Elements of the plan

Engaging Customers

an engaged Water Future

South West Water

Bournemouth Water

Elements of the plan

- Engaging Customers
- Addresssing Affordability & Vulnerability
- Delivering Outcomes for Customers
- Securing Long-Term Resilience
- Targeted Controls, Markets & Innovation
- Securing Cost Efficiency
- Aligning Risk & Return
- Accounting for Past Delivery
- Securing Trust, Confidence & Assurance

Contents

Introduction

This document sets out our overall customer engagement strategy, but more specifically reports in detail on the activities carried out for the purposes of the price review, how we have developed a genuine understanding of our customers' priorities, needs and requirements, how we have engaged with customers on the issues that really matter to them and presented customers with genuine and realistic range of options.

We describe how our engagement with our customers has been an ongoing, two-way and transparent process, how we have informed customers as well as eliciting feedback from them, including sharing information on our current levels of performance and how we compare to other companies.

We will demonstrate how we have effectively engaged with and understood the needs and requirements of different customers, including those in circumstances that make them vulnerable. We evidence the conversations that have taken place with current customers, both household and non-household, customers in vulnerable circumstances, future customers, retailers and wider stakeholder groups.

This report also includes how we have engaged with our customers on longer term issues, including resilience, service today versus service tomorrow, impacts on future bills and longer-term affordability.

We also describe the work that has been carried out with our WaterFuture Customer Panel (Customer Challenge Group) in regard to customer engagement specifically.

We explain how the outputs from specific pieces of research and engagement and from everyday activities have fed into the business planning process and impacted the plan.

We also describe the next steps, in terms of our continued engagement with customers following submission of our plan.

Business plan navigation

This document is part of the overall business plan providing key information about our proposals and how it answers the initial assessment of business plan tests.

Engaging Customers

EC 1 What is the quality of the company's customer engagement and participation and how well is it incorporated into the company's business plan and ongoing business operations?

The answer to this question is summarised in the **Summary** chapter of this document, with signposts to further detail and evidence within this document, and where appropriate, other documents forming part of the overall business plan submission – see **Document map**.

Business plan navigation continued

Document map

The primary documents within the business plan submission are illustrated below. Other supplementary information, reports and documents are also referenced within these documents and can be accessed using a link in the document, where appropriate.

Business plan to 2025

Business Plan

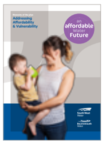
WaterFuture Customer Panel Report

Customer Summary

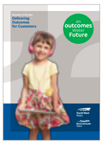
Investor Summary

Elements of the plan

Engaging Customers (this document)



Addressing Affordability & Vulnerability



Delivering Outcomes for Customers

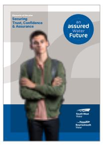
Securing Long-Term Resilience

Targeted Controls, Markets & Innovation

Securing Cost Efficiency

Aligning Risk & Return

Accounting for Past Delivery

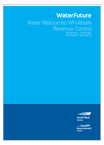


Securing Trust, Confidence & Assurance

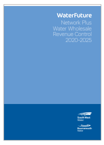
Board Assurance Statement

Revenue controls

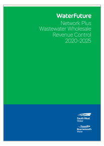
Appointee Summary
+ Tables and commentary



Water Resources Wholesale Revenue Control
+ Tables and commentary

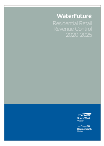


Network Plus Water Wholesale Revenue Control
+ Tables and commentary



Network Plus Wastewater Wholesale Revenue Control
+ Tables and commentary

Bioresources Wholesale Revenue Control
+ Tables and commentary

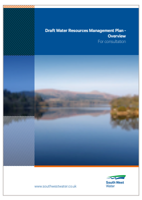


Residential Retail Revenue Control
+ Tables and commentary

Business plan to 2050

2050 Vision

2050 Environment Plan



Draft Water Resources Management Plan

Drainage and Wastewater Management Plan

Executive summary

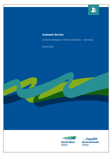
Our 2020-25 business plan is based on a step change in our engagement with customers and a deeper understanding of their priorities and preferences.

Our approach includes:

- WaterShare and oversight by an independent panel facilitating greater scrutiny of performance with customers having greater visibility and being involved in decisions about benefits sharing

WaterShare

- Customer views used to inform the plan and co-creation workshops to help shape how best to deliver it



For more information, see
Customer leakage and co-creation workshops

- Interactive personalised video sent to one third of our customers via email or text messaging to inform long water resource planning

Our interactive water resources video

- Best practice and innovative behavioural economics engagement techniques (Greenredeem and Advizzo) have been applied across our entire customer base, ensuring the robustness of our research data.

greenredeem

advizzo

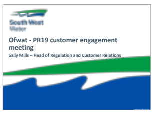
We have already seen our relationship with customers change as a result of the introduction of our innovative performance sharing and reporting framework, 'WaterShare', established in December 2013. This has delivered a transparent and consultative framework (via an independent WaterShare panel), enabling a more holistic and transparent view of our performance, how benefits are accrued in a proportionate way, and giving legitimacy to outperformance.

We believe this has been a major step to greater transparency and openness with our customers, a fundamental requirement for all providers of essential public services.

WaterShare has been a central theme for all of our engagement with South West Water customers for the last five years. Whilst the sharing of benefits has only applied to South West Water customers, the review and scrutiny of performance and engagement with customers has also been undertaken by the independent Customer View Group (CVG) in Bournemouth. See www.southwestwater.co.uk/customerviewgroup.co.uk for more details.

Customer View
Keeping customers at the heart of the company

Engagement with customers is central to all of our thinking and our plans are grounded in what customers tell us matters the most to them.



For more information, see
Ofwat PR19 Customer Engagement Meeting

As a result, we have produced a plan that sets performance targets and incentives that robustly reflect customers' priorities and values, both now and in the long term, and taps into their appetite for wider participation in efficient and sustainable delivery at an individual and community level.

Our plan firmly embeds customer engagement as an ongoing, two-way and continually evolving process that provides information for the improvement of services and the enhanced transparency and accountability of our performance.

Continuous customer engagement and participation in the business – moving from engagement to empowerment.

Customer engagement is at the heart of our operation and day to day business. Our PR14 customer research and engagement was groundbreaking, and one of the reasons we achieved such high customer acceptance of our plan (84%).

We have retained this core principle for PR19, but significantly extended and improved the range of evidence used, resulting in over 900 data valuation sets for use in customer analysis. This has been independently assured by Professor Ken Willis.

For more information, see
ICS Triangulation report

The step change in the process for PR19 has several powerful elements:

- Develop surveys and research methods that are engaging and appealing to customers
- Cross checking of the core Willingness to Pay survey evidence by drawing on a wider set of data to provide ‘triangulated’ values for use in the cost benefit analysis underpinning our proposed service improvements
- Changing the ‘conversation’ with customers on specific topics making them more understandable
- Drawing younger members of the community into the engagement process to ensure future customers’ voices are heard and used
- Ensuring the voice of vulnerable customers is heard through specific focus groups and discussion on specific needs
- Using our extensive communication capability to reach out to customers, through a comprehensive ‘Get into Water’ campaign, raising awareness, informing, educating and inviting customers to provide feedback and participate in our research.

There were two main areas where customers challenged us to go further than our initial proposals

Bill levels – In particular South West Water customers told us through the acceptability testing they were worried about the impact of inflation, given that wages and incomes are rising at a rate less than inflation they were concerned about the affordability of water bills in the future. We listened and our Board challenged itself to deliver further efficiency savings over and above those already planned to effectively mitigate the impact of inflation. We tested our updated plans in our quantitative acceptability testing and acceptability with inflation moved from 63% to 79%.

Performance commitment levels – Customers thought our targets were mostly stretching and in line with their views – but were not stretching in all areas; in particular customers did not think some of our asset health measures went far enough. We listened and improved our asset health targets. We retested our updated plans (bills and service package) in our quantitative acceptability testing which showed huge support for the initiatives in the plan. Support was between 81%-91% depending on the area of focus.

Key messages

- **Creation of innovative WaterShare governance framework and oversight from independent WaterShare panel since 2014 has changed our relationship and discussions with customers**
- **Enhancing WaterShare through customer share ownership scheme from 2020**
- **Transforming customer relationship from engagement to empowerment**
- **Board directly involved in customer engagement activities**
- **Customer engagement practices are firmly embedded into everyday business**
- **Best practice, proactive and new innovative engagement using behavioural science techniques across entire customer base**
- **Independent expert peer reviews of customer engagement**
- **Extensive engagement ensures our plan provides services that customers value most at a price they can afford and is acceptable to them**
- **Customers have helped inform the plan and through co-creation workshops and reactive post-event surveys also helped shape how we deliver it**
- **Extensive challenge and scrutiny from customer challenge groups – WaterFuture customer panel, WaterShare panel and Customer view group**

Overall customer engagement strategy

Our engagement with our customers hasn't stopped since the last price review; in fact this has been the springboard to even greater engagement with customers through our WaterShare framework.

Our innovative sharing mechanism, 'WaterShare', was introduced to lift the lid about how the business operates, providing a way for any net gains from cost efficiencies and ODI performance to be shared with customers in a fair, open and transparent way. WaterShare performance is published yearly and with it we seek customer views on our performance, what information they want to see and how they want to be kept informed. We ask how any cost savings should be treated, giving them ultimate control in how their is money spent or returned.

Making communications feel relevant to customers is really important. The introduction of Watershare has strengthened the two-way engagement with our customers positively, and encourages customers to have more of a say in the business.

