels to report and get updates on Water and Wastewater Network issues .....	25
8.5 Specific Initiatives to improve service for Water customers .....	27
8.6 Specific initiatives to improve service for Wastewater customers.....	30
8.7 Specific Initiatives to improve our billing and general customer service activities .....	33
<b>9. A cost plan that delivers for customers .....</b>	<b>34</b>
9.2 AMP7 cost performance .....	34
9.3 Anticipated cost increases in AMP8.....	38
9.4 Efficiencies targeted.....	38
9.5 AMP8 proposed retail costs .....	39

# 1. Introduction

## 1.1 Key messages

- **Value for money:** A stretching retail plan with base operating costs in line with AMP7, with additional cost growth driven by increasing customer numbers, real price effects, and the impact of increased bills, offset by efficiency savings. Recognising the impact on bills, we propose industry-leading levels of affordability support and propose to nearly double the level of financial support available in AMP8 and more than double the number of customers supported.
- **Affordable, accessible and attentive service:** We have delivered substantial improvements in customer service over the last five years. Our proposed plan continues to improve customer service levels through a clear focus on providing an affordable, accessible and attentive service. We will actively respond to changing customer expectations, a new customer service focussed license condition, and a rapidly evolving technology landscape for retail services.
- **Efficient modelled costs and improved efficiency:** We are targeting stretching performance improvements through base expenditure that is within our assessment of efficient modelled costs for retail. We are stretching ourselves to deliver £26 million of efficiencies in across AMP8 through innovation and optimisation of solutions and robust cost challenge.
- **Robust internal and external challenge on costs, scope and deliverability:** The efficiency of our plan is supported by benchmarking analysis and third party assurance. AMP8 is characterised by partnership working, innovative use of new technologies, continued development of our advanced data analytics capabilities, and maximising the opportunities afforded by new smart meters.

## 1.2 Structure

1.2.1 This document is structured as follows;

- **Section 2** Provides an understanding of our customers in the North West
- **Section 3** Provides details of our stakeholder and customer insight approach
- **Section 4** Summarises our strategic response to customer expectations
- **Section 5** Responding to customer insight, changing customer expectations and a new licence condition
- **Section 6** Details how we develop services that are Accessible both in AMP7 and AMP8
- **Section 7** Details how we will address Affordability for customers both in AMP7 and AMP8
- **Section 8** Details how we ensure we are Attentive in everything we do for customers both in AMP7 and AMP8
- **Section 9** Details our cost plan is efficient for customers

## 1.3 Overview

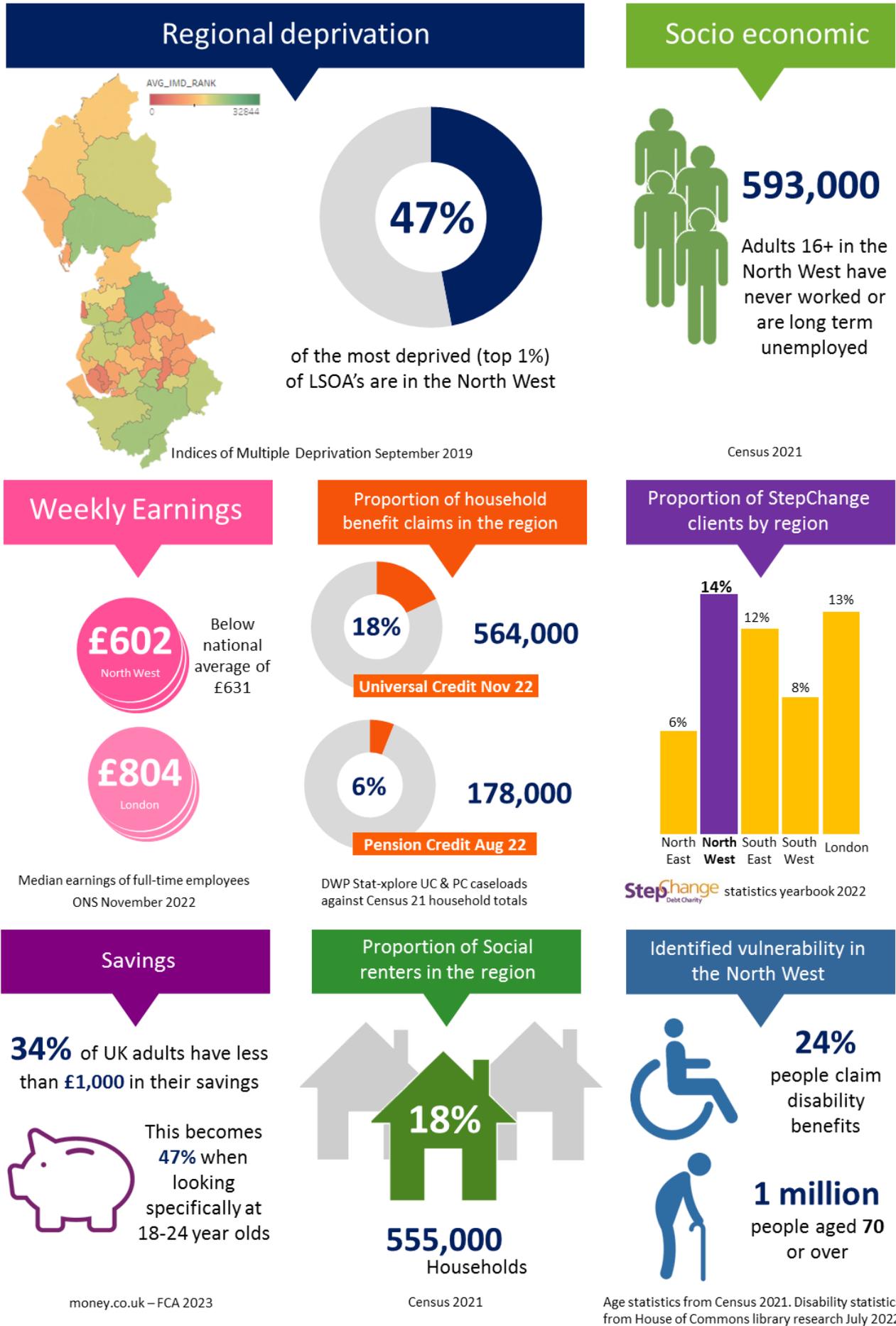
- 1.3.1 This document provides context to the operating environment that the Household Retail business operates in in the North West of England and presents details of our plan up to 2030. We provide details of the major initiatives that have helped to deliver our strong customer service and bad debt performance in AMP7.
- 1.3.2 In this document, we will show how we intend to deliver on the things that are important to our customers in AMP8, by focusing on the following three themes that are important to our customers in everything we do:
- Affordability
  - Accessibility
  - Attentiveness
- 1.3.3 This document will provide details about our plans in the following areas:
- Improving our support to customers who are facing affordability challenges
  - Further improving customer service
  - Maintaining our bad debt performance despite the headwinds provided by COVID-19 pandemic, the cost of living crisis and potential price increases
  - Further enhancing our services for Priority Services customers
  - Utilising our smart metering programme to develop customer propositions to improve efficiency, increase customer satisfaction and promote affordability solutions to our customers.
  - How we will meet the cost challenge
- 1.3.4 This household retail business plan focuses on the planning horizon to 2030. We believe that this is the appropriate timescale for a retail function. This timescale aligns to the typical asset life we assign to our systems and technology. In addition, we believe the general pace of change in technology and customer service channels makes it appropriate to put forward a robust plan over this planning horizon.

## 2. Household Retail Business Context

### 2.1 Understanding Customers in the North West

- 2.1.1 The North West of England is home to over 7 million people who rely on United Utilities for water and wastewater services. The North West has been shaped by the environment, economy, history and people, creating unique features which impact on our operation. This document will explore the unique opportunities and challenges which impact delivering water services.
- 2.1.2 The North West is an area we're proud to support. The provision of water and wastewater services across the five counties of the North West puts us in a unique position to bring people together to tackle some of the most pressing issues for customers, resilient services and the environment.
- 2.1.3 Our AMP8 and long-term plans are delivering service improvements and wider benefits to create a stronger, greener and healthier region.
- 2.1.4 The North West is the UK's third most populous region. Over 7 million people rely on United Utilities every day to provide great water and more. The North West population has grown by 8.6 per cent since 2002 and projections are for approximately an additional 1 million people by 2050. Population growth in the region will increase demand for services. Further details can be seen in Figure 1 below.

Figure 1: Statistical infographic profiling the North West



- 2.1.5 As a result of our regular engagement with customers, we recognise that the cost of living and affordability is a hugely important issue in our region. Keeping bill increases as low as possible, supporting customers in vulnerable circumstances, and helping customers out of water poverty are priorities for the next five years and are likely to remain prominent for the long term.
- 2.1.6 We understand the risk of poor health is twice as high when living in a deprived area, so supporting customers in vulnerable circumstances is even more important to us. Last year we added an additional 147,000 customers to our free Priority Services Register which helps vulnerable customers who need extra support, including translation services, British Sign Language, or priority for receipt of bottled water in a period of water outage.

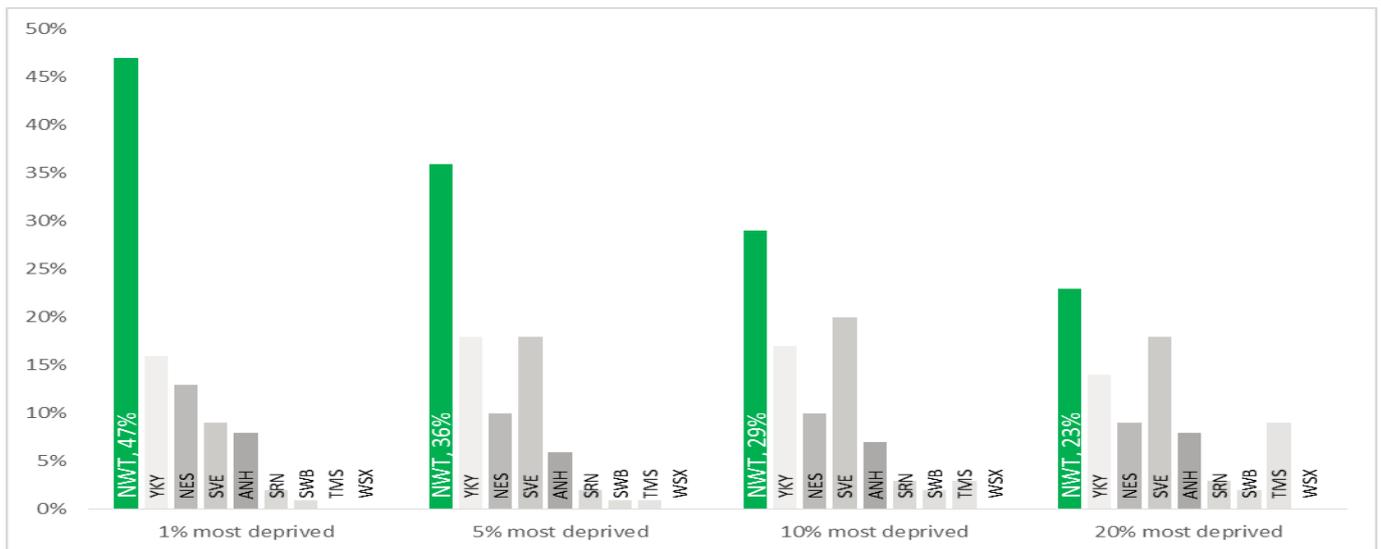
**Affordability and Vulnerability - scale of the challenge**

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

**Regional variances in deprivation**

- 2.1.8 The North West has the largest population of economically deprived households in the country. According to data compiled by Public Health England, the North West is below national averages for several other key indicators of deprivation, spanning not just financial, but educational, physical and mental health indicators. As seen in Figure 2 below.

**Figure 2: Percentage of most deprived LSOAs (neighbourhoods) by service area and decile using IMD 2019 data, for all English WaSCs**



Source: Indices of multiple deprivation 2019

**Cost of Living Concerns**

- 2.1.9 Energy price increases continue to disproportionately hit poorer households, as they spend a much larger share of their household spending on gas and electricity. The bottom decile of households (of income) spend almost three times as much of their budgets on gas and electricity compared to the highest-income decile (11% versus 4%).
- 2.1.10 New IFS analysis incorporating an £800 increase to Ofgem’s tariff cap in October shows that the pattern of poorer households being hit harder by inflation is likely to continue. A more than doubling of prices of gas and electricity will further increase the difference in the rate of inflation experienced by richer and poorer households. Assuming an example average rate of inflation of 10 per cent, the analysis suggests

that the poorest households may face average inflation rates of as high as 14 per cent, compared to 8 per cent for the richest households.

- 2.1.11 Due to the levels of deprivation in the North West region, this raises concerns that many United Utilities customers will be hit disproportionately hard, with above average price rises in the short to medium term. For example a recent report by Centre for Cities (Out of pocket, the places at the sharp end of the cost of living crisis) identified that English cities with the lowest average wages, such as Blackburn and Burnley have already experienced the highest levels of inflation)
- 2.1.12 Indeed there is a growing band of evidence to suggest that cost of living pressures, including increasing prices, are impacting customers with lower disposable income.
- 2.1.13 In our regular “State of the Nation Customer Research” quarterly study April 23 – customers are telling us that the issue they are most concerned about the state of the economy at 83 per cent and 59 per cent concerned about their household finances. Customers are still worried that they may not be able to afford to pay their household bills – particularly energy, food and council tax. 74 per cent of customers surveyed are worried about meeting their outgoings – up 16 per cent since January 22
- 2.1.14 We are adopting a more intensive and costly debt management approach to try to maintain current levels of cash collection performance. We have already proactively taken a number of steps to identify customers in need of support and improve the accessibility and awareness of the help that’s available.
- 2.1.15 We continue to seek best value from the £280 million of affordability support we foresee providing in AMP7 (50 per cent of which will be company funded). This includes continuing to review affordability support scheme promotion, to ensure we continue to engage those most in need.
- 2.1.16 We’ve updated all collection communications to reflect the challenges customers may face in making payment and encouraging them to contact us if they’re struggling
- 2.1.17 We’re utilising data from our Credit Reference Agency partner enabling enhanced segmentation within our early intervention campaigns tailoring messages to increase awareness of the support we and specialist third party organisations can offer.
- 2.1.18 While we recognise that “cost of living” pressures are a very live and serious issue for many of our customers, although we expect this issue to be less impactful by the start of AMP8.

### **Key challenges for UUW Household Retail**

- 2.1.19 In addition to the challenges faced by UUW from a social demographic and economic backdrop context, UUW faces challenges that are familiar to all retailers.

### **Increasing customer expectations of service performance**

- 2.1.20 Over the last few years we have improved customer service levels as reflected by strong performance on C-MeX measures. However we recognise there will remain a continuing impact of customers’ rising service expectations and other companies’ future performance acting to stretch our expected service offerings.

