

8<sup>th</sup> December 2022



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Please ask for      Jamie Jones  
Our Ref                JJ/Tariffs

Dear David,

## **Portsmouth Water: Early Information about Bill Increases**

This letter provides early information about bill increases related to 2023/24 tariffs, and outlines our intent to make changes to our social tariff offering to provide further assistance to customers struggling to pay.

### **Early Information about Bill Increases**

Our average draft Wholesale Tariff increase is below inflation.

Through the publication of our draft wholesale tariffs on 10<sup>th</sup> October 2022, we provided an initial estimate of bill increases for customers. The Board endorsed to increase average draft Wholesale Tariffs by 7.8%, based on an estimated November CPI-H of 9%. This resulted in an average household bill increase of £8.70. Detail on our average draft Wholesale Tariff increase is outlined in Appendix 1, whilst detail on increase in average draft bills is outlined in Appendix 2.

In determining our draft Wholesale Tariffs for 2023/24 we considered the impact of the Covid pandemic on the usage patterns of different customer groups for our next charging year. At the stage of setting our draft Wholesale Tariffs we assumed that customer demand, in particular household and non-household demand, will continue to be consistent with 2021/22 actuals. Further analysis over the Autumn has reinforced this assumption, however we will continue to review in early Winter. If we need to revise these assumptions as a result of materially different data becoming available to us before we determine our final Tariffs, in January 2023, we will update stakeholders accordingly.

The Board discussed the impact of high inflation in considering our draft Wholesale Tariffs for 2023/24. We still estimate that November CPIH will be at 9%, resulting in all groups of customers experiencing a change in bills greater than 5%. To mitigate against the increase, we can confirm that we will continue to defer our 2020/21 ODI deferral. This equates to a reduction in our estimated Wholesale Tariffs of 1.1%, from 8.9% to 7.8%.

## Changes to Social Tariff Offering

We are intending to expand access to our social tariff for 2023/24, and develop a new offering for 2024/25.

We recognise that our customers are facing increasing challenges and are committed to doing all we can to keep bills affordable for our customers. In our response to Ofwat and CCWater's joint letter on supporting customers through cost of living pressures, we outline several initiatives and actions that we already have in place, which include:

- Continuing to maintain the lowest water bills in the industry,
- Extending our 'Payment Holiday' and 'Free Leak Repair & Allowance' offerings,
- Working to develop an adaptive plan for our Social Tariff that aligns with Ofwat's Long-Term Delivery Strategy,
- Collaborating with local organisations in the communities we serve, on initiatives that benefit our customers, and
- Investing in a new CRM and Billing platform to deliver industry-leading capabilities to customers.

We have also seen a positive take up of our social tariff offering over the past few years and have significantly outperformed our Performance Commitment target. As of 31st March 2022, we had already achieved our 2025 target of 10,000 households benefitting from our social tariff.

However, we fully understand that there is much to be done to ensure that we are supporting more customers and conducted further customer research with an external agency, Blue Marble, in November 2022. This research revealed that customers and stakeholders advocate greater cross-subsidy of bills to support our customers, compared to previous research in 2015, and we are in the process of incorporating the results into our future social tariff offering.

We have also been working collaboratively with Southern Water, aligning our social tariff eligibility with Southern Water's criteria. As part of our data sharing agreement with them, we auto-enrol customers onto the social tariff where the necessary checks of eligibility have been made. This provides customers with the opportunity to receive financial support on both their water and sewerage bills through a seamless and efficient process.

With the uncertainty around the implementation of a National Social Tariff, we continue to explore how we can offer a new social tariff. We are in a position to lead the industry on tariff innovation and we are working closely with consultants FastTrack Squared and Frontier in shaping our thinking. We are developing an adaptive plan that considers the uncertainties we face, whilst being aligned to Ofwat's Long-Term Delivery Strategy, in order to facilitate a smoother switch to a National Social Tariff, when it happens.