It is essential to have continuous engagement with our customers and stakeholders. It is vital to the operation of any top performing company. We recognise that the impact of our decisions and actions can be significant and therefore it is important to engage with our customers to make sure they influence our decision-making, drive us to continually perform and hold us to account for our performance. This is recognised from the Board down.

From source to sea, whether customers contact us or not, it's important to understand and respond to their needs and priorities and provide real value. We believe that engagement is everyone's responsibility and not something we do simply in the run-up to a business plan submission.

Alongside WaterShare, we do this through providing exceptional end-to-end customer experiences, with all our teams aware of the importance of good customer engagement in providing our services. We use content that customers are interested in, get a benefit from, and provide strong support that is about delivering more, with the aim of encouraging customers to participate and feel part of the company.

Every day we engage with our customers through the many interactions we have; day to day contacts and complaints, bills, Waterlevel (our annual magazine for customers), through tweets and Facebook links, voice of the customer surveys, tracking satisfaction surveys, focus groups, online surveys and more focused community events targeting affordability and vulnerability concerns.

We have tested the effectiveness of sending WaterLevel to every home, and are pleased that our customers enjoy hearing about our business, having the opportunity to feedback their views, and want us to continue to inform them in this way.

"You get that newsletter,… I read it because I like to know what they are doing… I think that's important"

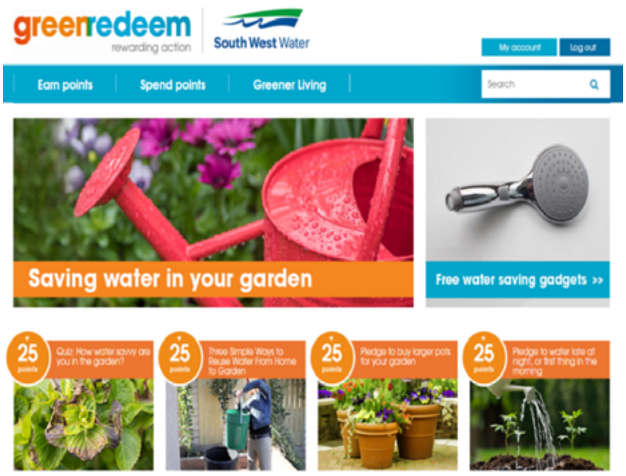
Building trust, supporting customers and sharing success research, SEG ABC1, Aged 18-45

"It was interesting… it is, it's interesting. I like the way it read."

Building trust, supporting customers and sharing success research SEG C2DE, Aged 46+

We also engage with our customers on how they can be part of the solution too, whether it be through our successful Love Your Loo campaigns or more recently incentive schemes to use less water.

Overall customer engagement strategy continued



Engagement means understanding what customers want and responding to that in plans and ongoing delivery. Side by side with customers we have co-created new service journeys[1] improving satisfaction, increasing the level of support, adding more value and delivery on our commitments.

We continually seek customer views and perceptions on different areas of the business through our long-term tracking survey – in place since 1995 for SWW and implemented in Bournemouth from April 2016.

We are not shy of engaging with customers on difficult or technical topics. Some of the topics we discuss as day to day activities include conversations on annual performance reporting, responsibility and tax strategies, governance and sharing success.

We understand that customers don't suddenly get engaged overnight and we are working hard to increase our digital followers. In one year, our Facebook and Twitter followers have increased by 163% and 25% respectively, with engagement with both increasing by 416% and 200%.

We have had a steady growth through the #Getintowater campaign which was designed to raise awareness, inform, educate and invite customers to provide feedback and participate in our research for our business plan.

Making communications feel relevant to customers is really important. We ask customers what they are most interested in, what they want to hear about. This is usually information that is helpful and offers support, alongside wanting to know more about what we do and how we are performing, again this is where WaterShare has really helped move the conversations on.

1 Co-creation workshops Leakage

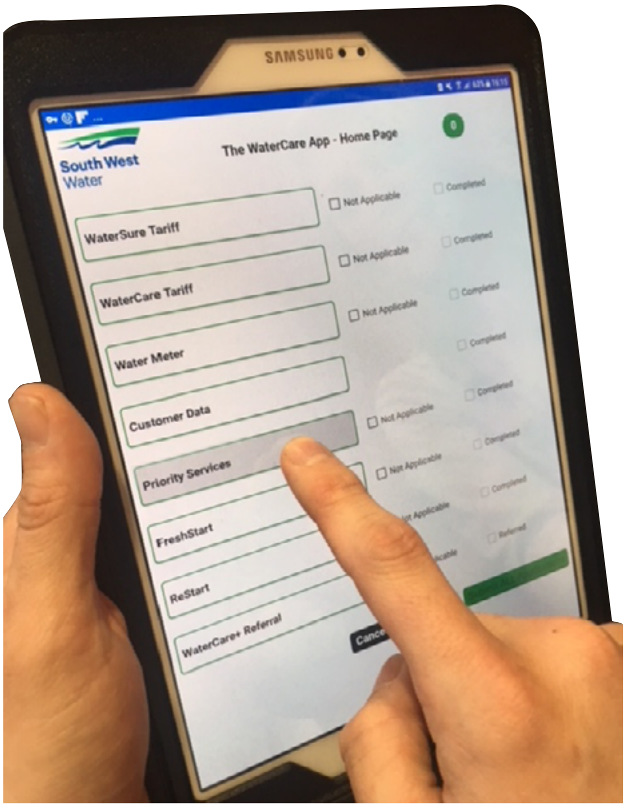
How engagement influences our day to day operations

Information from customers can come directly from surveys or focus groups which are asking for their opinions on a particular subject matter or their experiences about our services.

Another important source of information comes from our everyday interactions, for instance telephone contacts, complaints or conversations at community events. These all provide us with insights and evidence about whether we have met our customers' expectations or if there could be problems.

WaterCare App

Our WaterCare App was developed following conversations with customers who would clearly benefit from our affordability schemes, but who have in some way failed to access them. Whether due to literacy or numeracy issues or the inability to access help through existing routes, it was clear that there was a group of customers in need of additional support.

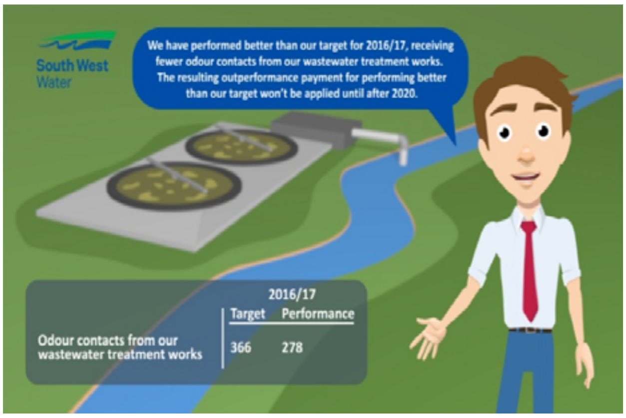


Our WaterCare Advisors acted on this feedback and working with our IT department developed a simple App that allows them to process applications with the customer either at community events or in their own homes. It provides on the spot decision making for the customer with regard to the level of help they are entitled.

More customers now have access because of the introduction of the App. For the majority of customers who we visit, it can take multiple visits – typically around three – for the trust to build up and paperwork to be ready in order for the assessment to take place. We have changed the way we operate the WaterCare Advisor team to incorporate home visits and we have increased the resource.

Reporting on our performance

Every year we inform our customers about our performance. We carry out surveys with customers to find out their views on how they want their share of 'cost savings' earned through WaterShare to be spent or returned. We also ask them whether we are keeping them informed in the right way, through the presentation of materials or whether the volume of information is right. This feedback has been invaluable in shaping our **customer performance summary report**, which we test every year to make sure it remains fit for purpose and relevant.



Alongside our customer summary for 2017/18, we are introducing an online video that from source to sea explains what our performance commitments are, what they measure, current performance – and if we are not hitting our targets what we are doing to get back on track. The idea to do this came from the feedback we received from our innovative **interactive personalised video** which we used to engage and inform customers around our water resources plan. Customers told us that the format was incredibly clear, informative and easy to watch. It was something different to what they had seen before.

Improving customer service

We use contact data and results from external and internal customer surveys to identify areas of improvement.

One such area was customers contacting us about a leak on their supply pipe. We were experiencing low SIM[1] survey scores in the area of household customer leakage and despite making incremental changes to this service journey over the last few years our scores only improved for this contact type gradually from 4.10 (out of 5) to 4.21. Customers were still telling us that they were dissatisfied with their experiences. The key issues were that the process was overly complex and involved too many people; customers had to repeatedly ring to provide us with updates; they were worried they were not going to get their contribution or allowances if the leak was not fixed in the timescales; and the literature contained in our leakage packs was not that helpful.

In order to explore these issues further we held Co-Creation workshops with customers alongside our staff to hear first-hand customer feedback and how we could improve the experience for them. The Co-Creation sessions were made up of a cross section of customers who had experienced a leak on their supply pipe and customers who had either had a very positive or negative experience.

The purpose of the Co-Creation sessions was to convene a group of customers to bring them in on re-designing the customer leakage journey. In the sessions customers were taken through the current customer journey maps and they highlighted to us where they had issues and concerns. They described how parts of the journey made them feel. They also described what they wanted to happen and the levels of service they would have expected. A number of action points were elicited from the sessions.

Following the co-creation sessions, we re-designed the customer leakage journey using the action points and ideas from the participants. We retested the new material and journey maps with the participants before implementing across the business.

As a result, some of the ways we have changed has been to extend the working hours of our leakage team; to introduce additional assistance measures for customers in vulnerable circumstances; and for us to carry out more proactive outbound calls where we can see bills are showing higher than normal usage.