### **Maintaining sustainable levels of household debt**

- 2.1.21 The cost of household Bad Debt and its associated management forms a core part of our business planning process. Uncertainty around the long-term economic outlook arising from global geo-political events, the energy crisis and the current cost of living pressures could mean that bad debt could increase further.
- 2.1.22 In addition, we know that for many customers affordability of our bills will be a challenge as a result of the expected bill increases we are proposing in our PR24 plan. Bills are expected to rise from £481 in 2025 to £556 in 2030 (forecast modelled on 22/23 prices). Higher bills have implications to the numbers of customers we are able to help with the existing level of support to fund our range of affordability assistance.

### 3. Engaging with key Household Retail stakeholders in the North West

- 3.1.1 As set out in *Chapter 2*, the North West is a diverse region, from urban cities in Liverpool and Manchester, the coastline of Blackpool and the beautiful Lake District National Park. Each of the region's five counties is unique with its own individual needs and priorities. We cannot deliver our services, tackle water management issues or plan for the future without stakeholder engagement being a core part of our everyday operation. We have long standing and meaningful relationships with many partners who give us a deep understanding of what matters most to our regional stakeholders.
- 3.1.2 We have a diverse range of stakeholders from local authorities to charities, MPs to metro mayors and environmental groups to investors. We engage with them in many ways on many topics, including planning and strategic development, to make sure our direction reflects their priorities and the customers and/or interests they represent. We use stakeholder insight to influence business decisions, ensuring their views are deeply embedded in how we plan and operate.
- 3.1.3 See *Chapter 3* for full details of UU's stakeholders and communities in the North West. This document demonstrates how our stakeholders reach has gone wider than just the North West and demonstrates how engagement is part of our core business activity. We are able to evidence how we have utilised innovative approaches to engagement activity in order to gain support for our plans.

#### Examples of specific stakeholder engagement activity - Our independent YourVoice Customer Affordability and Vulnerability Panel

- 3.1.4 A central part of our strategy is to continuously improve our support to customers by utilising community and social partnerships. Gaining insight from other organisations and those that work directly with people in vulnerable or financially stressed circumstances is crucial to improving the services that we offer. Working more closely with these groups' means we learn more about the challenges people on low incomes or in vulnerable circumstances face. It means we can create combined service offers that effectively address customer issues we could not implement on our own.
- We continue to work with our Independent Affordability and Vulnerability Panel (introduced in 2017), made up of non-governmental organisations (NGOs) and other groups that work day to day with people in vulnerable circumstances. The group is acting as a voice for those customers who have traditionally found it difficult to raise concerns with utility service providers and playing a key role in ensuring that we deliver leading support services during AMP7 and into AMP8.

#### North West Affordability Summit

- 3.1.5 We introduced the industry's first ever affordability summit, held in the North West, bringing together a wide range of regional stakeholders and helping to co-design a host of new affordability support services. We have continued to use such initiatives every year since 2018 to identify and deliver new opportunities. These initiatives now form part of our core affordability offerings including:

North West Hardship Hub

Payment Break Scheme

Lowest Bill Guarantee

Early Intervention campaigns

- 3.1.6 We are targeting to deliver £26 million of efficiencies through ongoing initiatives such as our continued digital transformation, data led void management, enhanced mobile app capabilities, extending paperless billing, streamlining processes through the use of robotics and generative artificial intelligence, data sharing and analytics, and maximising the benefits of partnerships.



#### Case study: North West Hardship Hub

The primary initiative resulting from the 2018 Summit was to develop a new North West Community Advice Hub that provides a consolidated view of all the support schemes available across the region, enabling Money Advice workers to support their clients more effectively. The Hardship Hub is the only product in existence with a regional specific focus designed to help money advisers and other organisation support their clients in a more efficient manner.

In January 2019 we launched the trip adviser style Hardship Hub a one stop shop for debt advice giving access to 559 support schemes from 235 different organisations.

The hub is accessed through personal registration and is utilised by housing associations, money advice workers & wider support organisations. It incorporates a flexible search facility, the ability to leave feedback about a scheme and to ask a clarification question of an organisations scheme owner.

The hub was co-created with members of the money advice community. We established a project design team made up of representatives from the advice community, United Utilities and our appointed technology partner – ICOM to ensure it met their requirements.

## 4. Customer Priorities

- 4.1.1 Our future plan has been shaped by customers priorities and views gathered through a range of research projects and operational data looking at our service and performance.
- 4.1.2 Our strategy throughout AMP7 has been to establish a continual and deep rooted understanding of customer preferences and priorities in relation to our customer services and operational activities to ensure that customers are co-designers of our business plans and that their expectations are embedded in our everyday decision-making processes.

### Insight into customer preferences has been use to design or plan

- 4.1.3 Our research programme looks to build upon multiple and continuous sources of insight. We have conducted over 79 research projects since 2020/21. In addition to this, we have a wide variety of on-going mechanisms for customer insight which help to understand changes to customer sentiment and priorities over time. Examples include our Internal C-MeX trackers, Customer rant and rave data, social media data (social listening) brand tracking survey , ODI tracking survey – tracks awareness of water efficiency messages, Customer Contact data and state of the nation survey – quarterly survey to understand customer attitudes and behaviours covering themes such as affordability, environment and United Utilities’ service.



### Case study: Driving improvements for those struggling to pay

While United Utilities has led the sector in targeting support to customers who need it, there remain a significant minority of customers who do not engage with the support available and prove hard to reach and help. As such, we conducted a qualitative research study with three customer groups looking to understand participants’ relationships with and approach to their finances and accessing support with paying bills, their experiences with and perceptions of United Utilities (including barriers and enablers to engagement), and their initial reactions to United Utilities’ propositions. The 3 groups were:

- In debt - Customers who remain resistant to contact about collections management.
- Engaged - Customers who have engaged with United Utilities about collections management.
- At risk - Customers who may need to engage with United Utilities about collections management in the near future. They are still maintaining payments with United Utilities, but are starting to show distress with other creditors (via credit reference agency data).

#### The main findings from the study were:

- There is low awareness of the support available to customers from non-water providers in general;
- Despite the support options and proactive communications provided by United Utilities, we found low awareness of United Utilities support with those in debt and at risk. However, once made aware of the support United Utilities offers, reactions tend to be positive, in contrast to often negative experiences with other providers;
- Customers, especially those currently in the ‘at risk’ category, often struggle to admit they need financial support, but will increasingly need it with prices rising;
- In accessing support, customers want to feel heard and not judged, to feel support is right for them, to feel some agency in the process, and to be able to easily access the support.

#### As a result, United Utilities are:

- Continuing to reach out to customers to raise awareness of the various support options. Frequent communication will increase salience. Utilising social media to promote the range of support available;
- Coordinating and expanding partnerships with 3rd sector organisations where there is high awareness and trust around support provided. Including promotion of our “Hardship Hub”;

- Employing dedicated outreach roles ensuring we work collaboratively with third sector organisations;
- Trialing video calls and pop-up hubs, which could help raise awareness of support to those who have busy lives that are a barrier to engaging with letter and email communications about support;
- Targeting early intervention email campaigns using CRA data;
- Offering support to customers due to the increase in cost of living; recognising that everyone is struggling.
- Promoting save water, save money messages;
- Using social norms to nudge behavior (e.g. emphasising that X people are already receiving support). Publicising positive experiences as a key selling point for engaging with United Utilities. Launching revamped affordability webpages on UU.com;
- Utilising a data share agreement with DWP for water poverty purposes to enable eligible customers to be proactively put onto affordability tariffs. This has supported over 32,000 customers;
- Focusing efforts on the propositions with broad appeal that meet many of these needs (trialing monthly billing), and those that meet key needs for and suit the communication preferences of certain customers (video calls, permanent or pop up hubs);
- Utilising a standard affordability form regardless of scheme being applied for to simplify the process for customers;

Leading the sector in harnessing the potential of Open Banking. Customers in need of financial support value the simplicity and immediacy this brings. However, this research identified barriers for customers to sign up to Open Banking, which we are mindful of when providing reassurances of how their data will be used.

## 5. Responding to customer insight, changing customer expectations and a new licence condition

5.1.1 Ofwat have recently consulted on introducing a customer focused condition into water company licenses. This new condition developed in conjunction with CCW and water companies will act to improve service for customers including customers in vulnerable circumstances. The new condition focus supports UUW efforts to improve service in a number of key areas:

- (a) Keeping customers well informed – UUW have acted to improve customer engagement both through regular communication and during an incident/event. A full description of our efforts in this area can be found within this document.
- (b) Putting things right when things go wrong – We have recently focused on improving our response to service failures with particular consideration to the experience of worst-served customers. Through a number of recent changes we have improved our speed of response and plan to go further in AMP8.
- (c) Diversity of customer need is understood and extra help is provided – UUW has been an industry leader in improving support for vulnerable customers, including collaborative data sharing with other utility providers. Our Priority Services offering is highly valued by customers. We have a number of plans to increase the reach of the Priority Services Register (PSR) in AMP8, please see chapter 4 and *UUW25-Affordability and Vulnerability operational response* for further details.

5.1.2 We believe that customer preferences from all of our specific customer research and continuous insight sources can be distilled into three key themes for us to focus on as a retail organisation. These are:

- **Accessibility:** Our aim is to ensure that all customers are able to engage with UUW in the channel of their choice and it is not about forcing customers to certain channels. As part of providing a channel of choice approach it's our aim to ensure the standard of service and levels of accessibility are equal across multiple channels. Our customer base is comprised of people from diverse backgrounds, ethnicities, gender identities, sexualities, races, religions, and physical and mental capabilities. Our services need to be as accessible to as many customers as possible, including those who are living with physical or mental disabilities. Digital accessibility is a part of our approach and we plan to make further improvements in this space in the remainder of AMP7 and throughout AMP8. Accessibility applies more broadly across the way we communicate with customers. As part of recognising our diverse customer base we use segmentation and research to tailor our messaging to different groups of customers. As an example, we know that wet wipes are popular with new parents and we work to tailor our messaging and campaigns to reach that audience and help provide useful guidance and alternatives that would be relevant to them.
- **Affordability:** Customers clearly tell us that they expect us to focus on ensuring that the costs of our service are affordable. This means we need to focus on being efficient to help keep charges down and to provide comprehensive and meaningful support to financially vulnerable customers, particularly now in the current economic climate and cost of living challenges many customers are facing.
- **Attentiveness:** We need to ensure that we are constantly taking a proactive approach to understand the needs of customers and then find solutions to deliver on these for them. There will be a focus on improved service levels for sewer flooding and leakage as well as delivering better digital journeys.

## 6. Providing a service that is accessible

### 6.1 Work to improve accessibility for all customers

#### Enhancement of our digital channels

- 6.1.1 We passionately believe in being as accessible as we can for customers across the North West and aim to provide a channel of choice approach for customers. As part of that approach it's important that the choice we provide is varied and interactions with us across these channels always meets the high standards customers expect.
- 6.1.2 During AMP7 the volume of our digital transactions compared to our telephony transactions has grown significantly. Alongside enhancing new journeys across digital channels we know we need to continue to improve the established journeys to keep pace with customer expectations. An example of this is on our payment journeys where new and emerging payment options need to be considered such as facilitating customers to make payments via apple pay and google pay.
- 6.1.3 Our focus is on looking at customer journeys and making sure we are enhancing the journeys that matter to customers. Through research and analysis of our existing offering we plan to focus the changes of our digital channels on providing additional support and control to customers.
- 6.1.4 In AMP8 we plan to upgrade our APP and MyAccount products. This will act as an enabler to drive behaviour change. As mentioned above we want to give a focus on enhancing journeys that provide support and control to customers alongside modernising existing journeys such as payments, meter reads and reporting leaks. For example, we want to:
- Introduce a fully digital journey for customers looking for affordability support. We have ambitions to digitise and automate this process that would allow customers to check their eligibility, select a scheme and for that scheme to go active. At the moment this process is available on our website but not on our mobile app, the current back office process is manually intensive and we see this as an area for major improvement.
  - Offer a rich experience for customers to understand their water usage to help customers make informed decisions to control their usage. We want to offer a better experience for measured customers, help them understand changes in usage over time, why that may have happened and what they can do about it. We want to look at linking usage visualisation to nudging behaviour change such as identifying a continuous flow and encouraging the customer to check for leaks or letting the customer know that they are using an above average amount for the property type and number of occupants.
  - Introduce the facility for a customer to book an appointment to have a meter fitted. At the moment this is a gap in our digital journeys and one where we do not offer the choice we should be offering. Making it easier for customers to access a meter appointment and ultimately get a meter fitted will help provide customers with greater control over their water usage.
  - Enhance our online Priority Services journey by facilitating faster, more automated eligibility checks and sign ups so that customers can access the Priority Services Register more quickly and the business can process these requests more efficiently.
- 6.1.5 These journeys are big contributors to success in the business helping to reduce debt, improve per capita consumption levels and allow customers faster access to support.
- 6.1.6 Upgrading our APP and MyAccount products will mean that UU will be more approachable and accessible for customers. Our mobile app and our MyAccount platform are different products. We have over 1,000,000 customers registered for MyAccount and over 400,000 for the mobile app but they provide different user experiences and customers require different login credentials.

- 6.1.7 We want to align the two platforms so that we can make both products available to any customer who is already registered for MyAccount, instantly increasing the total number of app users into the millions. By centralising an online login process it will enable the faster and more efficient delivery of future online products and services to customers.
- 6.1.8 Continuous improvement and tracking feedback is vital to ensuring we are meeting our high standards of service. We have fantastic feedback mechanisms for our telephony channels via the rant and rave product that allows us to stay on top of feedback and correct it when we've gone wrong. We don't have the same robust feedback loops for all of our digital channels and reworking and possible rebuilding our online journeys will allow us to standardise that feedback loop and allow us to act on it and build it into future enhancements in order to give the best online experience we can.
- 6.1.9 We need to be looking to make our online services such as MyAccount and the mobile app more flexible and modular. During the COVID-19 pandemic it took us a number of weeks to make necessary messaging changes to our online journey. We are aiming to create modular journeys and content that is manageable in-house so we can enhance and optimise journeys, reuse modules on new journeys and be agile with the way we manage content. The ultimate aim of this is to allow the right messages to get to customers in a quick and efficient way.

#### **Generative AI: swifter and cheaper, swifter customer responses**

We recognise that during the latter part of AMP7 and into AMP8, one potential future opportunity is ChatGPT/Generative AI. We will continue to watch and understand the potential for this emerging technology and look to utilise it where we feel it is prudent to do so.