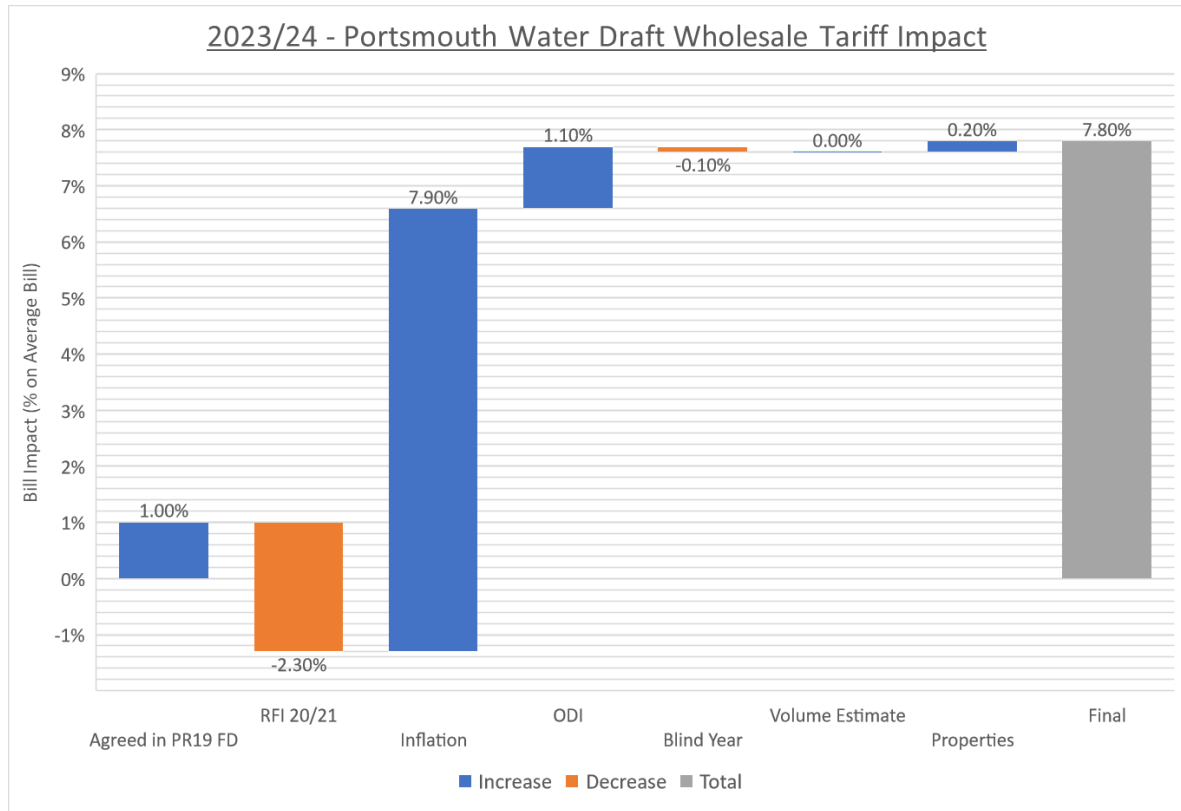
Our aim is to provide an innovative social tariff based on an assessment of what works for our customers while also aligning with the expectations of policy makers developing the National Social Tariff. We aim to complete the initial stages of this work early next year with a proposed launch in 2024/25.

Yours sincerely,



Chris Milner  
**Chief Financial Officer**

## Appendix 1: Portsmouth Water Draft Wholesale Tariff Impact for 2023/24



## Appendix 2: Breakdown of Bill Increase

	<b>Change £</b>	<b>Change %</b>
Average Measured Household Bill Increase	£9.75	8.6 %
Average Unmeasured Household Bill Increase	£8.00	7.4 %
Average Household Bill Increase	£8.70	8.0%
Average Measured Non-Household Bill Increase	£134.92	22.2%
Average Unmeasured Non-Household Bill Increase	-£3.07	-1.7%
Average Non-Household Bill Increase	£113.36	20.0%