Since implementation we have seen our SIM score increase to 4.76 for customer leakage contacts, and the number of leakage calls answered in less than 60 seconds increase from c. 30% to c. 65%.

1 In 2010 our regulator OFWAT introduced the Service Incentive Mechanism (SIM) customer survey to replace existing performance assessment measures and to encourage water companies to improve their overall customer experience. The SIM is a regulatory tool that uses financial penalties and rewards to drive improvements and tracks customer experience with the water sector.

Getting customers involved

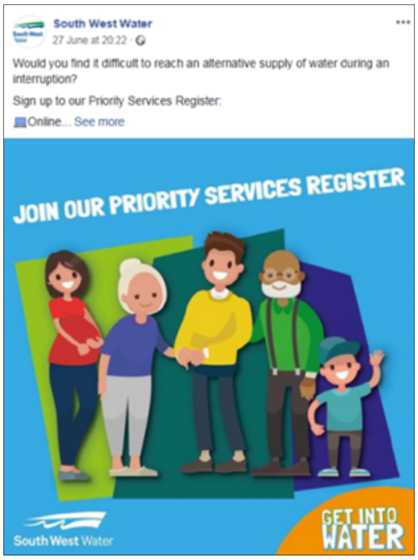
#GetIntoWater

Right at the beginning of our PR19 research and engagement activities, we tested customers' appetite for getting involved through a simple card exercise/survey at regional shows and through local magazines; customers could also complete the survey on line.

Results showed that there are very different starting points for customer engagement in the South West and Bournemouth regions, with 83% of customers in the South West saying that they might be or were definitely interested in being involved in the future of their services, compared to 47% in the Bournemouth Water region.

We launched our #Getintowater campaign at the same time as publishing our Vision 2050 to encourage customers to participate and share their views. The communication activities ran parallel to the research activities that followed.

The #Getintowater slogan is now integral to all our external communications and it's important that we are building the capability to engage more widely with customers going forward about our performance and delivery of our the plan as well as engaging with customer on delivery solutions.



Communication activities included:

Face to face engagement at our county shows and community events

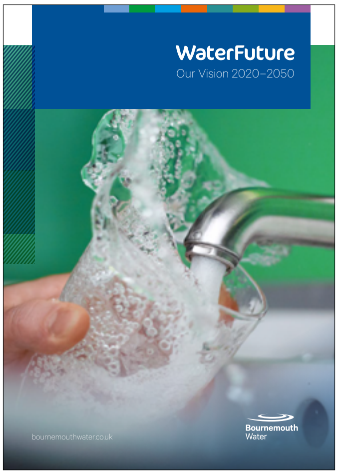
Dedicated WaterFuture website

'Vox pops' collecting ' what people are saying' shared through the WaterFuture dedicated website and social media

Getting customers involved continued

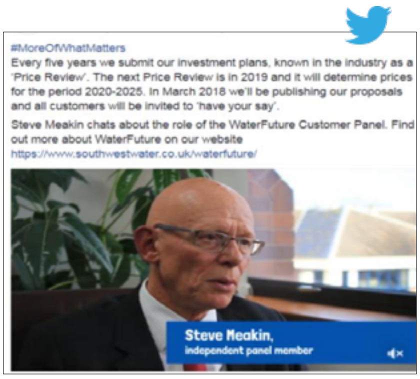
'Interactive personalised video' sent to 255,000 customers via email or text messaging

Articles in the Western Morning News and BH life



Vision 2050

Postcard surveys / online surveys



Online films e.g. role of WaterFuture Customer Panel

Formal consultation

Our wider engagement included a six week formal customer and stakeholder consultation asking for views on our proposed plan. The consultation ran from March to May 2018. Two main publications helped us to convey our proposals:

WaterFuture **Proposals and Choices** 2020-2025 detailed the activities we are proposing to undertake, how we intend to invest and the ways we would measure our performance. It also included impacts to bills over the period.

This was sent to c. 250 stakeholders and at the same time we held two stakeholder workshops, where the proposals and choices were presented and views sought on our plans.

We also sent a dedicated Waterlevel newsletter on our proposals and choices to every South West Water and Bournemouth Water household, c. 1 million in total.

We further supported the messages in the Waterlevel newsletters through a sponsored digital campaign – targeting c. 56,000 of our customers through targeted advertising.

More traditional methods were also deployed with customers being able to have their say by email, letter and telephone as well as online. The accompanying press release was picked up by local media outlets with approximate readership figures of c. 364,000. Articles that supported our thinking in many areas were also published regularly throughout the period: such as **'Tackling difficult-to-address water issues through innovation and working together'**, and **'Why water efficiency should be everyone's 2018 resolution'**.

This breadth of engagement and seeking views through the specific research activities meant that each household has been informed and has had at least one opportunity to engage and feedback their views to help the development of the business plan.

Case Study

Greenredeem Pilot – Water Efficiency Incentivisation Scheme

As part of our business planning process for PR19 we have been looking at potential demand side solutions to support various parts of our business. One such area is how we can encourage customers to use less water to meet government targets on per capita consumption. As well as benefitting financially from lower charges as a direct result of using less water, customers also benefit from demand side reductions deferring future expenditure to increase water storage. This approach is strongly supported by customers.

In July 2017 we have launched a pilot incentive scheme in Exeter, aimed at rewarding 3,200 households for saving water as a community. Registered households earn points directly for saving water, based on measurement at the DMA level, and then also earn points for learning about water saving through a series of hints and tips. For every 10 litres saved, one point is earned. If the amount of water used across the DMA is below historical averages, the pool of bonus points accrued is shared across all registered members in the DMA.

Each month, registered members can access new ways to earn points by learning and earning.

What are we learning from the pilot

1. Customers are responding positively

Whilst the initial community recruitment has reached c. 20%, there is good evidence in both the engagement that those members are having, and the trend of water saving in the DMA that the scheme is having an impact. We have seen savings between −1.5% to −4.7% against the DMA consumption for 6 out of 7 months, and great evidence of members engaging in learn & earn activities, using their points to reward themselves and partaking in the dialogue through response to campaigns and email newsletters.

We are also learning about who the scheme is more likely to appeal to and what communication encourages customer take up. For instance customers who are in debt are less likely to register for such a scheme.

2. Geography

The pilot DMA was selected as it gave a discrete location of c. 3,200 households, with clear tracking for the provision of water consumption data. However, the geography of the DMA, bears little relationship to physical boundaries such as roads, so it can be confusing for customers to understand if they live in a property that is in the scheme catchment area.

3. Direct door to door registration

Areas within the DMA had been heavily targeted historically by door knocking teams working on behalf of charities, utility and satellite broadcasting companies. This has caused significant customer apathy and rejection to the idea of talking to our team on the doorstep.

4. How the members are spending their points

The proportion of points spent on prize draw activity at 77% of all points spent is very high in comparison to other Greenredeem schemes, where a more even split of points spent is seen.

5. Customer insight

Understanding customer behaviour provides useful insight into the value they place on water and how they respond to different marketing and weather conditions, as well as how they like to be engaged with. This is being incorporated into the next phased roll out of this initiative.

We will continue to monitor the effectiveness of the pilot, learning from the outputs over the course of the next two years to understand if an incentivisation scheme at community level is sustainable and encourages households to use water more efficiently while earning points to do.

greenredeem

Approach for PR19

Our strategic objectives for our PR19 business plan reflects the priorities and views of our customers and stakeholders.

- **Delivering for our customers** and creating a better comparator for the sector benefitting all customers (all commitments made to customers will be delivered by 2020 including merger benefits with Bournemouth Water)
- **Empowering our customers** by offering them a direct stake in the business giving them opportunity to share in the success of the company (WaterShare+)
- **Providing the most efficient service in the industry** through our everyday focus on delivering efficiencies to keep bills as low as possible for our customers
- **Addressing water bill affordability concerns for all of our customers** by 2025 through extending our industry leading affordability toolkit to address any affordability concerns our customers may have.

The aim of any engagement programme is to build up a picture of genuine customer views and priorities. Our approach to PR19 has reflected the need to genuinely understand customer views on these strategic objectives in order to get our plans right.

Raising the bar

We started our PR19 journey with a review of our engagement approach for PR14. Whilst PR14 engagement was considered to be sector leading, we reviewed and compared ourselves to other sectors and found some of our methods and ways of engaging were not leading edge and could be improved. We felt this would in turn improve the involvement of customers and help us to better understand their views.

For example,

- As we learn more about our customers we become more ambitious and want to extend our understanding. We do not want to shy away from complex topics. Some topics are tricky to engage customers on – they may require technical or extended discussions. To engage on complex areas we have had to raise the bar around the **techniques** we use and the quality of the **presented materials** – in order to simplify concepts and break extended discussions into bitesize, appealing and interesting segments
- Across the industry stakeholders have raised concerns about whether customers are truly engaged and provide genuine responses to surveys and discussion stimuli. We have responded positively to stakeholder concerns and ensured our research has the right balance of technical expertise and leading edge customer friendly methods. We have raised the bar by ensuring we have engaged the very best consultancies and peer reviewers to support us, as well as engaging our WFCP on each and every engagement study. We believe we have advanced the understanding of how to engage on some of the more difficult topics – most notably customer valuations
- We base so much of our business plan on what customers tell us that it needs to be right. We have raised the bar by introducing feedback loops into our processes to replay back to customers what we have heard – checking and validating the feedback we have received. This gives us the confidence that we can implement customers' views in the way they want.

We can confidently deliver against the strategic objectives of the plan as we understand what customers truly care about and want.