One example of where we see this opportunity landing is within our chat/messaging facility with customers. We acknowledge that our current provision of webchat is not as sophisticated as some customers may expect. We see our webchat journey developing from a live chat function into asynchronous messaging, allowing customers the ability to contact us on more channels and at their convenience. Generative AI can then go on to help enhance this service through a co-pilot style service that supports our team of agents in replying to customers efficiently and effectively.

## **6.2 Priority Services for customers in vulnerable circumstances**

- 6.2.1 We believe in delivering great customer service for all customers, and have delivered substantial improvements in customer service during AMP7. We recognise that those in vulnerable circumstances have different requirements. Working with partners and customers we have put in place a range of enhanced services which are beneficial to those in vulnerable circumstances.
- 6.2.2 Priority Services recognises that there are a range of reasons why people may find themselves in vulnerable circumstances, and seeks to provide targeted support to the right customers at the right time. A key step to achieving this is driving customer engagement and registration. We have created the registration process with advice from support agencies making it as easy as possible for customers to sign up.
- 6.2.3 Once on the register, customers can speak to a dedicated team who have had training by organisations such as MIND and The Samaritans, via dedicated phone lines or email address. With guidance from these advisers, customers can select from tailored offerings which best suit their needs. Alongside this, our website can offer a range of support and accessibility services, such as 'Recite me' technology.
- 6.2.4 In the event of supply interruptions we provide proactive communications and bottled water delivery for Priority Services customers. We are mindful that operational incidents affect customers resident in business properties, such as care homes and hospitals. We have established robust operational processes to support these customers during an operational event or incident. All sensitive customers are flagged on our systems to enable us to easily identify those affected by a no water supply or water quality issue.

### Growth in registrations

- 6.2.5 Since the official launch of Priority Services in 2015, we have grown the register by over 1400%, exceeding AMP7 targets for registration growth.
- 6.2.6 We know from working with energy companies that U UW's AMP7 Performance Commitment target of 7 per cent PSR reach by 2025 may be insufficiently stretching. Energy companies have indicated that approximately 25 per cent to 30 per cent of energy customers are on the energy sector Priority Service Registers. We are therefore challenging ourselves to double our ODI target during the current AMP, and to go further in AMP8; targeting 20 per cent PSR reach by 2030.

**Table 1: UU PSR growth targets**

	2020/21	2024/25	2029/30
Current performance target	4%	7%	N/A
New aspirational target	4.1%	15%	20%

Source: United Utilities data

### Development of data models

- 6.2.7 We are working with the Cabinet Office, Defra, CCW and a small group of other water companies to clarify legislative changes, permitted under the Digital Economy Act 2017, to encourage data sharing of vulnerable customers by government bodies.
- 6.2.8 Through partnerships with Department of Work and Pensions, and other holders of relevant data, we will use advanced data sharing arrangements and analytic capabilities to proactively identify vulnerable customer groups.

### Digitalised applications

- 6.2.9 As part of our work to further develop our highly popular Mobile App, we plan to enable registration for Priority Services on this channel. This facility would enable quick and easy registration for App users and enable them to either register themselves, or in their capacity as a carer for an older relative.

### Working with other water companies

- 6.2.10 Through our involvement with Severn Trent Water in an Ofwat funded innovation project, United Utilities joined up with, South East Water, Thames Water and CCW in the creation of the paper 'Supporting customers and vulnerable circumstances'. Using behavioural science and design thinking methodology, the project determined the relationships between the types of communication methods used to connect with consumers and their effectiveness.

### Sharing data with Fire Rescue Services and other partners

- 6.2.11 United Utilities will be actively seeking two way data sharing of vulnerable customer data with all of the North West regional fire support services.
- 6.2.12 United Utilities has started to engage with local Councils and Local Resilience Forums to eventually put in place a two way data sharing agreements. Knowing where our most vulnerable customers are in their hour of need can be critical during storms and other extreme weather events which affect water and power supplies.

### Data sharing with Electricity North West

- 6.2.13 In 2018, we completed a ground breaking cross sector pilot with Electricity North West (ENW), and this approach is now business as usual for both organisations. Under this data sharing agreement, we have jointly shared over 195,000 pieces of customer vulnerability data.
- 6.2.14 United Utilities and Electricity North West have developed a prototype online Priority Services Registration portal, allowing customers and third party organisations to register those in need for

Priority Services, acting as a one stop shop for water, electricity and gas for customers living in the North West. A pilot ran in 2022 with Citizens Advice Manchester. Phase two incorporates the inclusion of partner organisations. Phase three is to explore the potential of embedding the portal onto the UU external website for real time updates when registering for Priority Services.

### **Multicultural communities**

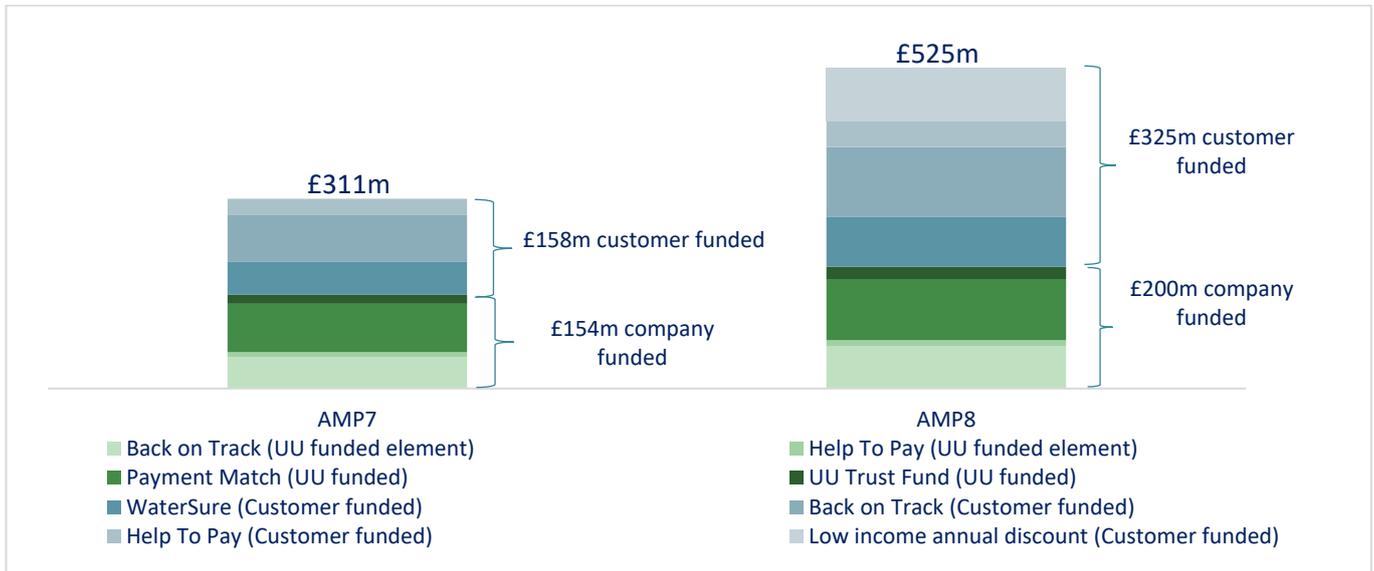
- 6.2.15 We are developing ideas for improved engagement with multicultural communities, where current PSR engagement levels are low, and there is concern the nature of Priority Services support may not always be as effective as it should be. New capabilities being explored within this space include, network groups, a multicultural calendar, cultural prompting, multicultural connectors and translation services.

## 7. Leading the way with affordability support

### 7.1 Comprehensive tariff support

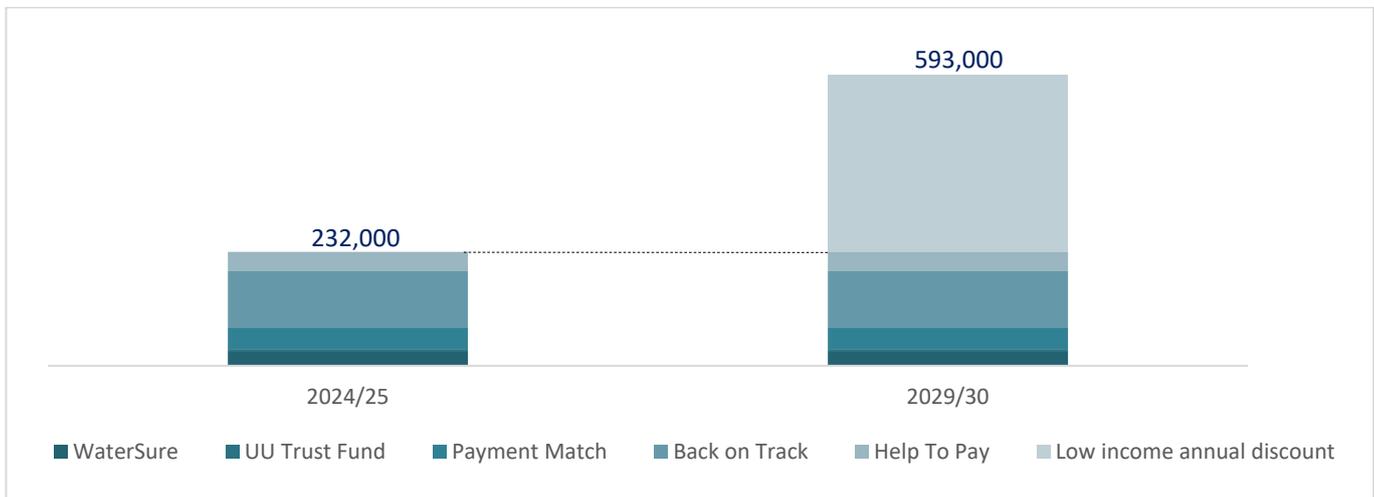
7.1.1 Contributions worth £525 million will help in providing holistic support, United Utilities has a comprehensive plan to continue to provide affordability support to 590,000 customers.

Figure 3: UUW affordability support scheme value



Source: PR24 table SUP15

Figure 4: Affordability schemes: number of customers receiving financial support annually



Source: PR24 table SUP15

7.1.2 The introduction of a new fixed annual discount will support low income households, targeted at income deprived customers. Working with the DWP to proactively identify all eligible customers, we anticipate 16 per cent of households will qualify. This new support measure will, in combination with UUW’s wider affordability package, mean we are able to provide discounted bills to more households than ever before.

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

- 7.1.4 Future tariff considerations for customer groups including the creation of a new WaterSure Plus tariff extending eligibility to those customers on a water meter with medical conditions or a large family to include low income customers in receipt of disability benefits.
- 7.1.5 New holistic support measures for targeted customer groups:
- Free water efficiency audits and related internal leak repairs for affordability cases via Cenergist
  - Introduction of additional holistic support offerings that deliver customer value for example income maximisation checks.
- 7.1.6 We have also confirmed the following schemes to CCW following Ofwat's amendments to the Charges Scheme Rules that allow companies greater opportunities to develop and trial innovative tariffs:
- **Rising block tariff:** to be trialled in 2024/25 with a view to rolling out in AMP8 if successful.
  - **Reduction in fixed charges, e.g. meter standing charges:** a reduction in fixed charges phased over multiple years, beginning in 2024/25.
  - **Water efficiency incentive scheme:** where customers are entered into a monthly draw for installing water efficiency devices or reducing consumption. This is to be trialled in 2024/25.
  - **Community-based incentive scheme:** would give a community-wide discount in the event that community action had an impact resulting in a reduction to sewer blockages. This is to be trialled in AMP8.
  - **Assessed volume charges for pensioners:** where a meter cannot be fitted. To be implemented in 2024/25.

## 7.2 Customer Affordability

- 7.2.1 We have long recognised that the degree of socio-economic challenges in the North West means that the need for financial support for customers is greater than other areas of England. This is why United Utilities has consistently placed particular emphasis on delivering effective customer assistance schemes, often in conjunction with other schemes to support people in vulnerable circumstances.
- 7.2.2 United Utilities provides leading levels of affordability support to those in need. Our capabilities in open data and data sharing are truly innovative, meaning we can offer a frontier stretching affordability support offering.
- 7.2.3 Our plan for AMP8 sees us doubling the level of financial support and provides our most extensive support package offered to customers. Our strong track record in delivering industry leading affordability support provides the foundation for our plan.

### Our performance

- 7.2.4 We are now supporting over 230,000 customers with payment of their water bill. This represents a more than doubling of the levels when we began AMP7. This has been made possible in part by our drive to identify and support customers who need our help the most. We continue to innovate and look for ways to improve not only our support offerings but the accessibility of that support.
- 7.2.5 To ensure customers facing affordability challenges are supported we designed a new bespoke performance commitment and ODI, which focuses on the number of customers lifted out of water poverty through UUW action. The PR19 final determination document included a performance commitment by 2025 to lift 66,500 customers annually out of water poverty with a performance cap applied at 79,792 for 2025.
- 7.2.6 We provide support to customers that may find affording water charges difficult through a range of different payment plans and support options including low income tariffs, debt support schemes and flexible payment plans.
- 7.2.7 Our "Lowest Bill Guarantee" delivers on our PR19 commitment to do more to support customers with affordability issues. The guarantee makes a promise to customers electing to take up a Free Meter

Option that we will charge them the lesser of their new measured charge or their old rateable value based unmeasured charge.

### Driving industry leading practices

- 7.2.8 We believe that external assessments indicate that our support for customers with affordability issues is strong. In 2021 CCW published its affordability review and a summary of recommendations of good practice for supporting customers who find their water bill unaffordable. We received a green assessment with no recommendations for improvement and we were one of only two water companies to provide a full suite of affordability offerings and have a strong history of providing shareholder(s) backed support to customers.
- 7.2.9 We also fared extremely well with our response to the OFWAT paying fair guidelines with our submission being considered exemplary along with just four other companies. We were able to demonstrate compliance with all seven principles as well as the 145 minimum service expectations. 12 of our minimum service expectation responses were considered to examples of good practice.
- 7.2.10 We continue to innovate and deliver improvements in the provision, identification and application of affordability support. Further details can be seen in *UUW25- Affordability and Vulnerability operational response*
- 7.2.11 We continue to benchmark our payment management and affordability support capabilities against global best practice standards. We are the only water company to have achieved and maintained the coveted Chartered Institute of Credit Management quality accreditation and more recently were awarded CICM Centre of Excellence status. We continue to win awards and most recently our affordability and collections team have won Water Team of the Year and Best Vulnerable Customer Support team at the U&T Awards. We have also won the Utility Week Cost of Living award, recognising our extensive approach to responding to customers' needs as result of increasing cost of living pressures.

### Future Affordability support

- 7.2.12 Our business plan proposes new levels of affordability support for those customers that find paying their water bill a challenge. We recognise that this business plan requires real term bill increases at a time when levels of deprivation and general financial stress are high and particularly felt in our region. We want to ensure that affordability of future bills is secured for as many customers as possible.
- 7.2.13 We have therefore developed more comprehensive and wide reaching support catering for people in many different circumstances as illustrated in Figure 5, designing support schemes that help as many customers as possible who need extra financial help. In AMP8, to balance investment needs with affordability as well as water efficiency, we've developed innovative charging and financial support schemes that will deliver targeted and effective support through the provision of our largest ever and industry leading package of financial support.

Figure 5: Illustration of AMP8 Affordability offerings



Source: United Utilities PR24 Business Plan

## Our most extensive support package

7.2.14 As highlighted at the start of this section, we've committed to increase the level of financial support by 88 per cent from £280 million in AMP7 to £525 million in AMP8. £200 million of this will be company funded. This will benefit around 590,000 customers.

- **Continued support:** A commitment to continue to support the 154,000 customers currently benefiting from a capped bill at the lower water poverty 3 per cent bill to income ratio via our Back on track and Help to Pay tariffs. In addition we will guarantee that future bill increases for customers on these tariffs across AMP8 will be no more than 5 per cent per annum, protecting our most financially vulnerable customers.
- **New discount scheme:** Introduction of a new fixed annual discount that will support low income households targeted at customers in receipt of means tested benefits aligned to the government definition of income deprivation that reports 16 per cent of homes in the North West qualify as being income deprived. The new social tariff scheme will effectively target additional support so that those customers who will benefit most from our assistance are helped. This new support measure will, in combination with UUW's wider affordability package, mean we are able to provide discounted bills to more households than ever before.
- **Lowest Bill Guarantee Scheme:** Expansion of our Lowest Bill Guarantee scheme offering an extended open guarantee for low income customers for as long as they need our help targeted at customers in receipt of means tested benefits.
- **Independent Grant Making Trust:** The provision of financial support via an independent grant making Trust for low income customers with no insurance provisions who have been impacted by internal sewer flooding. The Emergency Support Fund will provide £1 million of financial support over the 5 year AMP period to pay for repair work as a result of damage done to customer's properties.
- **WaterSure Plus:** The creation of a new WaterSure Plus tariff extending eligibility to those customers on a water meter with medical conditions or a large family to include low income customers in receipt of Disability Living Allowance, Personal Independence Payment or Attendance Allowance.
- **Deepening Partnerships:** Building on our established affordability and vulnerability panel relationships to work collaboratively in a strategic partnerships to proactively identify and support customers that need our help. In particular we are seeking to deepen partnerships with panel member organisations such as Macmillan, MIND, AgeUK, and disability partnerships who we know customers often turn to first when in

need of help. Through working with these organisations we hope to increase our ability to quickly offer a full package of support to those who would benefit from extra help in a way that we are unable to achieve on our own.

- **Holistic Support:** We will be extending our extensive range of support offerings to include new holistic support measures for targeted customer groups. This will include the provision of benefit checks as part of our affordability assessment process and free water efficiency audits and related internal leak repairs for affordability cases.
- **Focus on Social Housing and Local Authorities:** Working with social housing providers and Local Authorities to promote our Save water, Save energy, Save money initiative. Working together we will deploy an “always on” approach to customer engagement, backed up by mainstream mass awareness campaigns and partnership/collaborations designed to increase reach and support behavioural change.

### Driving industry leading practices

- 7.2.15 We will launch a “**Better Together initiative**” with the primary purpose of developing partnerships with organisations and influential community groups/leaders to work together and provide support to customers e.g. National Energy Action who focus on tackling fuel poverty.

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

- 7.2.16 We will improve accessibility of support through the implementation of new functionality into the UUApp/MyAccount services. Providing a fully digitalised end to end affordability journey incorporating open banking will enable customers who need support to apply and receive an instant decision regarding their application. Improving our self-service options will allow customers to apply for help at a time that suits them best.
- 7.2.17 Through development of new Data Share arrangements with local authorities/social housing providers we will work together to identify customers in vulnerable circumstances proactively supporting low income customers struggling to pay. Through trusted partner arrangements customers will be proactively placed on qualifying lower bill tariffs.

### Understanding customers and communities

- 7.2.18 Building on our current outreach capability we will introduce Community Champions who will help digitally excluded customers access the help they need. Their attendance at key local events will increase customer and organisational awareness of the support UUW has available.
- 7.2.19 Through our volunteering programme, our employees will supporting local community partnerships building relationships within local communities and increase awareness of the support available to customers in vulnerable circumstances.

## 8. Being attentive to customer needs

- 8.1.1 In this section you will read about our plans to improve the quality of customer service. Customer expectations with regards to service continue to increase. As such we have a series of proposals to enhance the quality of service we offer to customers in an efficient manner, building on our strong C-MeX performance and the latest UK Customer Satisfaction Index (UKCSI) where United Utilities is the highest scoring water and sewage company for customer satisfaction, and 4th within the utilities sector overall.

### Key initiatives will include:

- Smart metering
- Mobile app enhancement
- Widening our contact channels to report and get updates on Water and Wastewater Network issues
- Specific Initiatives to improve:
  - (a) Service for Water customers
  - (b) Service for Wastewater customers
  - (c) our billing and general customer service activities

## 8.2 Future Trends and Smart Metering

- 8.2.1 Meter penetration within our supply area is currently around 48 per cent for households and 91 per cent for non-households. This is lower than many other UK water companies. However, unlike companies in the East and South of England we are not located in an 'area of serious water stress', meaning that we are legally unable to implement compulsory metering. Billing can only occur by meter where customers opt for this, or where a customer has moved into a property with a meter installed.
- 8.2.2 Our current metering strategy focuses on maximising meter penetration (60% of households by end of AMP8) and meter capabilities as a key enabler of demand reduction, customer engagement and network management objectives, in conjunction with a communications campaign, to nudge or encourage customers to moderate their usage around the home. We will also continue the promotion of our Lowest Bill Guarantee incentive, targeted at customers likely to save money through converting to a measured bill.
- 8.2.3 Evidence shows that providing customers with consumption information is the first step to engaging and changing water consumption behaviour. Being able to show customers how their usage compares with others and introduce incentives to further encourage sustained change is key. In addition, consumption information provides us with the evidence to assess effectiveness of water efficiency activities, and the ability to target communications to high use consumers. More granular and frequent data helps us tackle customer side leakage by providing data that allows us to identify and quantify the leak events, helping us direct resources efficiently while contributing to our leakage reduction.
- 8.2.4 The water efficiency benefit of these options therefore takes time to grow, while the leakage benefit is immediate.
- 8.2.5 We are conducting a large scale smart metering trial to help us fully understand and validate the optimal route to achieving full benefits of smart. We have selected two DMAs, based on an agreed selection criteria, in which to install or upgrade up-to 3,000 meters in AMP7.
- 8.2.6 The roll-out of 920,000 smart meters by end of AMP8 will facilitate us being able to design and implement a host of customer propositions that will not only help customers with affordability challenges but improve their customer experience with UU. For example, the smart metering programme will facilitate:

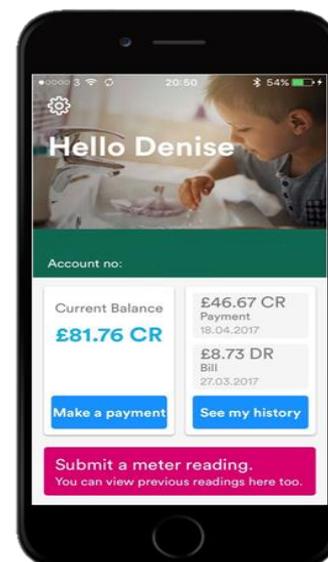
- Water usage visualisation tool (see case study in section 8.4 for further information)
- Proactive messaging in event of leak or continuous flow
- High tailored hints and tips to save water and reduce bills
- Link to affordability support

## 8.3 Industry leading Mobile App

8.3.1 Since its launch in late 2017 our mobile app has shown year on year growth to over 400,000 customers having downloaded it. In AMP7 our focus has been to refine and enhance our app by using continuous feedback mechanisms. For example, customers can now view their bill and share it onwards on email or via WhatsApp (a feature that was frequently requested on the apple app store. Our app rating is 4.7 out of 5 from 11,500 individual customer reviews.

### Payments made on the UU app

8.3.2 In the last full year of AMP6 the mobile app processed c£11 million in payments and this had grown to c£32 million in the third year of AMP7, a 187 per cent growth. The adoption of this channel by customers across the North West has created a great foundation to expand the use of this channel into AMP8.



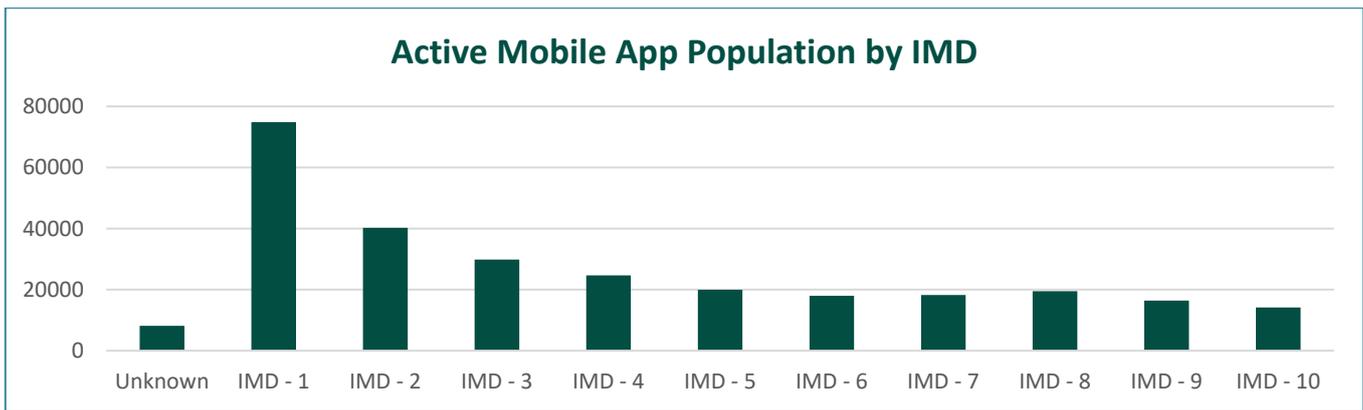
**Table 2: UU Mobile APP transactions**

Year	Number of transactions	Total value of transactions
FY2020	235,574	£11,041,855
FY2023	611,327	£31,666,805

Source: United Utilities data

- 8.3.3 Analysis of a large group of customers to compare payment habits between Jan to April 2019 and Jan to April 2023 has shown the strength of growth. In 2019, 14,248 customers were using the app and by 2023, this had increased by 155 per cent to 36,375 customers. The increase has come from a channel shift that saw a 63 per cent increase in App paying customers who had moved from making over the counter payments, a 52 per cent increase in App paying customers who had moved from other digital channels and a 26% increase with customers moving from telephony channels.
- 8.3.4 We analysed the behaviour of a large number of customers who made a payment in 2023 but hadn't paid in 2019; the majority of these being new customers. The results show that the majority of the new customers pay by Direct Debit but where Direct Debit isn't a preferred channel it is most likely that a new customer would make payments to United Utilities via our mobile app over any other channel.
- 8.3.5 The channel shift activity is clearly demonstrating a movement from more expensive channels like over the counter payments to the mobile app which is a more cost effective channel to manage. As the mobile app is a highly popular channel with new customers we anticipate this to continue to deliver benefits into the future through the introduction of new journeys that will become more efficient.
- 8.3.6 Interestingly, our analysis shows that the predominant users of the App are those in the highest deprivation indices. The app enables customer to make smaller, more frequent payments and upload meter reads to generate more frequent bills to help budget for their payments.

Figure 6: Volume of customers registered for the UUApp by IMD



Source: United Utilities data and Indices of Multiple Deprivation

8.3.7 During AMP8 we plan to further enhance the customer journeys available in the UU mobile app. Examples of the journeys we plan to introduce to further enhance our mobile app and build on the great progress it's made include:

- Allowing customers to apply and be assessed for affordability schemes via a mobile app journey – this journey is currently available on our website only and requires manual intensive activities.
- Providing our measured customers with greater access to their usage data to give greater control back into customers hands to make more informed decisions on usage

## 8.4 Widening our customer contact channels to report and get updates on Water and Wastewater Network issues

8.4.1 Customer Insight tells us that customers want a variety of channels to engage with UU. We have responded in AMP7 and have been working extensively to develop our channel capabilities to improve how we accurately diagnose and resolve issues with our water and wastewater services. Recent and planned innovations include:

### Proactive messaging – Everbridge

8.4.2 This proactive messaging system enables us to communicate bespoke messages to specific customers via email, SMS and voice blasts at times when issues on our network are impacting customer supplies or services.

8.4.3 The use of this tool drives down inbound contacts to the contact centre and improves customer satisfaction by providing regular updates via the customers preferred contact channel.

8.4.4 Most importantly, by contacting customers proactively and reducing inbound contacts we create more capacity for our advisers to spend time engaging customers that choose to call us directly and really need our support.

8.4.5 The tool provides us with the capability to provide messages appropriate to specific customers – i.e. households, Priority Services and sensitive customers

### Report a problem (RAP) and Up My Street (UMS)

8.4.6 In AMP7 we identified that we did not offer a satisfactory level of online services for customers wanting to tell us about a water or a wastewater issue such as no water queries, poor pressure, blockages and flooding. We did offer customers the ability to report a leak but the functionality was limited and it was not an optimised journey.

8.4.7 In the early stages of AMP7 we built new online services for customers, allowing them to report problem and access online information on active UJW activity in their area. The introduction of RAP has drastically increased our online customer service offering for water and wastewater queries and UMS

has allowed us to provide customers with an online self-service tool to track known issues across the water network in the North West. Both of these tools are not unique in the water sector but we have worked hard to iteratively improve capabilities.

- 8.4.8 RAP is now an intelligent solution that talks to our back office work management system to customise the journey for each customer as they populate the online form with more information. For example, when a problem location is entered a check is carried out to see if there is a known problem at that location and will offer the customer a status update automatically. If a customer has already reported a problem via the phone it will acknowledge that and provide the customer with a bespoke message. When a customer is reporting a new issue it will automatically create a case in our back office system that will trigger a job to be created and proceed immediately to our scheduling teams to arrange for the job to be worked.
- 8.4.9 UMS is built with the customer experience in mind and we don't simply provide a map of the whole North West that requires the customer to search for the issue that may impact them, UMS looks at the location searched and will present customers with a bespoke view using google maps displaying issues we know to be impacting that particular local area.
- 8.4.10 UMS is heavily used by customers during interruptions to their water supply as a way of accessing status updates. UMS combined with proactive messaging to customers helps the efficient delivery of incident messages to customers.
- 8.4.11 Since its launch in 2021 RAP has allowed over 76,000 water or wastewater cases to be generated by customers using this self-service tool and that is broken down further in table 3 below.