Phases of engagement

We established four phases to develop specific PR19 research and engagement underpinned by business as usual activities and the wider engagement campaign to encourage customers to have their say. The four phases were:

Phase 1	→	Phase 2	→	Phase 3	→	Phase 4
Establishing priorities		Understanding how customers value services		Understanding how customers balance and trade-off services and costs		Ensuring the plan delivers for and protects customers

Approach for PR19 continued

Each phase of customer research has involved an ambitious programme of carefully designed activities to ensure that the right information on customers' preferences and values are available at the right time to feed into the business planning programme.

Customer & stakeholder engagement

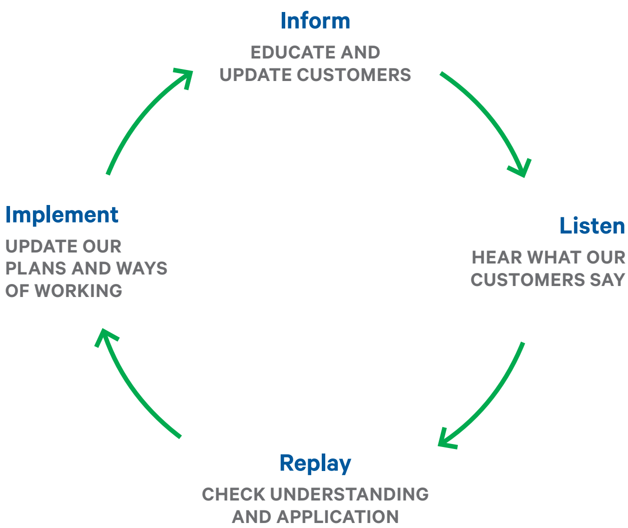
What customers told us		Business Planning Process
Establishing priorities	Value for water research Tracking research Priorities research 2050 vision testing Defining Performance Commitments Future customer priorities Measuring risk important to customers Customer data analysis Engaging through social media Customer segmentation analysis Corporate responsibility research	1 Identify outcomes, performance commitments and internal KPIs 2 Assess current and forecast performance and risk
Understanding how customers value services	Stated preference water resources study Stated preference waste study Avertive behaviour Revealed preference Customer preferences playback sessions Interactive EngageOne Video Bathing Water revealed preference Stated preference main studies Value transfer Pollution research Market data and damage cost analysis Stated preference water study	3 Identify solutions to manage performance and risk 4 Develop draft plan balancing performance, risk and cost
Understanding how customers balance and trade-off services and costs	Long term affordable investment research Investment and delivery playback sessions Proposals and choices Acceptability testing Cold snap research Hosepipe research	5 Develop, test and refine business plan & agree performance levels
Ensuring the plan delivers for and protects customers	Vulnerable customer and PSR research Post event study ODI reward and penalty research Balancing risk and reward research Future customer requirements Advizzo pilot Greenredeem study Building trust and supporting customers Measuring affordability survey Watershare+ studies ODI in-period sharing research	6 Develop outcome delivery incentives (ODIs) and manage delivery

WaterFuture Customer Panel Oversight

Board Assurance

Approach for PR19 continued

We don't rely on any single piece of information or study to understand customers' views. Within each of these four phases we have used an iterative process: **INFORM – LISTEN – REPLAY – IMPLEMENT** – to ensure we understand and apply customers' views correctly in our planning process.



In total through our engagement activities, we have listened to and taken account of the views of 26,705 customers and stakeholders in developing our plan.

These actions ensure that customers and stakeholders can have confidence that our plans accurately reflect their preferences.

Raising the bar – techniques

Some examples of raising the bar around the techniques we have used, and will continue to use, are given in this section.

#1 – Approach to valuation

We have completed a large valuation programme for PR19 ensuring depth and breadth across the entirety of the services we provide.

The objectives we set for our valuation programme at the outset were to:

1. Build on the successes of PR14 – making a step change to push the frontier of valuation research. We wanted to try new ideas – even if they didn't work
2. Develop surveys and research methods that are engaging and appealing to customers. This means following technical guidance and recognised good practice, but also taking account of stakeholder and regulatory feedback on practical considerations
3. Avoid over-reliance on stated preference methods by using other methods too, and testing the findings through triangulation with other sources of customer insight evidence
4. Make the full range of evidence and their sources visible to stakeholders
5. Recognise the increased importance of resilience in the business plan – and engage with customers on the value of resilience investment in a way that they understand.

We worked with ICS Consulting and eftec on our stated preference and revealed preference research. Working with ICS and eftec the first step was to develop our PR19 **Valuation Strategy**.

This set out the required customer valuation research which would be needed to provide a full set of valuations covering our services in the right granularity and units; sourcing multiple sources of evidence where material and proportionate to do so; and preventing overreliance on any one study or method.

Our **Valuation Strategy** was ambitious and was designed to ensure a genuine and deep understanding of customer views, priorities and preferences and to deliver valuation activities that would support the customer-centred business planning and service delivery processes.

Our Valuation Sources

Market data	Customer insight data
Actual customer choices from observed behaviour	Interpret and validate customer valuation evidence based on operational and other data sources
Revealed preference methods	**Stated preference methods**
Assess customer preferences based on observed behaviour	Assess customer valuation through survey-based methods

We engaged Professor Ken Willis to support the process throughout by reviewing and challenging approaches, survey instruments, analyses and conclusions. Alongside this, Oxera provided further peer review and assurance of the valuation programme and process, assuring us that our valuation programme was comprehensive and without material 'gaps'.

"The valuation strategy put forward by SWW covers a comprehensive array of activities... It represents a robust, balanced and proportionate evidence base."

Oxera, peer review, May 2018[1]

"SWW has focused on those techniques that deliver the best cost-effective insights."

Oxera, peer review, May 2018

"An outstanding piece of research. It is innovative in advancing understanding of the application of different SP methods in appraising customer values for water service improvements."

Professor Ken Willis, Final Peer Review comments, May 2018 (commenting on our overall stated preference research programme)[2]

1 Oxera "Assurance on South West Water's approach to valuation", May 2018
2 ICS Consulting / eftec 'South West Water's PR19 Valuation and Peer Review: Summary Report", May 2018

Stated preference has remained a key part of our research programme. These studies have marked a significant improvement over PR14, as evidenced by:

- Clear design concepts that are visually engaging to customers
- Clear, simple language that customers find interesting
- Surveys that are long enough to get the right information from customers, but not too long
- Alignment with latest best practice guidance, including HMT Green Book, UKWIR Post-PR14, and UKWIR Carrying out willingness to pay studies
- A robust challenge throughout from academic Peer Reviewer and WFCP
- Tested surveys that meet the challenges and provides robust results we are confident in. This confidence has been confirmed by the peer review throughout the process
- Review and validation of the results from the stated preference studies with Customer Playback Sessions.

Our stated preference studies
Two 'main stage' studies to understand the value of a broad range of water and wastewater services.
We have used the traditional Discrete Choice Exercise (DCE) method as well as the newer Best Worst Scaling (BWS) method.
Second stage surveys to understand wider customers' priorities and preferences around: water restrictions and resource options; sewer flooding and sustainable drainage options; pollution incidents; bathing water quality; water disruption and drinking water notices.

Our stated preference studies have featured comprehensive design and testing phases to iteratively test and update surveys. The extensive test re-test process involved:

- Hall tests
- Cognitive interviews
- Pilot studies and soft launches
- Engagement with the WFCP at all stages
- Peer review and challenge throughout.

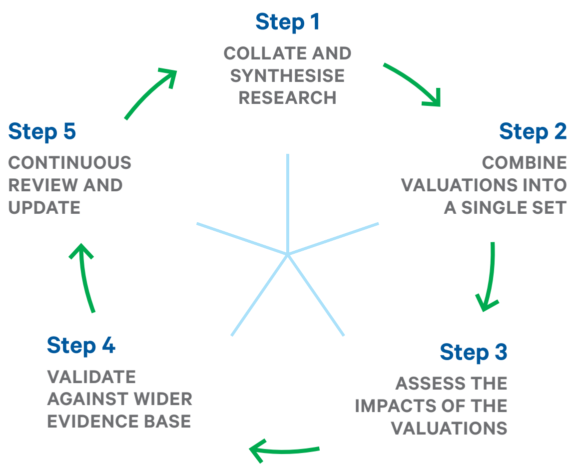
We have undertaken a range of **revealed preference and market impact studies**. We have moved away from relying on one valuation method, such as:

- Recreational beach use and the importance of bathing water quality, through a detailed travel cost assessment across the region
- Avertive behaviours around water disruption events ('post event surveys')
- Macroeconomic analysis of the productivity impacts associated with water restrictions
- The damage costs associated with sewer flooding
- Market value of goods to measure the value of shellfish.

We have met the challenges of improving the breadth, depth and reliability of the valuation evidence base by increasing the role for revealed preference methods; trialling innovative and new approaches to stated preference surveys; and raising the bar with the use of tools and materials; making it real, making it understandable and exploring all viewpoints.

#2 Triangulation

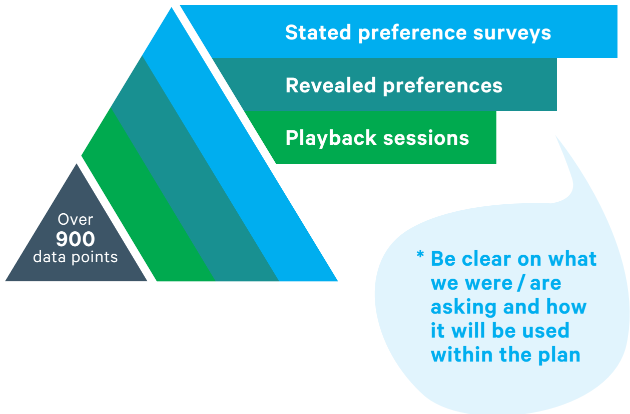
We have utilised latest regulatory and CCWater thinking to develop and apply a transparent and robust approach to the triangulation of valuation evidence.