**Table 3: UU RAP cases by category**

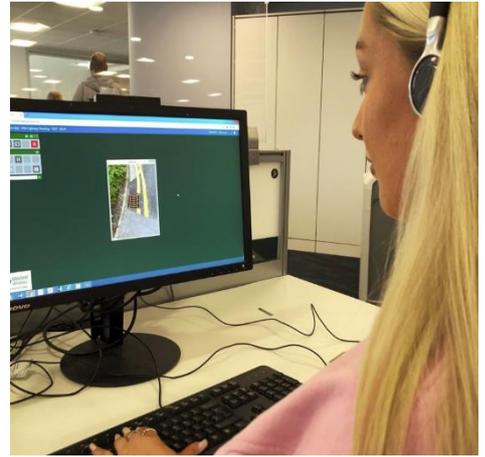
Case type	Volume
Leak in a public place	18,355
Leak on a property	949
No water	16,205
Low pressure	17,144
Blockage	4,968
External flooding at a customer property	3,677
Imminent flooding	8,557

Source: United Utilities data

- 8.4.12 Clearly, the RAP tool provides a more cost effective alternative to some more traditional channels and as such we see this channel having a positive impact on our costs in the future. The introduction of this channel strengthens our channel of choice offering in the water and wastewater space and allows customers a stronger set of options when needing to communicate with UUW about a water or wastewater network issue.
- 8.4.13 Into AMP8 it is important that we continue a programme of continuous improvement to make these online services keep pace with customer expectations. At the moment the RAP solution offers a great facility for customers to tell us about problems but we know we need to further develop this to allow customers to self-serve subsequent updates on the issue. In most cases updates are currently manually communicated to customers or a customer will call us to obtain the update.

### Sightcall - video calling so we can see the customer issue

- 8.4.14 SightCall is a video calling application which gives customers the ability to show us their issue in real time, be it a water leak or a wastewater problem. Providing enhanced visualisation and enabling correct diagnosis of a problem on the initial call Sightcall supports us in reducing private and duplicate jobs along with improving customer experience and satisfaction.
- 8.4.15 The product was first trialled in 2020 and following positive customer and adviser feedback has been rolled out to all of our customer advisers in Network Enquiries.
- 8.4.16 In 2022 an enhancement was deployed to Salesforce to enable tracking of when the service is offered to customers.



### Campaign Monitor

- 8.4.17 Campaign Monitor is an email tool which allows us to send personalised emails to customers such as a quarterly newsletter highlighting United Utilities initiatives and debt reminder emails. The product allows tracking of how many emails have been opened and which links in the email have been clicked, enabling us to continuously improve our customer messaging to ensure it's as engaging as it can be. We sent over 3 million emails out via Campaign Monitor in last 12 months, with the quarterly newsletter going out to around 450,000 customers.

## 8.5 Specific Initiatives to improve service for Water customers

### Resolving customer reported leaks

- 8.5.1 We are focusing on the time taken to resolve customer reported leaks, with the aim of a repair within 48 hours. With current performance at 7 days we recognise that there is a need to greatly improve on this to meet customer expectations of attendance within 24 hours to assess a job and repair within 48 hours.

### Water Worst Served List

- 8.5.2 In recent years we have made improvements to our incidence response. We have developed a water worst served customer list to enable UUW to prioritise investment on repeatedly bursting mains or areas that the experience low pressure. The criteria being established to determine the worst served list is:
- The property has experienced 2 or more repeated interruptions of 3 hours or more to their water supply in a rolling 12 month period.
  - The property has experienced 2 or more repeated low pressure of 1 hour or more to their water supply, below the agreed level of service (15m), over a rolling 12 month period.
- 8.5.3 We use this to continually track these customers for further service failures and put plans in place to resolve the underlying issue.

### Household Water Efficiency

- 8.5.4 We have an always on strategy which aims to encourage customers to avoid waste, use less and which connects them to where their water comes from and the broader impact of their behaviour on their local environment. We will carry this forward into AMP8, evolving our messaging to ensure it remains relevant and effective. The three key pillars of water efficiency activity for household retail customers are:
- Driving behavioural change;
  - Consumption led interventions

- Boosting meter penetration

### **Driving Behavioural Change**

- 8.5.5 We've developed a communication strategy that raises the awareness of water efficiency across TV, radio, social media and through the press. Our research has shown that customers respond far more actively to water efficiency messages when water saving measures are presented as an aid to managing their water bill.
- 8.5.6 Highlighting the link between water efficiency and energy efficiency has helped persuade customers to save water and realise cost savings whether or not they have a water meter installed; using less hot water saves money, whether or not the water supply is metered.
- 8.5.7 We target water efficiency interventions using household income, occupancy and consumption data. We utilise continuous flow alerts to identify instances of high consumption/leaks at lower income properties as a way to help lower water and energy costs. We include water efficiency messaging on envelopes and collection letters signposting our new Get Water Fit platform. For customers with affordability challenges we offer specialist home visits, helping resolve supply issues and recommending water efficiency devices.
- 8.5.8 We've been using emails and SMS messaging to reach those customers who we believe would benefit the most with data led targeted communications such as our leaky loo campaigns.

### **Consumption Led Interventions**

- 8.5.9 We have been working in partnership with residential social landlords to trial a new water saving product; a type of flow regulator, and through metered consumption analysis, we are helping other organisations to engage with a mutual customer base to conserve water. We are providing water efficiency audits to properties within the Stockport area to become water efficient, this includes fixing leaks, installing traditional water saving products and trialling flow regulators. This is followed by ongoing water saving communications and meter data analysis for the housing provider to continue engaging with the customers regarding water use and ways to save water and money on their utility bills (water and energy). This trial aims to develop a blue print for all Social residential landlords to provide water efficient homes to their customers including championing the installation of flow regulators in their housing stock.
- 8.5.10 So far in our trial with Stockport Homes, we have delivered 109 water audits where among traditional water saving fixtures and fittings, 30 per cent of properties have agreed to have a flow regulator installed. We have found leaks in circa 10 per cent of the properties we have visited. Any leaks that have been found, have been fixed and we are currently in the process of measuring water and energy savings. To increase the scale of the trial we are looking to start similar partnerships with other social housing providers and aim to roll this out into the remainder of AMP7 and into AMP8.

### **Customers with Leaks**

- 8.5.11 Using our metering data we targeted 21,550 customers with continuous consumption, indicating a leak at the property. Communication included a leaky loo strip to check for a leak in the toilet alongside information of how to fix. 66 per cent of customers receiving the communication fixed the leak. The total estimated savings associated with customer side leakage communications is 187.44 litres per day. Approximately 80% of customer side leaks are found to be associated with the toilet.

### **Flow Regulators**

- 8.5.12 Following a small trial of flow regulators with employees at the beginning of the AMP7, we decided to carry out a small trial with customers to assess the customer experience and anticipated savings. This trial included the installation of 52 flow regulators and has resulted in average savings of 42 litres of water per property per day. We plan to scale up this activity considerably installing flow regulators within the Carlisle region.

**Home Audits**

- 8.5.13 Over this amp we have offered 21,042 households a water efficiency visit, these are customers who are either high consuming and/or financially vulnerable. The average daily consumption reduction is 213 litres per property per day. We plan to scale this activity up to approximately 75,000 visits in AMP8.

**Utilities Together**

- 8.5.14 In partnership with Electricity North West, Cadent Gas and Groundwork Greater Manchester we offered 150 free water and energy saving advisory visits to priority service customers in the Manchester area.
- 8.5.15 During the visit we assessed the efficiency of a customer's home, offered advice on how to become more efficient and installed water and energy saving products. Where internal leaks were identified, we sent a plumber for a follow up visit to repair the leak at no cost to the customer.

**Boosting meter penetration**

- 8.5.16 We are conducting a large scale smart metering trial to help us fully understand and validate the benefits of smart and to establish the requirements for UUW to unlock the value of smart. We have selected two DMAs, based on an agreed selection criteria, in which to install or upgrade up-to 3,000 meters this AMP7.
- 8.5.17 Going smart requires a step change in how we operate and work is underway to establish the right target operating model to support our plan to roll out 920,000 smart meters (AMI) in AMP8, a combination of new installs and replacements. We are working with experts to ensure the most cost efficient roll out strategy. In addition we will build on lessons learnt from water smart metering early adopters.
- 8.5.18 Evidence shows that providing customers with consumption information is the first step to engaging and changing water consumption behaviour with usage comparisons incentives to further encourage sustained change is key. In addition, consumption information provides us with the evidence to assess effectiveness of water efficiency activities, and the ability to target communications to high use consumers. More granular and frequent data helps us tackle customer side leakage by providing data that allows us to identify and quantify the leak events, helping us direct resources efficiently while contributing to our leakage reduction.

**Case study: Water usage visualisation**

- We firmly believe that we need to provide customers with more information about their water usage in order for customers to make informed decisions about what they are using and to drive performance of our per capita consumption targets.
- We've recently completed a co-creation sprint of activity with a group of customers from across the North West to better establish expectations and willingness to interact with more granular information about household water usage.
- We created an eight week programme that was bookended with customer focus groups and surveys to establish expectations and playback progress for validation and approval. During the eight week process we took the outputs of the customer search, combined it with business requirements and created a proof of concept product that customers can use like a real product in order to provide the feedback and survey results gathered at the end of the process.
- The research told us that 72 per cent of measured customers surveyed said they liked the tool with the majority of them saying they would change their water usage behaviour as a result in having access to this information in their app or online account.
- The research showed us that more than 25 per cent of unmeasured customers surveyed said they would be more likely to want to install a meter at home knowing that this kind of product was available for them to use.
- The co-creation work has allowed us to establish a robust set of requirements that have been validated with customers and will allow us to deliver against their expectations. The tool will provide:

- (a) A snapshot view of a per person usage value based on the number of occupiers on record at a specific property
- (b) The ability to compare and understand usage against different units of measure such as litres, monetary values and compared to households with similar number of occupants
- (c) The ability to set a savings goal that will allow a customer to track their usage against that goal and against an average usage trend
- (d) Proactive alerts when the usage data is telling UU something that a customer should be aware of, such as a potential leak when a continuous flow is detected
- (e) Hints and tips on how to cut back usage

During the research customers told us they do not want this information pushed to them daily or weekly unless there is a pressing matter they need to be aware of. The expectations from customers involved in this piece of work is that they can access when they wish and see granular level of information on a self-serve basis. To deliver against this we see this facility being available as part of our mobile app and online account platform.

## 8.6 Specific initiatives to improve service for Wastewater customers

### “What not to Flush” – customer behavioural change programme

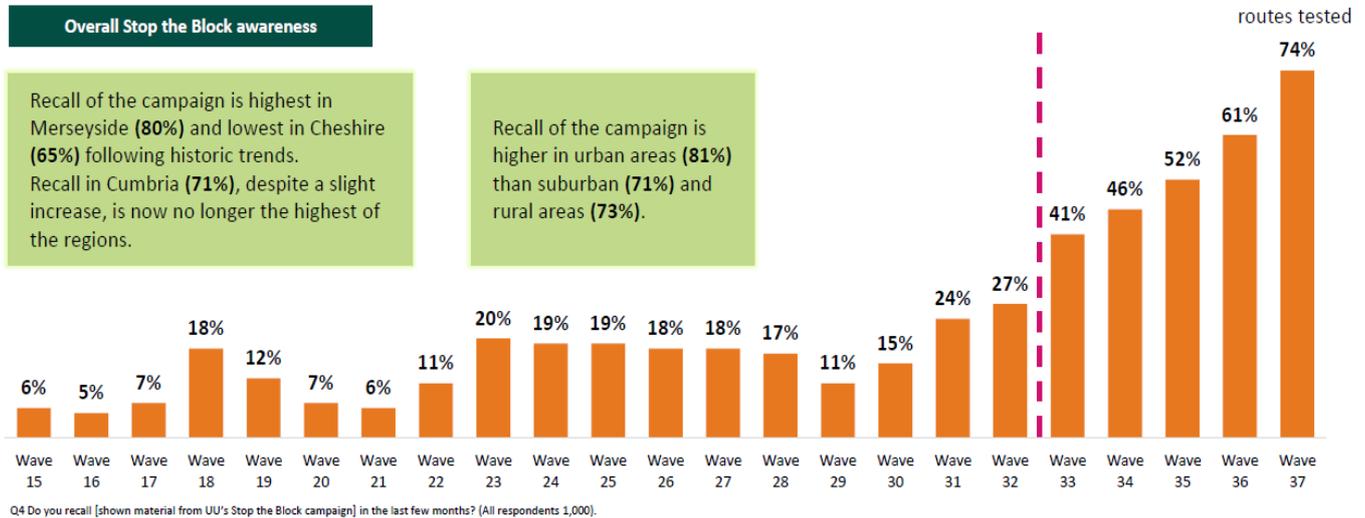
- 8.6.1 Since 2020, we have been carrying out a programme of multi-channel campaigns to reach household customers across the North West to raise awareness of ‘what not to flush/pour’. Our aim is to influence a change in customer behaviour to reduce the number of blockages on the sewer network and to reduce the risk of sewer flooding.
- 8.6.2 Our regional campaigns include radio and press adverts, digital and YouTube adverts and messaging on digital screens on our Blockage vehicles. Awareness and campaign recall, as measured via regular surveys, has seen an increase as a result of campaign activity.
- 8.6.3 Regional campaign activity is underpinned by campaigns targeting customers in ‘hotspot’ locations where we have a high incidence of blockages caused by flushed wet wipes and cooking fats, oils and grease. A trial, carried out in Wirral in 2020, tested a range of segmented communications activities which was evaluated, refined and is now tailored to each hotspot location/customer audience. During 2022-23, hotspot campaigns have been delivered in Eccles, Liverpool, Manchester and Leigh, Greater Manchester.
- 8.6.4 We evaluate the impact of the programme of regional and hotspot campaigns and plan to maintain the continuous and consistent messaging to customers into AMP8 to effect a change in customer behaviour and reduce blockages and sewer flooding on the wastewater network.
- 8.6.5 It is clear that the campaign is gaining traction with customers and we are seeing a strong upward trend in campaign recall statistics.

Figure 7: Stop the Block Campaign Recall Tracking performance

## Stop the Block prompted recall tracking

The proportion of customers who report having seen at least one Stop the Block campaign route continues to rise.

In wave 37, two additional Stop the Block routes (in-app and streamed TV adverts) were added to the measurement, which has, in itself, boosted reported awareness. However, we still see growth of approximately 6% points when comparing only those six routes measured in waves 36 and 37.



Source: United Utilities brand pulse survey – wave 37

### Internal and External Sewer Flooding

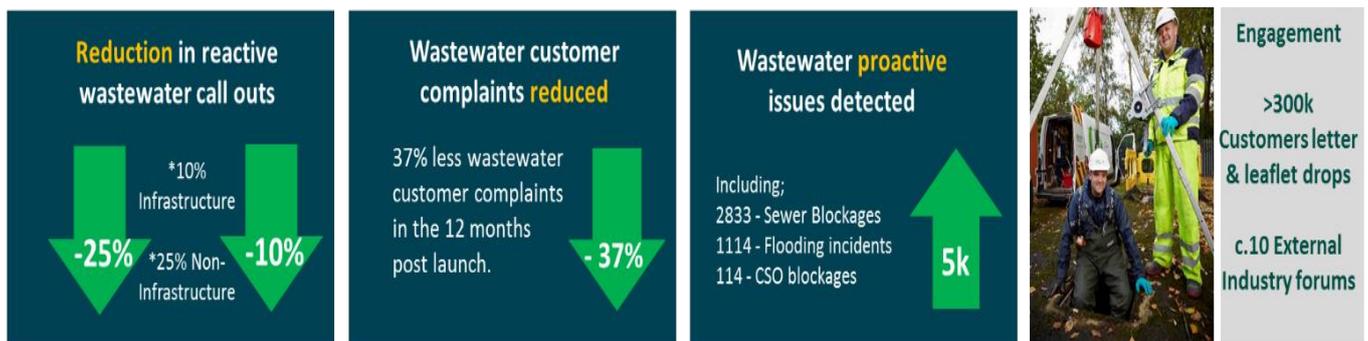
- 8.6.6 We have listened to customers who say that our response times to both internal and external sewer flooding incidents is a really high priority for them. We see this from our operational insight (e.g. complaints, C-MeX and internal tracking data), CCW/Ofwat Research into customer experiences of sewer flooding, and UUW research – Sewer flooding experiences and valuation.
- 8.6.7 Following on from a number of business changes and the support of our teams, we are now successfully getting to over 87 per cent of Internal flooding incidents within the 4 hour SLA period with an average time to site 3.08 hours
- 8.6.8 For the remainder of AMP7, we are now focusing our efforts to improve our performance further and are working towards achieving a target of attending all internal floods within 2 hours. Good progress is being made.
- 8.6.9 For external flooding events, in conjunction with CCW, we have agreed that this SLA needs to be reduced from 8 hours to 4 hours. Work is currently underway to identify process improvements and these will be implemented in AMP7.
- 8.6.10 We are in the process of creating a worst served customer database so we can continually monitor them, adopt a case management approach and prioritise investment accordingly.
- 8.6.11 A major factor in helping us achieve this new SLA performance will be utilising the benefits of our Dynamic Network Management approach.

### Transformation of wastewater network management

- 8.6.12 The Dynamic Network Management (DNM) approach has been created to help manage wastewater networks more proactively and is believed to be the largest integrated solution of its kind globally.

- 8.6.13 The approach is a live visualisation of the wastewater network that allows our operators to manage our sewer network based on data and analytics rather than customer calls and system alarms. The goal was to reduce the risk of flooding to customers and pollution to the environment through system analytics.
- 8.6.14 DNM analyses, visualises and raises alerts on the performance of wastewater infrastructure through predictive analytics and machine learning. This provides real-time visibility across the wastewater network, including sewer networks, combined sewer overflows, detention tanks and pumping stations and helps quickly identify issues such as the formation of blockages and unexpected rising levels in sewer networks to enable proactive action to be taken before they impact customers or the environment.
- 8.6.15 The system can accurately detect a deviation against expected performance, for that given location, time and weather pattern and in combination with alert logic identifies potential issues and the root causes. This combination of live data, AI and logic driven analytics allows the identification of issues such as infiltration, inundation and blockage formation in addition to deterioration of performance of our powered assets such as pump efficiency and asset health.
- 8.6.16 We have already delivered:
  - 17,500 intelligent sensors have been installed and enhanced monitoring implemented on more than 1,500 sites (Pumping stations, Detention Tanks & CSOs)
  - Data integration from newly installed sensors with the pre-existing data into cloud analytics
  - Adoption in over 160 drainage areas across our region

Figure 8: DNM performance visual



8.6.17 Further detail can be seen in *Chapter 6* along with an accompanying case study.

**Future Plans for DNM**

8.6.18 With system monitoring, visualisation and analytics now in place the aspiration for the next step in the solution is into optimisation.

**Trust grants for those in need of emergency support**

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

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

We recognise that an internal sewer flooding event can be a distressing experience for many households. Over the last few years we have taken a range of measures to reduce the likelihood of sewers flooding, and improved our response capabilities to better help customers recover quickly from a flooding event. Nevertheless, there are instances when UUW support may not go far enough, particularly where a customer has a limited income and/or no access to insurance. Working with the independent UU Trust, we will establish an Emergency Support Fund to provide financial support grants to cover payments for repair work as a result of sewer flooding damage to customer properties. The UU Trust will administer the fund, and make independent,

case by case decisions on grants. This will enable additional support for customers most in need. We anticipate grants will be made to low income customers without insurance who have been impacted by sewer flooding, with up to £1 million being distributed over a five year period, depending on customer need.

## 8.7 Specific Initiatives to improve our billing and general customer service activities

- 8.7.1 In AMP7 we've delivered significant improvements in customer service levels evidenced by C-MeX and UKCSI scores as well as significant reductions in unwanted contacts, stage 1 and stage 2 complaints. A large part of this improvement has been generated as a result of having a willingness to listen to customer dissatisfaction and understand what customers want us to improve. We'll continue to expect to improve further under C-MeX in AMP8.
- 8.7.2 In the coming years we are forecasting that the volumes of transactions using our Online services will rapidly increase. Indeed the accelerated and planned increase in the number of bills and letters that we will be sending electronically will precipitate the need to expand our Online services. We expect that not only will we see the number of MyAccount customers go up, but the frequency with which those customers will use those services. Indeed the imminent installation of 920,000 SMART meters in AMP8 will see an even greater need for online capabilities.
- 8.7.3 We will introduce Community Champions who will be the link between UU and the communities in which we serve. Our attendance at community events will further increase customer and organisational awareness of the support UU has available, and through the provision of IT equipment will help digitally excluded customers access the help they need.
- 8.7.4 During AMP7 we've introduced the use of robotics into our affordability processes, improving the efficiency of our operational teams by automating high volume/low complexity work items that were previously processed by agents to allow more focus on value added activities. Further enhancements will be made in AMP8.

### Trust meter love meter behavioural change programme

- 8.7.5 Our current metering strategy focuses on maximising meter penetration (60% of households by end of AMP8) and customer engagement through communication. Campaigns play a key role in encouraging customers to save money through conversion to a measured bill as well as continuing the promotion of our Lowest Bill Guarantee (LBG) incentive.
- 8.7.6 We've run targeted and personalised campaigns. For example, "Cheaper on a meter" was designed specifically to encourage customers over 50 to switch to a meter.
- 8.7.7 We worked hard to dispel myths regarding water meters that can discourage customers who would benefit from applying for a meter.
- 8.7.8 Our website contains a video recorded in conjunction with CCW, case studies based on lived experiences and common FAQs designed to provide insight and assurance to customers relating to meters.
- 8.7.9 Informing customers how much they could save by switching to a meter helps encourage customers to apply knowing they are protected by our LBG price promise. For our rateable value bill payers we illustrate personalised potential savings via a graphic on their bill showing the range of bill levels different household sizes could expect to pay through a metered tariff. This can help RV billed customers compare their actual bill size with a similar household when on a meter.

# Trust Meters, Love Meters

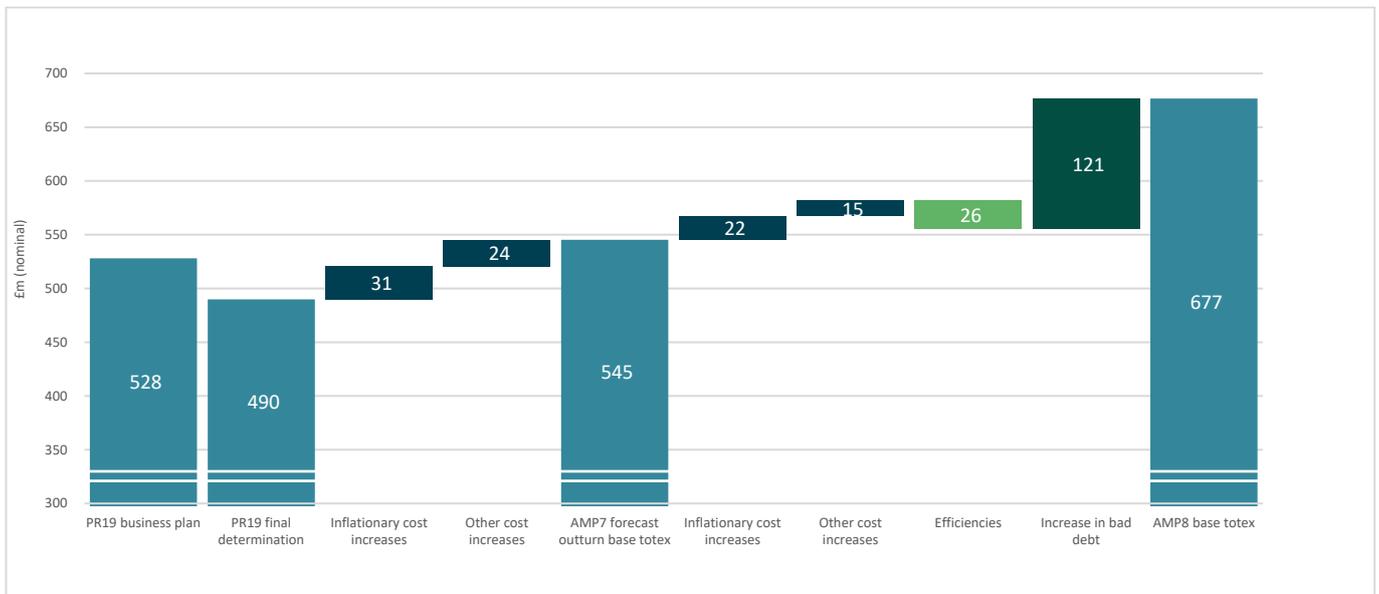


## 9. A cost plan that delivers for customers

9.1.1 We are committed to delivering a leading retail service for household customers at the lowest sustainable cost to serve.

9.1.2 Figure 9 below shows the additional cost increases experienced during AMP7, bridging this to our proposed retail costs for AMP8. This is presented on a nominal basis, as there is no inflationary allowance in the household retail price control.

Figure 9: Comparison of AMP7 forecast costs to AMP8 proposed costs



Source: United Utilities data

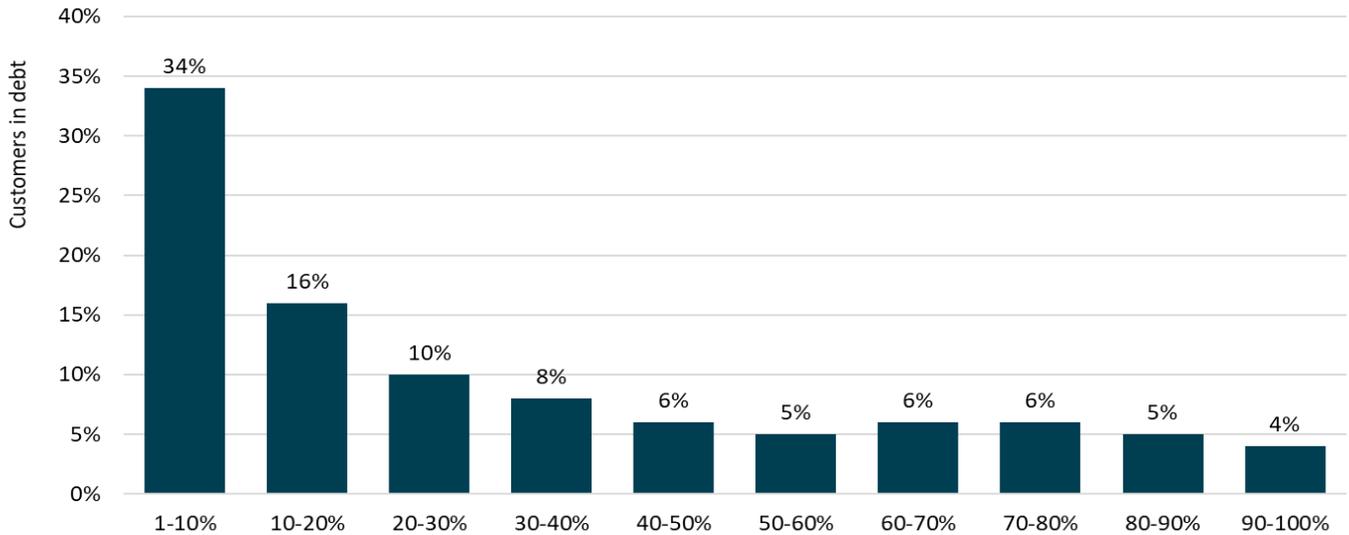
### 9.2 AMP7 cost performance

9.2.1 With high levels of deprivation in the North West the scale of affordability and vulnerability challenges is greater than elsewhere in England and Wales, making it one of the toughest operating environments for a utility retailer.

**Tackling doubtful debts is a significant driver for delivering an efficient retail cost to serve**

9.2.2 The make-up of our bad debt, shown below in Figure 10, shows a high concentration in the lowest income deciles. This demonstrates the strong correlation between deprivation and levels of bad debt, as recognised in Ofwat’s cost modelling approach

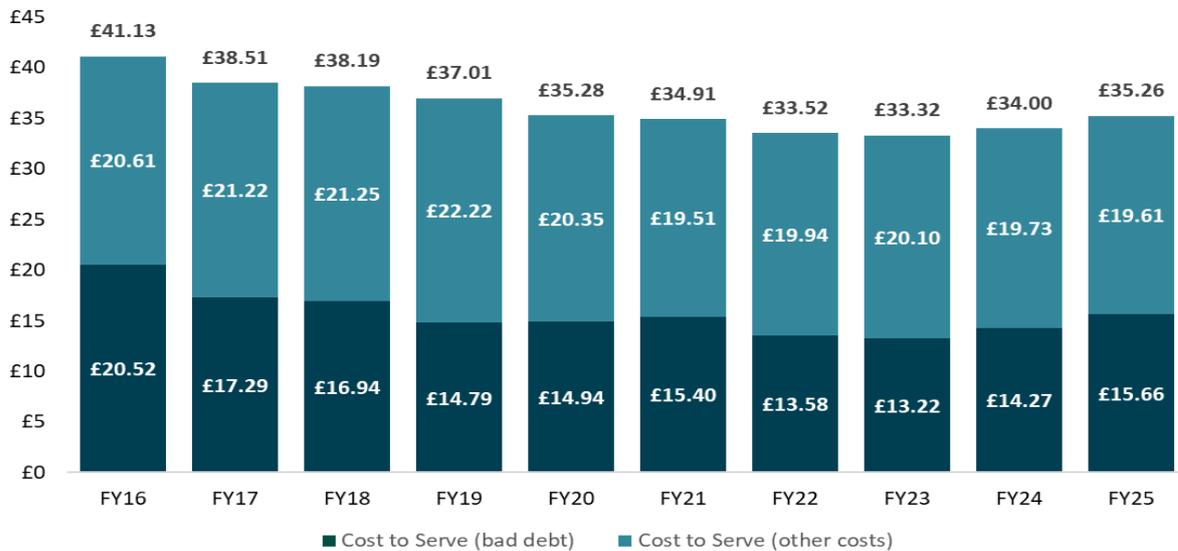
**Figure 10: Proportion of customers in debt for each income decile**



Source: UUW data and indices of multiple deprivation

9.2.3 Despite this tough operating environment, as can be seen in Figure 11, we have delivered reductions in our underlying average retail cost to serve since the beginning of AMP6.