This has ensured that we have met the key regulatory requirement for PR19 for water companies to demonstrate that a wider valuation evidence base has been sourced to validate and cross-check the results provided by stated preference studies. All our valuations are based on multiple sources of evidence.

We have triangulated our customer values with our own studies, but also other sources including other water companies' research, government and academic studies, and market data. In total over 900 data points have been used to triangulate our customer values using a robust process developed in line with Ofwat and CCWater's guidance[3].

How do we know we have the right values?



Our transparent approach to triangulation was agreed with our WaterFuture Customer Panel's Research, Engagement and Vulnerability subgroup, with the results shared and agreed with the WaterFuture Customer Panel.

We have deliberately avoided a process that involves subjective judgements to develop triangulated values. Based on a strong steer from our WFCP, we have developed a clear process for assessing and weighting valuation evidence – both our own and that gathered from other companies, industries and settings.

This process involves the use of a clear assessment criteria for appraising the robustness and relevance of each valuation source. This draws heavily on the approaches recommended in CCWater's triangulation process, the critical questions for appraising evidence in the HM Treasury Magenta Book, and Defra's value transfer guidelines. Once the robustness and relevance of each evidence was assessed, we weighted the valuation evidence to form triangulated values. This was undertaken using weights discussed and agreed in advance with our WFCP.

Sense checking the results against the wider evidence was a key part of our process (#4). We also held workshops with our WFCP to enable them to understand in detail and critique the triangulation approach, as well as understanding how the values would be used in practice in business planning. They provided useful feedback on the valuations that were incorporated prior to finalising the values to use for PR19.

Alongside the valuation work, Professor Ken Willis has reviewed the triangulation process in principle and in practice, to provide further assurance to us and our WFCP that the valuation evidence is robust.

All this hard work ensures that we are confident that we have used the best, well-evidenced set of values that most accurately reflect our customers' and stakeholders' priorities.

#3 – Sampling strategy

New to PR19 has been our **sampling strategy**.

This has underpinned our quantitative customer engagement – it sets out the requirements for engaging a diverse cross section of customers.

The sampling strategy sets out the customer segments we need to engage – age, socio-economic group (SEG), customers receiving financial support, those with disabilities and/or on the PSR, home owners and those in rented or other properties, metered or unmetered, a range of household compositions, and income/employment/education levels.

The sampling strategy provided a standard 'front' and 'back' section for any survey to ensure we ask the right segmentation questions and collect data on our customer base in a uniform and consistent way. This has meant that all quantitative research has been analysed for the entire customers base and by a consistent set of customer segments to understand how different customers are affected by our plans, activities and services.

The WFCP had a key role in setting the customer segments.

The sampling strategy also set out sample sizes – for household surveys and non-household surveys, and across our South West and Bournemouth regions.

The sampling strategy also set our quotas – to ensure a representative sample and to ensure sufficient numbers to drill down to customer segments. We set rigid quotas on socio-economic group (SEG), age, gender, and region (i.e. South West or Bournemouth).

The sampling strategy detailed the survey method to be used to ensure that where the views of seldom-heard customers are critical to the research they could be captured through the most appropriate means. For example, for households the sampling strategy sets out when to use each of the following:

- Online survey using a domestic customer panel or through telephone recruitment to an online surve.
- A face to face/in-person approach ("CAPI") which involves contacting respondents directly through door step recruitment. The customer completes the survey with the respondent in their home
- A telephone approach ("CATI") which involves recruiting respondents by telephone.

3 ICF, "Defining triangulation and willingness to pay in the water sector", July 2017, A report for CC Water

Finally, the sampling strategy recognised the need to ensure that with surveys where affordability is an issue (e.g. valuation studies), and crucially explored the trade-off between bills and services, a larger sample was used, to allow views by SEG to be explored with more accuracy.

As well as bringing consistency to our research, the sampling strategy has ensured that in our discussions with the WFCP we could focus on the content of each study – as we had already agreed who to engage, how to engage, and how many to engage. This has delivered real benefits into our engagement programme, allowing us to focus on getting the content right and interpreting the findings.

#4 – Playback sessions

A cornerstone of our engagement has been our playback sessions. This involves taking the findings and results from one or more studies and playing this back to customers as part of challenging the findings. Only when we are confident we have understood customers views fully do we implement and update our plans.

We have had a number of discrete research projects to replay the findings from engagement. This has been key to being confident that we really do understand our customers' views. This has involved customers reviewing the engagement materials and results of previous studies – and helping us and the WFCP interpret what the findings mean and how we should reflect this in our plans.

We have included the process of REPLAY in all our studies. It has been a key theme to ask questions in slightly different ways, using different methods, to see if the results are consistent. We have challenged inconsistencies.

#5 – EngageOne Video

We also looked at new ways to engage with customers which allowed us to have a two way conversation, informing and asking customer views, working on a greater scale than through traditional methods.

The EngageOne Video tool allowed us to provide a personalised, interactive video to engage with, educate and inform customers and in turn seek their views about the long-term resilience of our water resources and planning for the future – a subject that can be difficult to engage with customers on given that we've not had water restrictions in the SWW region for over 20 years, and not in the BW region since privatisation. Customers choose what parts of the video they want to access and we can learn about what is important to our customers through those choices.

Through the use of this tool customers were able to make choices based on an understanding of the possible future if we do not take action.

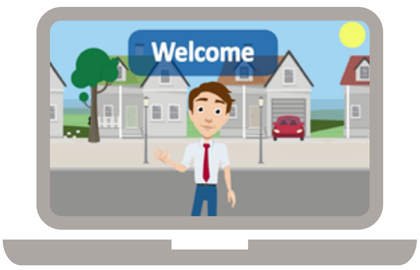
The interactivity put customers in control of the experience; they can choose what elements are important to them.

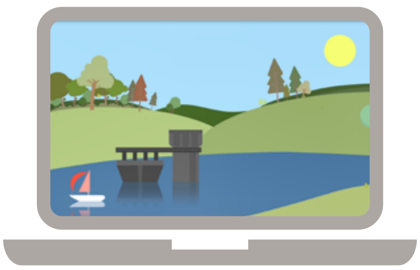
The video's personalisation is based on location meaning that customers see information relevant to their Water Resource Zone, making the issues local to the customer and their community.

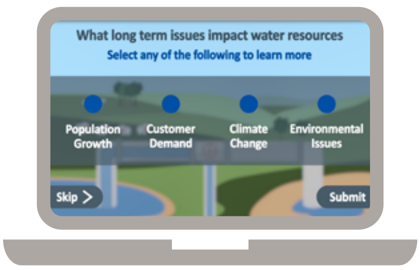
At the end of the video there are calls to action linked to issues raised within the video, e.g. water saving, metering, WaterFuture, enabling customers to take action now.

In terms of the tool itself, feedback was extremely positive and customers are keen for us to use videos of this type for educating current and future customers.

For more information, see
Customer engagement: water resource – video findings







"South West Water and Pitney Bowes have delivered an industry first, a personalised and interactive video that captures customer insight in support of strategic investment planning. The video combines personal data within the video to deliver a unique message to each customer outlining the current water infrastructure in their area, describing the future options available, before capturing the customer's choice on what option they might choose and when their timetable to exercise that option.

South West Water is the first UK based utility to use the global market leading EngageOne Video platform to deliver customer engagement and insight. It allowed them to reach a large audience very quickly at minimal cost in a truly personal and engaging way. Customer feedback has been overwhelmingly positive across the whole customer base and significant input has been captured to help drive future decision making."

Chris Hall
Sales Director, EMEA, EngageOne Video
Pitney Bowes

Raising the bar – presentation of materials

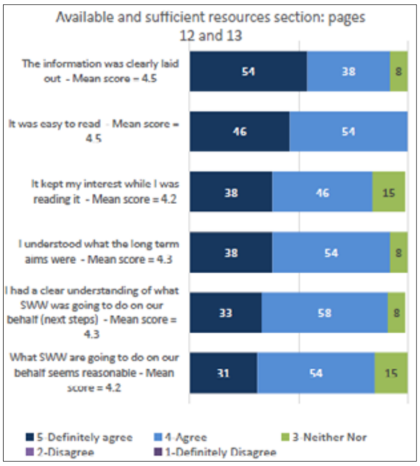
Language testing and making materials accessible and understandable

During PR14 we undertook extensive language testing of materials used within focus groups and our customer facing materials. Since then we have applied that feedback to our everyday communications.

For PR19 we continued to language test specific documents, our **Vision 2050** customer version was tested in focus groups.

For more information, see
Our Vision 2020-2050

Overall customers responded very positively towards the customer version of the document, and were more likely to query or question the information contained within the document as opposed to being confused or not understanding it. Attendees were asked to score and comment on each page – scorecard example below.



Any new stimulus used in online surveys was tested through a series of hall tests, one-to-one cognitive testing and pilot surveys before launching any main survey.

Our customer facing documents are always available in other formats on request.

Focus group materials

At PR14 we used stimulus in all our focus groups – whether that be pictures of service failures (water and waste), bathing waters before and after investment, catchment management projects or physical bottles of discoloured water, meters, fat traps, etc. The aim is for attendees to really appreciate the full range of activities we offer and the magnitude and impact of service failures when they happen. We found this invaluable when exploring priorities and what matters most to customers.

For PR19 we continued to bring service issues to life in all the focus groups by ensuring all activities covering retail, water and waste were available to stimulate discussion and debate.