**Figure 11: Average household retail cost to serve performance**

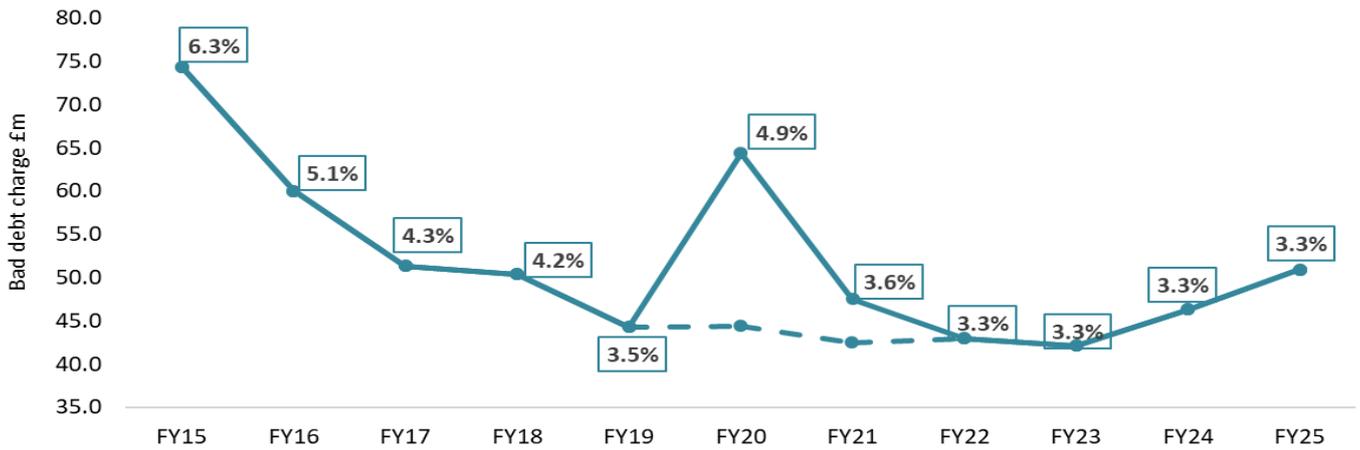


Source: Historic and forecast company performance

9.2.4 A large contributing factor to this improvement has been the reduction we have achieved in bad debt, shown in Figure 12. This shows our performance on household retail bad debt, with the labels representing this as a percentage of regulated revenue, and the dotted line representing underlying performance in years with large provisions during the Covid-19 pandemic.

9.2.5 We have also made good progress in reducing the number of voids and gap sites, as detailed in supplementary document *UUW49: Innovation framework and strategy, Section 2*.

Figure 12 UU HH Retail Bad Debt performance



Source: Historic and forecast company performance

9.2.6 Our reported bad debt charge of £42.2 million in 2022/23 was 3.3 per cent of regulatory household revenue, and we forecast that it will remain at 3.3 per cent for the remainder of AMP7, albeit this will result in an increase in the value of the bad debt charge as a result of increasing revenue in these future years. The reduction in bad debts has been achieved by:

- Adopting a broad and comprehensive set of approaches as set out in *UUW25 Affordability and Vulnerability operational response* to support customers that find it difficult to pay, with affordability support funded by customers that can afford it being matched by company-funded support through a range of schemes, including donations to the UU Trust Fund, contributions to social tariff discounts, and payment matching; and
- Effectively utilising a variety of prompts and sanctions for customers that ‘won’t pay’.

9.2.7 We have benchmarked our debt management activities against leading approaches from outside the water sector. Working with external debt management experts over a number of years we have made a step change improvement in the way we manage outstanding household debts.

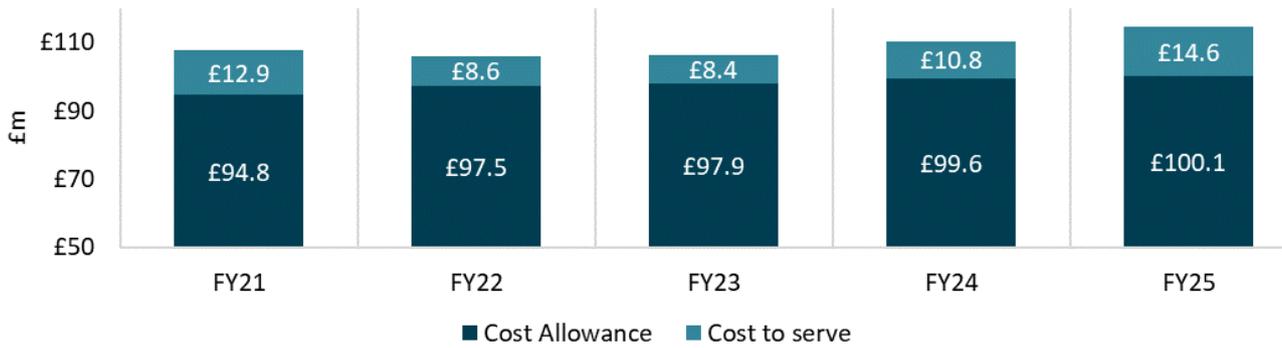
9.2.8 We recognise that we have high debt management costs, which is a natural consequence of high deprivation and higher bills. In this context, our performance on bad debt is consistent with sector-leading debt management.

**Further cost challenges experienced in AMP7**

9.2.9 A number of factors have challenged all retailers since 2020, including Covid-19, the cost-of-living crisis, and exposure to higher than forecast inflation.

9.2.10 In the first three years of AMP7 our retail costs have exceeded the regulatory allowance, and projections indicate that we will continue to exceed the cost allowance over the remainder of the AMP as shown in Figure 13.

Figure 13 AMP7 retail cost allowance performance (outturn, actual and forecast)

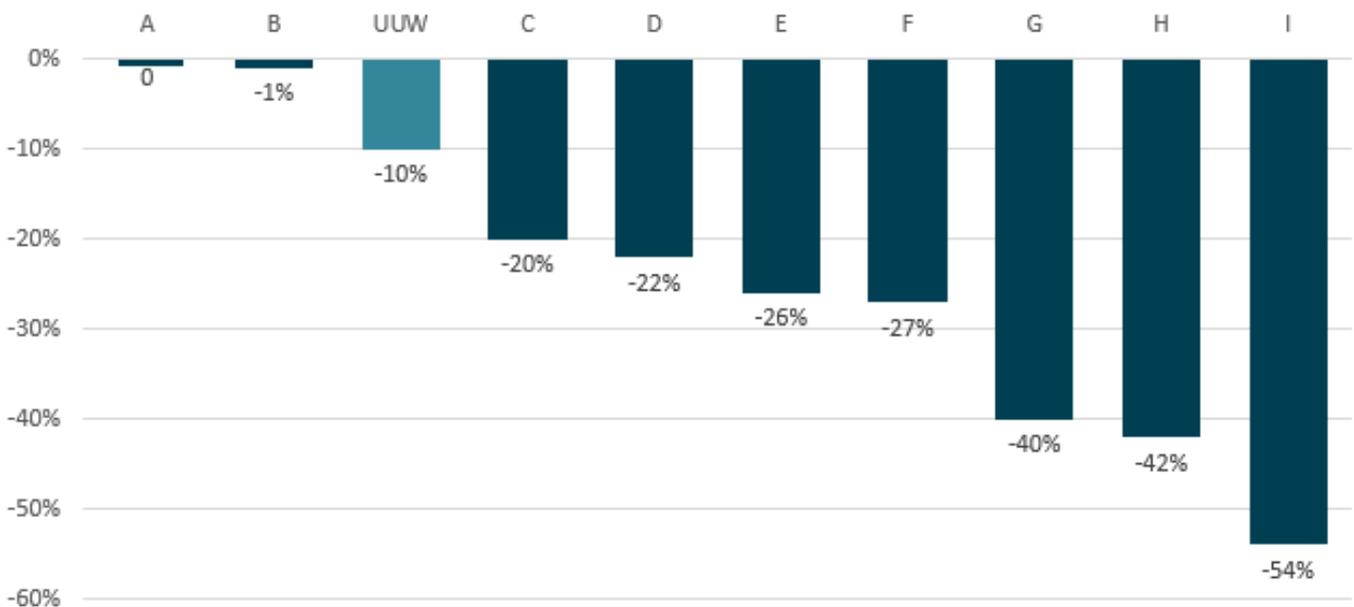


Source: Historic and forecast company performance

9.2.11 In total over AMP7, we forecast costs of £545.2 million, which is £55.3 million higher than the £489.9 million allowance. £31 million (56 per cent) of this is due to inflation rising above levels assumed at PR19 – with retail being a nominal price control, we have absorbed the high levels of inflation during AMP7 without any allowed uplift to costs. In addition, cash collection rates have been slightly lower than anticipated at PR19, as the Covid-19 pandemic and cost of living increase have affected customers’ ability to pay their bills. We have successfully mitigated much of the impact of these external factors and, excluding the inflationary impact, our costs are expected to be within 5 per cent of the allowance. This has been done whilst absorbing an efficiency challenge versus our PR19 cost submission, as shown in Figure 9, and whilst also protecting investment in core customer service, as a result of which we are a top four performer amongst our water and wastewater peers on C-MeX and are in the top five utility companies in the Institute for Customer Service scores.

9.2.12 These cost challenges have affected the industry as a whole, however our performance has been strong relative to peers as illustrated in Figure 14. It is notable that we are performing favourably to the industry as a whole and to the company (company H below) that formed the efficient benchmark at PR19.

Figure 14: Comparative cost allowance performance (all WaSCs), cumulative so far in AMP7, as % of household retail cost allowance



Source: Company and annual performance reports for the financial years 2020/21, 2021/22 and 2022/23

## 9.3 Anticipated cost increases in AMP8

- 9.3.1 The principal driver of increased costs in AMP8 is an increase in bad debt costs due to the proposed increase in average customer bills. In conjunction with our industry leading debt collection practices, our extensive affordability support programme will be expanded to mitigate as much as possible the impacts of this bill rise. However, given the high levels of deprivation in the North West, we do anticipate some deterioration in collection performance and, as revenues are increasing, this will drive a corresponding £121 million increase in bad debt cost (£351 million AMP8 versus £230 million AMP7).
- 9.3.2 In addition we anticipate continuing inflationary pressures to drive cost increases into the retail price control. In particular, growing costs of labour, postage and energy prices will materially impact operating costs. From 2024/25 to 2029/30 we anticipate that input costs will increase by around £22 million.
- 9.3.3 The costs associated with investment in new digital capability will also be brought forward as a result of accounting changes related to use of Systems as a Service. This will result in an a higher proportion of investment costs being reported as operating costs in AMP8 relative to AMP7. We anticipate that we will incur £9.5 million of additional cost as a result of this change, recognising that longer term depreciation will be reduced.
- 9.3.4 Over AMP8 an additional 500,000 household AMI meters will be installed. The increase in data received from AMI meters will require additional data capture and analytics capability that is expected to increase retail cost by £5 million.
- 9.3.5 In total, anticipated cost increases in AMP8 amount to £158 million (before applying our targeted efficiencies).

## 9.4 Efficiencies targeted

- 9.4.1 Our strong relative performance has been possible as a result of many initiatives implemented in AMP7, and we will continue to challenge costs in AMP8. We are targeting an ambitious level of further efficiencies, which will help to partially offset the cost increases that are largely outside of our control.
- 9.4.2 We are targeting delivery of £26 million of efficiencies through ongoing initiatives such as our continued digital transformation, data led void management, enhanced mobile app capabilities, extending paperless billing, streamlining processes through the use of robotics and generative artificial intelligence, data sharing and analytics, and maximising the benefits of partnerships.



### Case study: Maximising the potential of an Open Banking economy

We are leading efforts to ensure that when eligible customers reach out to us they can access support as soon as possible, minimising administrative or bureaucratic hurdles. During AMP7, in addition to launching a single online application form for all support schemes (replacing individual scheme application forms and consolidating all of our affordability information into a single support booklet), we were the first water company to implement an open banking solution, offering customers the option to provide their financial information in a quick and easy way that allows us to verify customer income (including evidence of benefit payments) in real-time to improve the accuracy and efficiency of our customer affordability assessments.

Prior to this solution, customers applying for affordability support had to manually collate their income and expenditure information, including evidence of benefit receipt, in preparation for their telephone affordability assessment. Completing a typical assessment takes on average 20 minutes, requires physical forms of verification, and over a week of administration. By contrast, completing an assessment using open banking reduces the amount of time taken, with considerably reduced effort for customers, increased accuracy, and the ability to verify a customer's income real-time so they are given a decision on tariff eligibility there and then and a sustainable payment plan can be agreed.

Open data now forms a key part of one of our most sensitive customer journeys. Initial results show that 40 per cent of customers offered the option to use open banking agreed, and customer feedback on their experience of open banking has been very positive, with all customers saying it was easy to use and 83 per cent saying they would use it again. We plan to take this further in AMP8, building open banking assessments into our fully digital and automated affordability assessment journey, meaning it will be seamless rather than a stand-alone process

- 9.4.3 Our continual market testing approach ensures we align to frontier/leading edge approaches on an ongoing basis. We are also aiming to reduce bad debts with the help of increasing smart capability, promotion of water efficiency, and further enhancing affordability schemes.
- 9.4.4 The scale of deprivation in our region means customers in the North West have been more significantly impacted by the cost-of-living crisis, and it is more important than ever before that we are doing everything we can to get support to customers that are struggling to pay their bills. We provide leading levels of affordability support to those in need. Our capabilities in open data and data sharing are truly innovative, meaning we can offer a frontier stretching affordability support offering. We do not want customers in the North West to worry about their water bill, which is why our plan for AMP8 sees us doubling the level of financial support and provides our most extensive support package offered to customers. More information on our affordability support can be found in *Chapter 4*.



#### Case study: Data led management, utilising nimble digital solutions to manage void properties

We've introduced a new void management strategy which included the enhanced use of data & analytics. This innovative suite of solutions have delivered a step change in terms of the accuracy and timeliness of occupier identification. A data led strategy leveraging data from multiple sources to gain insight into both the status of the property and likely occupiers has enabled us to proactively monitor all of our empty properties and react more timely to a change in occupier status. Data led decisioning is a more efficient and effective way to manage void properties when compared to more traditional and costly in person property visits. In addition to improving void performance, the technology used enabled us to monitor our full void base against multiple data sources every month without incurring per record costs.

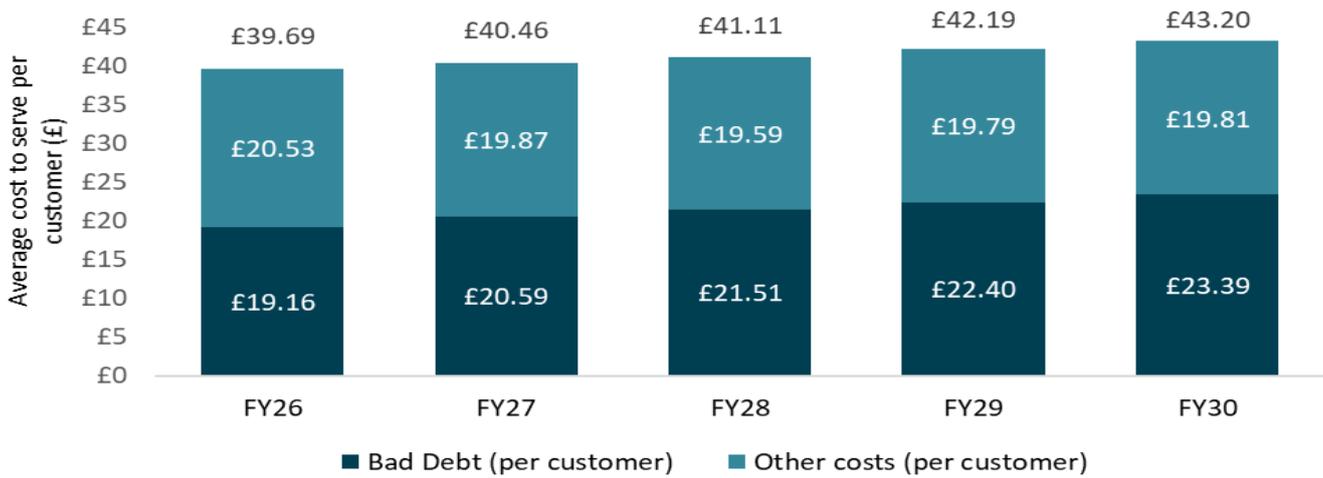
For example, in 2020 we developed an industry leading void app, enabling United Utilities' employees to identify potentially occupied properties, reducing water fraud and facilitating lower bills for all customers. The app facilitated the capture of occupier information or verification of void status at near zero marginal cost including the uploading of photographs optimising the insight our employees can provide.

The APP utilises gamification techniques to drive performance from the employees that use it. For example, we present league tables showing performance and have prize drawers and incentivisation schemes for the employees that use it.

## 9.5 AMP8 proposed retail costs

- 9.5.1 Retail costs for AMP8 are proposed increase from £545 million in AMP7 to £677 million as explained above. This represents an average annual cost to serve of £41 per customer as shown in *Figure 15*. The chart illustrates that the increase is driven primarily by anticipated higher bad debt charges (shown in the darker green).

Figure 15: Average household retail cost to serve proposed for AMP8



Source: UUW PR24 business plan

9.5.2 The retail cost plan proposes to deliver cumulative efficiency of 19 per cent by 2029/30 as compared to 2022/23. This is a substantial efficiency challenge for a company that is already performing above upper quartile relative to our industry peers.

📄
**Case study: Expanding MyAccount and deriving efficiency from paperless billing**

UU first launched our MyAccount portal in AMP5, giving customers the ability to manage their account 24/7 and be able to pay their bills, set up DD arrangements, submit meter readings and many other things.

At the start of AMP7 we had 610,224 registered users for the MyAccount portal. After successful promotion during AMP7, we have now increased the number of customers registered for the portal to 1,034,759 at the end of FY22/23 (an increase of 69.5%)

When signing up for the MyAccount service, customers have the ability to sign up for paperless billing. So far 908,404 customers have done this and this has delivered substantial cost savings to UU. On average in FY24, it costs UU 53.1p to send out a 2 page bill to customers. If we do this via an e-bill, this rate comes down to 3.7p. We anticipate our paperless service to grow to over 1 million customers by the end of AMP7

This initiative has proven to be even more effective, in the context of increasing postage costs being passed on by Royal Mail – which have increased by 72% since the start of AMP7.

**Partnership Working**

**Affordability partnerships**

9.5.3 We recognise that the issues customers face are rarely confined to their water bill alone and the water bill is usually only a fraction of the problem. As a result, during AMP7 we have worked alongside a number of specialist third party organisations to ensure UU customers obtain wider holistic help for their financial situation. We partner with IE Hub which offer customers the ability to share their completed Income and Expenditure form with other creditors, with Turn2Us incorporating our social tariff and Priority Services information into their benefit calculator and are working with Money Wellness to provide customers with a warm transfer option or alternative direct booking service enabling them to request a call back at a time that suits them to talk through their financial situations with a specialist advice agency.

**DWP data sharing – proactive identification and ongoing validation.**

- 9.5.4 In March 21 we were the first water company to begin data sharing with the Department for Work and Pensions utilising the data share provisions under the Digital Economy Act 2017 to access benefit data for the purpose of lifting customers out of water poverty. This process removes the need for customers to provide copies of their benefit entitlement or other personal information, making the journey much easier for them to continue receiving support.
- 9.5.5 We utilise the data share arrangement at various points in the customer journey including at the point of initially moving customers onto a discounted tariff and to check if customers remain eligible at regular renewal points. For example when a WaterSure account is due for renewal and the qualifying reason is large family we are able to validate with the DWP that the customer is still in receipt of the required means tested benefit and that they are receiving child benefit for 3 or more children enabling the customer to be auto renewed onto the reduced capped tariff.
- 9.5.6 In addition we are using the data share agreement to proactively identify new customers who are eligible for support. We have built a number of predictive models utilising credit reference agency, customer segmentation and customer specific data to identify customers with a higher probability of successful match to benefit data at the DWP. This has enabled us to proactively apply our Help to Pay & Back on Track social tariffs to over 32,000 customers.
- 9.5.7 We are currently in the early stages of discussions with DWP about how we can fully maximise the benefits of our data share agreement with them and the data share provisions provided under the Digital Economy Act 2017 – i.e. to access benefit data for the purpose of lifting customers out of water poverty.

**Credit Reference Agency Data share**

- 9.5.8 We have been sharing payment performance data since 2014 with Equifax and we're one of the first water companies to share data on our full customer base, in line with recommended best practice we currently share with all the main Credit Reference Agencies (CRA's) in the UK. To share data with CRA's you need to demonstrate a high standard of data quality, recognising the challenges water companies face with data capture due to our statutory obligations to supply we introduced a data cleanse and enrichment process. This process runs on a monthly basis validating and enriching customer names and dates of birth, to date we've updated over 1.8m pieces data improving our bill accuracy and enabling improved customer and collections management. We enrich customer contact information appending mobile phone numbers and emails addressed enabling us to optimise customer contact across all media channels.

**Market comparisons/testing including PwC report****CCW**

- 9.5.9 Our affordability approach is regularly challenged by a range of external organisations. In 2021 CCW published their Affordability review and a summary of recommendations of good practice for supporting customers who find their water bill unaffordable. We received a green assessment with no recommendations for improvement. We have a strong history of providing shareholder(s) backed support to customers and we were one of only two water companies to provide a full suite of affordability offerings expected by CCW.

**CICM**

- 9.5.10 We continue to benchmark our payment management and affordability support capabilities against global best practice standards. In February 2019 we received the Quality Accreditation, CICMQ, granted by The Chartered Institute of Credit Management (CICM). We're the first and only water company to be given the accreditation. This represents formal recognition of our commitment to quality, continuous improvement and best practice in all aspects of credit management and collections.
- 9.5.11 In February 2021 we retained our CICMQ accreditation receiving a recommendation to apply for Centre of Excellence status and our Head of Income became a Fellow of the CICM. Our CICM membership enabled transformation of our recruitment approach with the introduction in 2021 of CICM

apprenticeships; now all new entry level recruits will study professional CICM qualifications and existing employees encouraged to study Diplomas in Credit management as part of our journey to professionalise our credit management function.

- 9.5.12 In February 2023 we won the prestigious CICM Excellence in Credit Management Award. CICM Excellence in Credit Management status is the Chartered Institute of Credit Managements highest accolade. The professional body awards this accreditation only to organisations that can demonstrate they meet specific challenging criteria as confirmed by the Institute’s Executive board.
- 9.5.13 The award is the pinnacle of our transformational journey recognising our culture of engagement and development through investment in our people, our commitment to quality evidenced by the CICMQ accreditation, our focus on continuous improvement and our commitment to share best practice supporting the wider credit community.

### **Retail Service Efficiency 2022 – Report for Ofwat - PwC**

- 9.5.14 We note the report produced by PwC in December 22 looking at Retail Service Efficiency. In particular, we have assessed our capability against the sector differential heat map on Page 62 and believe that UU is at the industry frontier for many of the best practice measures that are assessed across sectors. For example, our DD penetration is 72 per cent of all UU customers and we believe our collections approach is leading edge due to the sophistication we have built underpinned by data insights, predictive analytics capability and ability to operate using a multi-channel approach.
- 9.5.15 However, we acknowledge that we can always do better and as a result, we plan to focus heavily during the remainder of AMP7 and into AMP8 into the areas of best practice identified by PwC of:
- customer on-boarding – where we will look to tailor the bill frequency, payment method, and tariff eligibility, by understanding the customers propensity to pay and financial circumstances
  - smart metering – this will enable many of our existing processes to be improved based on the hugely granular and timely data set that smart metering will provide UU. For example, the data will provide opportunities for UU to have tailored, detailed conversations and interactions around specific consumption patterns.

## **9.6 AMP8 - Our plan meets the efficient cost challenge**

- 9.6.1 United Utilities provides leading levels of affordability support to those in need. Our capabilities in open data and data sharing are truly innovative, meaning we can offer a frontier stretching affordability support offering.
- 9.6.2 We don’t want customers in the North West to worry about their water bill, that’s why our plan for AMP8 sees us doubling the level of financial support and provides our most extensive support package offered to customers. Our strong track in delivering industry leading affordability support provides the foundation for our plan.
- 9.6.3 Our business plan commits us to leading levels of affordability support for those customers that find paying their water bill a challenge. We recognise that this business plan requires real term bill increases at a time when levels of deprivation and general financial stress are high and particularly felt in our region. We want to ensure that affordability of future bills is secured for as many customers as possible.
- 9.6.4 We have therefore developed more comprehensive and wide reaching support catering for people in many different circumstances designing support schemes that help as many customers as possible who need extra financial help. In AMP8, to balance investment needs with affordability as well as water efficiency, we’ve developed innovative charging and financial support schemes that will deliver targeted and effective support. The provision of our largest ever industry leading package of financial support.
- 9.6.5 As laid out in section 7, we’ve committed to increase the level of financial support to £525m in AMP8. This will benefit around 590,000 (1 in 6) customers.

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

- 9.6.6 We will improve accessibility of support through the implementation of new functionality into the UUApp/MyAccount services. Providing a fully digitalised end to end affordability journey incorporating open banking will enable customers who need support to apply and receive an instant decision regarding their application. Improving our self-service options will allow customers to apply for help at a time that suits them best.

### Billing frequency

- 9.6.7 More frequent billing - our domestic customers charged on a water meter are currently billed twice a year, this is typical for the water industry where the majority of meters are dumb and require manual reading. We've launched a quarterly billing offering and have already moved 130,000 customers onto this bill frequency who have signed up for self-service and who are served by an AMR meter (where reads are automatically provided). More frequent billing puts customers in control of their bill size by giving them early insight into their consumption and allowing them to change their behaviour in order to reduce water usage. Wider benefits range from avoidance of bill shock, help with budgeting, improved debt collection as customers get more frequent views of their usage and earlier indications of non-payment particularly for tenanted properties where customers often leave a property prior to their first bill being produced. The pilot will be extended to other customer groups once the costs/benefit analysis is understood by customer segment.
- 9.6.8 Utilisation of a data led assessment (Know Your Customer) designed to identify low income households at the point of a customer moving into a property. This will enable targeted interventions to support bill payment. E.g. the assessment will determine levels of support required, the most appropriate bill frequency and plan type to suit the customers' needs.

### Future data innovation plans

- 9.6.9 We have invested heavily in data and analytics over the last 10 years recognising the value of understanding customers and being able to predict where customers might be at risk of falling into debt and proactively contacting these customers with a support offer to prevent this where possible. The development of scorecards and predictive models has enabled us to both improve our bad debt position and considerably increase the volume of customers receiving support with payment of their water bill.
- 9.6.10 We regularly review the predictive power of our models and working with our CRA partner explore new data insight that could enrich further the value of the scorecards.
- 9.6.11 We will continue to endeavour to improve data in the billing system to help identify customers within hard to reach communities. Through enhanced data led interventions we will increasingly be able to identify marginal affordability cases, meaning we can reliably engage with working poor and those that are just about managing, encouraging early engagement prior to falling into arrears.
- 9.6.12 Proactively identifying customers in need with local authorities. Through development of new Data Share arrangements with local authorities, utilising provisions under the Digital Economy Act 2017 to proactively support low income customers struggling to pay is a priority.
- 9.6.13 Proactive monitoring of measured consumption data to identify customers who may be in need of support, indications of customer behaviour change can indicate the need for a targeted intervention e.g. indications of changes in usage.
- 9.6.14 We target water efficiency interventions using household income, occupancy and consumption data, we utilise continuous flow alerts to identify instances of high consumption/leaks at lower income properties as a way to help lower water and energy costs. We include water efficiency messaging on envelopes and collection letters signposting our new Get Water Fit platform. For customers with affordability challenges we offer specialist home visits, helping resolve supply issues and recommending water efficiency devices.

- 9.6.15 We've partnered with Cenergist and completed 20,000 visits since 2019. Insight from these visits told us that 90% of customer side leaks are internal to the home of which 76% are leaking toilets. We've used this insight to refine messaging to customers when we receive leak alerts from our Automated Meter Read water meters and provide targeted messages to customers telling them they have a leak likely from their toilet and provided leaky loo strips. In addition we use the Cenergist water efficiency visits to fit water saving devices and trial new technology such as flow regulators for customers who need it most.

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