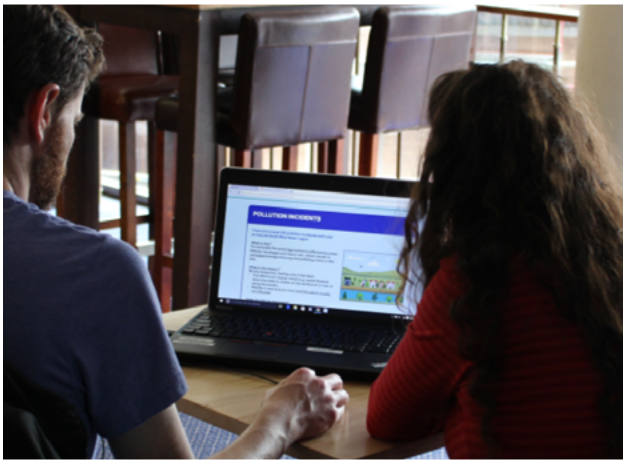
We also ensured that information on our current and forecast performance and comparative data in focus groups was used to aid discussion around priorities and levels of service. This information has been valuable in the discussions on future performance commitments and setting stretching targets.

We also introduced live in-group voting for some of our focus groups and stakeholder workshops. This facilitated several elements:

- An element of interaction and entertainment, leading to enhanced respondent engagement
- Casting votes and collecting information in a more rigorous manner to reflect both group and audience preferences
- Providing respondents with the means to cast individual votes without the influence of group dynamics. This was especially relevant for the type of measures wanted by customers and stakeholders and the timing of who pays for priorities.

Online surveys

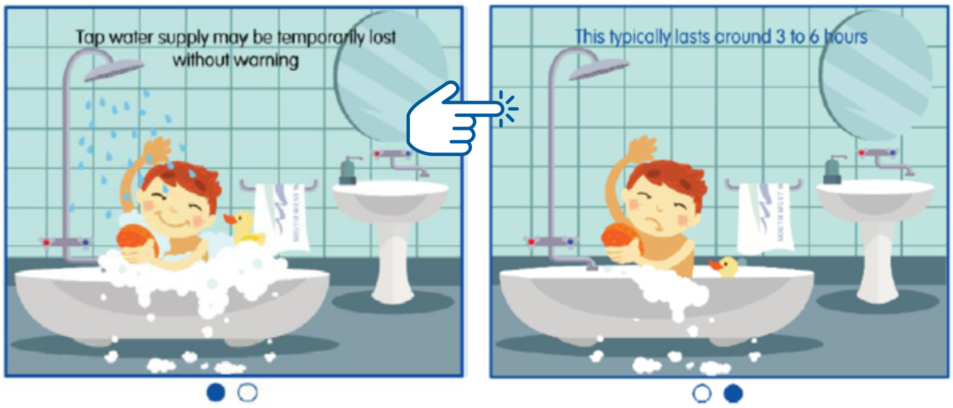
It was important that any online survey we carried out felt engaging and easy to complete as well as providing enough information for customers to feel informed to answer the questions robustly.



We did this by testing materials and language through a series of hall tests, one-to-one cognitive testing and pilot surveys before launching any main survey.

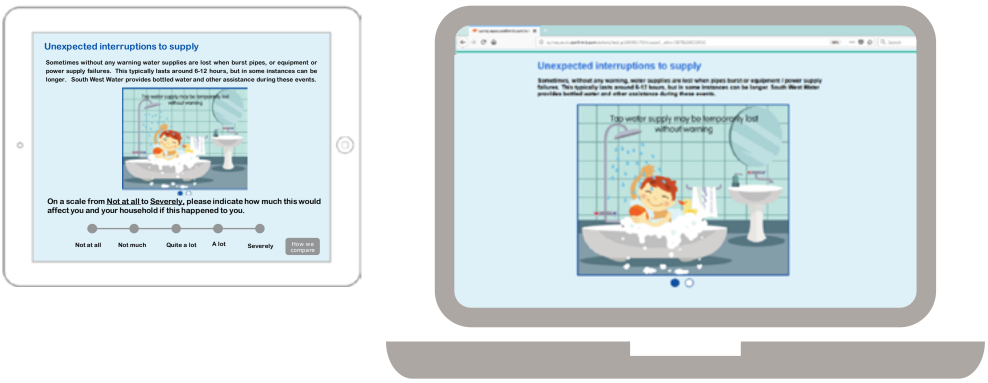
We introduced animations into the surveys, very much to bring service issues to life for respondents as well as being able to use them to depict the impact of their choices – i.e. deterioration or improvement in service.

Raising the bar – presentation of materials continued



All the way through the process the expected look and feel of the research has been presented through 'layout versions' of the survey, alongside the word versions used by our market research partners. Our stakeholders were able to understand what customers would see in the survey throughout the whole of the development and testing phases of the research – and could therefore be more confident around customer understanding.

Layout version versus onscreen appearance



Step change in the conversations – making sure everyone has a voice

Our PR19 sampling strategy has ensured we have captured the views of our entire and varied customer base in our quantitative research. We have followed the spirit of this sampling strategy in setting out the requirements for focus groups and other more qualitative engagement methods.

Households

We have captured the diverse views of a range of households. From students here to study, to families that have spent their whole lives here, to pensioners that have come to the region to retire and enjoy the speculator surroundings, and many, many more. We have tried to reach all the household types and compositions across the regions we serve.

Non-households

It is easy to forget about non-households. They are less vocal than households – they complain less about bills and services. They are free to choose their own supplier for retail services. Our stakeholders tend to mention them less. But they are a key part of our customer base and we want to ensure our plans reflect their needs.

Businesses are feeling the pinch in these challenging macroeconomic circumstances as much as households. They want affordable bills, value for money service and for us to fix things quickly and efficiently when things go wrong.

The businesses we serve through our wholesale business have been a key part of our engagement plans.

Vulnerable customers

We have included questions in our surveys to ensure we understand who are in receipt of a support tariff or who self-reports as having someone in the household with a long-term illness or disability which impacts on their daily lives. All survey findings were assessed by this segment and differences explored and understood. Overall whilst their priorities are the same as all other customers in general, as expected they attach slightly more importance to the additional services and financial support we offer. It is key we get this right for these customers.

Future customers

We have engaged future customers. We recognise that some customers will be paying water bills in the next few years, and some have a bit longer to wait. We considered future customers in four age groups to enable us to gather the views of those who will be bill payers in the short, medium and longer term:

- 16-17 year olds ('coming of age')
- 18-19 year olds ('young adults')
- 20-24 year olds ('early twenties')
- 21-30 year olds ('twenties/turning thirties').

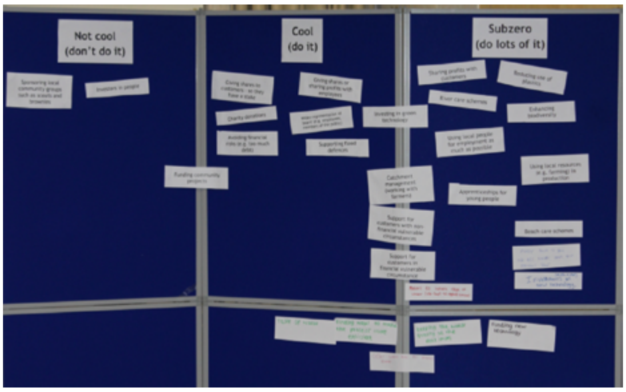
We wanted to understand future customers priorities; what they expect from a local company like us and what it means to be a responsible company; how they see the industry changing in the future due to changing customer expectations, technology, demands on water, and innovation in the industry; and what they think about the bills we charge.

We tailored our engagement techniques and presentation materials to suit our future customers:

- The older groups were engaged using small focus groups and the engagement materials reflected their proximity to being a bill payer. For example, we used a customised budgeting exercises – whereby each attendee was given a scenario that reflected their future income and expenditures (which matched the SEG profile in the region) – and they were asked to consider their monthly outgoings. Then we discussed if our bills are value for money and affordable, and to ensure bills are affordable when they are bill payers

Step change in the conversations – making sure everyone has a voice continued

- The younger groups were designed to respect that young people may not be confident in a focus group to share their views – so we used in-home friendship groups to engage them. We asked them to populate our 'cool wall' with their views on a responsible company, and we asked them to draw and colour the future of the water industry (using a number of black and white templates) and then discussed how ever changing technology and innovation can help meet those challenges.



All of the views of future customers have been considered in developing our plans.

Retailers

It was important that not only did we seek the views of our non-household customers but that we explore and understand retailer perceptions of the newly market opening and how they want SWW to support them now and in the future. We wanted to understand Retailers' priorities for business planning with regard to PR19.

In order to do this, face to face in-depth interviews were carried out with eight retailers active in our supply area. The collated findings of these surveys predominantly were around simplification of processes and improving data, but Retailers are keen to see more collaboration with wholesalers for the mutual benefit of non-household customers.

Step change in the conversations – making sure everyone has a voice continued

Stakeholders

We have engaged stakeholders as a further challenge on our plans and proposals. This has been through consultations, workshops and one to one meetings.

Some of the stakeholders we have engaged included consumer interest bodies, councils and local authorities, politicians, developers, lobby groups, charities, academic bodies and social housing bodies.

Stakeholders can have a unique perspective on issues that are really important but have not been picked up sufficiently by our customers. This is because stakeholders can have a unique understanding i.e. they are generally more informed about our business, our services, and our operations – so they can challenge our solutions and ways of working in a way that sometimes customers cannot.

Research findings – what matters most

We track customers' priorities and base our plans on what matters to customers. Our current 2015-2020 plan is based on what customers told us their priorities were when we were putting the plan together during PR14. Since this time we have continued to track and understand priorities through a range of engagement activities with current and future customers.

This has shown us that customer priorities can shift over time. As we have delivered against our promises, some aspects of service become less of a priority for the future, and others become more of a priority.

Perhaps the biggest shift in customer views since PR14 is the increased importance that they attach to our wastewater operations. In PR14 our **Priorities research** showed that customers' top priorities were more balanced towards our water operations and water services. Drinking water quality was customers' number one priority – with ensuring continuous water supplies in all conditions and reducing leakage in our top five priorities.

PR14 top five priorities:
Safe clean water supply, which looks and tastes good to drink
Controlling network and customer leakage
Preventing pollution from the wastewater system
Ensuring water supplies, even in extreme condition
Improving wastewater treatment to protect the water environment

We are delivering on our current promises to customers – and are on track to meet or beat all our targets, particularly on our water services performance commitments.

For more information, see
Accounting for Past Delivery

As we have done this, we have seen a shift in customers' priorities.

PR19 top five priorities:	Trend
Safe clean water supply, which looks and tastes good to drink	↔
Improving wastewater treatment to protect bathing/shellfish waters	↑
Preventing pollution from the wastewater system	↔
Ensure the sewer system can cope with heavy rainfall, to prevent flooding and pollution	↑
Prevent sewer flooding caused by sewer blockages, through effective maintenance of the sewer network	↑

Our PR19 **customers priorities** research has consisted of qualitative research to understand the complete set of priorities (**Establishing priorities**) and a quantitative phase (**Quantifying customer priorities**) to understand the strength of feeling and rank the priorities in order.

A clean, safe water supply remains the number one priority. It is difficult to envisage this not being our customers' and our own top priority. But in our South West Water region the rest of customers' priorities have shifted and are increasingly more wastewater focused.

Our **long-term tracking** supports these findings, and shows a slight decline in satisfaction with our wastewater services. Customers are concerned there is a growing risk of flooding from changing weather patterns; they are increasingly intolerant of pollution; and are acutely aware of the impact our wastewater operations and services have on recreation and tourism. As expectations have risen, satisfaction with wastewater services has declined.

In contrast, our **long-term tracking** shows continuing high levels of satisfaction with our water services, as we continue to respond to and meet customers' increasing expectations.

↑ Increasing ↔ Stable ↓ Decreasing

Research findings – what matters most continued

In our **Customer Playback** sessions our customers confirmed that the current level of satisfaction with our water services is high. Interruptions are few and far between, and our tap water is high quality and pleasant to drink. As long as standards don't slip and we protect those in vulnerable circumstances when issues do arise, it is a lower priority for our customers to continue to drive improvements in water services in the future.

Although the ranking of the top priorities has shifted, across PR14 and PR19 the overall set of priorities that customers care about is unchanged. In PR14 customers told us there were 18 priorities important to them, covering our eight outcomes. In PR19 customers still tell us there are 18 priorities – and they cover broadly the same aspects of service and outcomes.

Customer told us then, and they tell us now, that:

- Our service levels are good but we can and should do more
- Great customer service is important and needs to meet individuals' needs
- We need to help people use water wisely to budget and save precious resources
- We need to protect wildlife and habitats
- We need to deal with issues as they arise quickly and efficiently
- We need to give extra help to those that need it most
- We need to embrace changing technologies and innovate for the future.

These priorities are all still relevant. So it is not enough to deliver against the top few priorities only – our customers want to see a plan that reflects and balances all their priorities.

The rest of our engagement supports the findings of our **customer priorities** research. For example, in our **Customer support for long-term affordable investment in services** research we tested the priorities again. The research found the priorities to be the same – with the top five priorities matched exactly to the **Priorities research**.

And **Future customers** have similar views too. Future challenges are perceived to be related to increased population demand and the associated impacts such as pressure on water resources, infrastructure and water quality. The environment features strongly in future challenges, priorities and investment areas.

Our **priorities research** and **future customer research** has shown different customers segments have consistent views. Specifically,

- Customers in our South West Water region and Bournemouth Water regions share the same views around the priorities across water services and customer service
- Customers priorities do not seem to vary by SEG or income levels
- Vulnerable customers – financially and non-financially vulnerable – have similar priorities as other customers, although they attach slightly more importance to advice and support that helps households reduce water usage and bills, and slightly less importance to some environmental aspects
- Younger and future customers want us to do more to use advancing technology. They see the future water industry using much more smart technology to support household water use management and to monitor and manage networks
- Finally, households and non-household customers have the same priorities – meaning that a business plan that meets the requirements of household customers also meets the requirements of non-household customers.

All the themes we heard in the priorities research and subsequent studies have been taken forward into our engagement – and ultimately into our plans. We have sought to add depth to these priorities – to understand what this means in practice for our plans. And we have continued to look for differences in views across the customer base so we develop a plan that works for all.

We have listened, understood and responded to shifts in customers' priorities.

Step change in the conversations – discussion topics

This section covers some of our engagement topics. Whilst not exhaustive it summarises our conversations with customers in some of the key areas.

Water and wastewater services

Our core business is to provide water and wastewater services to homes and businesses across the Devon, Cornwall and Bournemouth. Every day we interact with and listen to our customers. Each letter, phone call, social media post, water bill or newsletter sent to customers, customer taking part in a research project, focus group or tracking survey is an opportunity to communicate with our customers and learn more about what they want from our core services.

As would be expected, our customers priorities are heavily focused on ensuring we provide a clean, safe supply of water – and remove and treat sewage effectively.

Top five water priorities for our combined South West Water and Bournemouth Water regions:

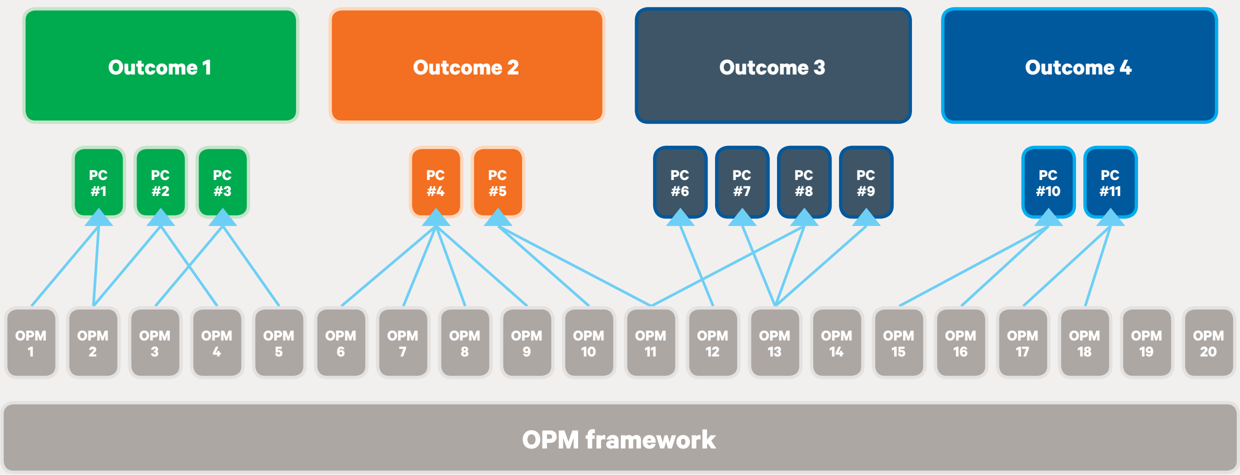
- Safe clean water supply, which looks and tastes good to drink
- Ensure water supplies are maintained, even in extreme conditions
- Reduce the amount of water lost in the network and customers taps
- Minimise occasions when water supplies are interrupted
- Have sufficient water in dry periods to avoid water use restrictions.

Our OPM Framework

Our OPM is the full set of measures that we measure our services and activities against. It includes water, wastewater, environmental impacts, customer service, health and safety, and wider societal impacts. It captures the severities by which aspects of service are measured.

The OPM Framework is aligned to the suite of performance commitments. Some performance commitments have a one to one mapping to OPMs (e.g. leakage), whereas other performance commitments are the sum of multiple OPMs (e.g. the pollution incidents performance commitment is the sum of all categories of pollution: 1, 2 and 3).

The increased level of granularity that our OPMs gives us is important to ensure that we can deliver maximum value to customers by incorporating and assessing the effects of our activities and operations on services, customers and the environment.



Top five wastewater priorities – for our South West Water region only:

- Improving wastewater treatment to protect bathing/shellfish waters
- Preventing pollution from the wastewater system
- Ensure the sewer system can cope with heavy rainfall, to prevent flooding and pollution
- Prevent sewer flooding caused by sewer blockages, through effective maintenance of the sewer network
- Minimise odour from wastewater treatment works.

Step change in the conversations – discussion topics continued

Our **long-term tracking** shows that satisfaction with our water and wastewater services is high, albeit slightly declining for wastewater services, and accordingly customer priorities around wastewater services have increased.

This means our PR19 plan needs to be balanced – ensuring water is clean and safe and continuing to improve how it looks and tastes, whilst increasing the focus on our wastewater networks and treatment processes.

We have had many conversations with customers about our water and wastewater services. We have listened to our customers views on:

- Service levels and our comparative position in the industry – such as around leakage, pollution and sewer flooding
- The extent to which service should be delivered through improving asset health versus an improved operational response
- The priority and focus for the plan, and the balance between bills and investment.

Our **OPM research** was used to ensure that our OPM framework captures what is important to customers. In the **OPM research** customers told us that our framework did not fully capture all the aspects of service important to them. For example,

Water

- Our PR14 OPM framework aggregated all water aesthetic issues, but customers told us that taste and odour issues are more of a concern than discolouration; and these should be split out
- Customers told us our durations of measured supply interruptions seemed too short – we had grouped over 24 hours into one category. Whist durations over 24 hours are rare, customers want us to track and measure interruptions that can cause multiple days of interruptions to ensure that we are addressing resilience in the network
- Water resource options have different impacts on customers and the environment; the PR14 OPMs focused on water efficiency and leakage, but did not include other demand options or any supply side options.

Wastewater

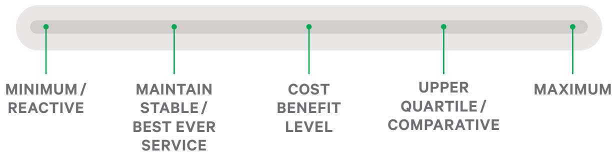
- Customers do not view all internal or external flooding incidents equally. For example, flooding of sensitive properties is more of a concern than flooding of other homes and businesses; flooding of highways is less of a concern than flooding of gardens and property grounds. Customers were concerned that flooding of farmland or the frequency of flooding were not captured in the OPM framework
- Some drainage solutions have a premium over traditional solutions – if they create habitats and genuinely improve biodiversity. Customers told us they wanted us to include these in framework
- Customers care about changes to bathing water quality and combined sewer overflows and wanted these captured in the framework.

We updated our OPM Framework to reflect customers' feedback. Our valuation programme allowed us to value our 150 OPM valuations individually – most all of which relate to water and wastewater services we provide.

We have undertaken **Stated and Revealed preference** studies and a comprehensive triangulation process to provide accurate valuations covering the breadth and depth of water and wastewater services, such as water restrictions and resource options, sewer flooding and sustainable drainage options, pollution incidents, bathing water quality, water disruption and drinking water quality.

We have tested the findings of our valuation studies in our **Customer playback sessions** as part of triangulation of the evidence. The triangulation of this evidence has shown that customers valuations for water services are reasonably aligned to PR14 (once PR14 numbers are inflated to 2017/18 prices). On the wastewater side we have seen some notable changes in the valuations, with an increase in the value of improving our wastewater services – i.e., an increased value for preventing sewer flooding and pollution, and improving bathing waters further.

We have used customer priorities, and customer valuations to undertake scenarios around all our performance commitments. Customers' valuations support our assessment of cost benefit and underpin discussions with stakeholders.



We have developed our water and wastewater plans – from our assessment of these scenarios. We published our initial plans in our **Proposals and Choices** consultation, which involved sending our WaterLevel newsletter to every home.

We have tested the acceptability of our proposed water and wastewater targets in our **Regional focus groups** and **Acceptability testing**. Our customers tell us we have the right plans in place.

Our plans to improve water and wastewater services include significant reductions in sewer flooding, pollution incidents, odour from our sewage treatment works, supply interruptions, leakage; and improvements in bathing water and water quality aesthetics. Each initiative is supported by at least 81% of our customers.

Environment and Biodiversity

We consider ourselves to be key custodians of the environment. Our region is blessed with beautiful pristine bathing waters and diverse biodiversity, and is a special place for people to live.

We continually invest to maintain and improve our assets to protect both public health and the quality of the environment. For example, we have invested around £2 billion to date via the Clean Sweep project to improve bathing waters in the South West. This has led to improvements in water quality across beaches in the region, which our customers and visitors alike enjoy.

The environment underpins the economy, tourism, recreation and the way of life in the southwest, and we want to do our bit to support all of these. By ensuring that our activities have a positive impact on recreation amenities such as bathing waters, river water quality and supporting leisure activities at our reservoirs, we are able to support the economy of the region thus contributing to the outcome of 'Benefiting the Community' as well as 'Protecting the Environment.'

Our customers tell us environment is important to them. **Our Customer priorities research**, **Future customers research** and **long-term tracking** shows that customers care for and enjoy the environment, and that whilst they recognise the environment is well protected in the region – there's more that we and others can do. Protecting bathing and shellfish waters is customers' number two priority – second only to drinking water quality. Other key priorities continue to be around conserving water and protecting precious water sources, supporting wildlife and habitats through activities such as sustainable drainage solutions. Households and businesses have similar priorities.

Our **long-term tracking research** has shown that current satisfaction levels with our wastewater service is lower than that for clean drinking water quality – as customers think we can do more to protect the environment and prevent flooding.

Our **OPM research** allowed us to understand whether the measures we use in our business plans reflect the environmental issues that are important to customers. We updated our OPM framework to ensure we fully capture the benefits of solutions that improve biodiversity and protect waterbodies. For example, our OPM framework has been extended to include sustainable drainage, combined sewer overflow spills, bathing water classifications, abstraction, and improved biodiversity monitoring.

We tested and refreshed our outcomes for PR19 as part of our **PC Research**. 'Protecting the Environment' and 'Benefiting the Community' remain important to customers and stakeholders, and unchanged as outcomes. The performance commitments in these two outcomes are largely unchanged – but have been amended to reflect the increased importance customers and stakeholders place on biodiversity and sustainability. Our performance commitments will ensure there is a strong focus on improvements in biodiversity and reducing pollution, improving the quality of rivers, and ensuring even more clean bathing waters in the region. This is what matters to our customers.

We have undertaken numerous studies with customers to understand the value of service and the environment to them. Our **Stated and Revealed preference** studies have provided a wealth of information on the value of our 150 OPM valuations – of which many relate to the environment, such as:

- Bathing water, including our **Bathing water revealed preference research** – around recreational beach use and the importance of bathing water quality, through a detailed travel cost assessment across the region, and supplementary local impact assessment to understand how we impact on the economy
- Pollution and river water quality
- Leakage and other resource options
- Sustainable drainage.

We have triangulated the findings of these studies with other studies – including the use of value transfer around environmental improvements. This is further evidence that the environment is increasingly valuable to our customers.

Throughout this engagement customers told us we need to reduce pollution levels – so we are in line with the best in the industry. In the **PC Research** this was the key aspect of our comparative performance that customers were concerned about – and thought should be a priority area for our business plan. This is reflected in the increased willingness to pay to see pollution events prevented that is evident in all our valuation research.

We challenged the increase in the value of pollution from PR14 to PR19 in our **Customer Playback Sessions**. Customers confirmed they find it increasingly unacceptable to have pollution incidents – and they no longer consider even minor pollution to be acceptable. They supported the higher willingness to pay levels estimated in our **Customer valuation programme**.

Step change in the conversations – discussion topics continued

Throughout the engagement research, customers told us to continue to invest in bathing water – even though we are already exceeding the rest of the industry in delivering good and excellent bathing waters to customers. In the **Customer Playback** sessions customers told us the value of excellent bathing waters to the region – given the impact it has on Blue Flag status, recreation and tourism – remains high. Continuing to increase the bathing waters to this level is welcome.

Throughout the engagement research, customers agreed protecting rivers and water sources is important. They want us to work with farmers to prevent slurry and pesticides going into rivers to ensure that that water is there for drinking water supplies but also to protect biodiversity and wildlife that depends on those rivers.

And they want us to help households reduce consumption as well as reduce leakage – so that we abstract as little as possible from the water environment. And whilst they struggled to understand the detail of the Abstraction Incentive Mechanism, they supported the reasons for its introduction, and support it in those areas that need it.

Our performance commitments reflect customer feedback.

We have undertaken scenario analyses around our performance commitments and tested these with customers and stakeholders.

We've used this information on customer priorities and valuations to engage our stakeholders on what we should be doing for PR19 for the period 2020-25. Our stakeholders are supportive of our plans for the environment. In **Stakeholder workshops**, we were challenged to ensure our targets around pollution and combined sewer overflows are stretching and value for money, and increase the education we provide – about what to put down sewers and drains, using water wisely and water efficiency – to protect service and the environment.

The **Regional focus groups** have allowed us to assess our plans to protect and enhance the environment across the region. We presented plans which included improving to upper quartile performance for pollution, reducing leakage by 15%, reducing unsustainable abstractions and further catchment management activities, and improving water quality at a further 8 bathing waters. Our customers supported these plans.

In our **Acceptability testing** our customers indicated significant support for these plans. Initially customers indicated they thought the cost of some initiative were too expensive – with the costs of the initiatives in 'Protecting the Environment' of most concern. We increased our efficiency challenge to lower these costs – to ensure support for our plan as a whole, and each initiative in particular.

Our plans protect and enhance the environment. Based on customer feedback we are confident our plans for the environment are acceptable, valuable and affordable to our customers.

Given the importance of bathing water demonstrated through all the research the following case study explains the step change in conversation in more detail.

Case Study

Bathing waters

In the last 18 years, over £2 billion has been invested in improving the water quality of the region's bathing areas, making it the largest environmental programme of its kind in Europe. We have 35% of all the designated bathing waters in England.

As a result of Clean Sweep, 250 crude sewage outfalls have been closed and 140 projects have been completed. The incredible success of the programme was evident in 2006, when for the first time all 144 bathing sites in South West Water's region achieved 100% compliance with the EU mandatory standard.

During the current delivery period (2015-2020) we have continued to invest to ensure that bathing waters reach stringent standards, we are on track to have zero bathing water failures by 2020 continuing to meet our promises to customers.

To establish what our customers priorities are post 2020, we held 19 regional focus groups in November 2016 to explore their needs and what matters most to them. Protecting and improving bathing waters featured as an important priority for the region, most customers not only linking the quality of the bathing waters to the regional economy, providing jobs and supporting local businesses with the increasing number of tourists but at least 75% of customers tell us they regularly use the beaches and enjoy the environment we live in, many making lifestyle choices to move to the South West Water region because of the beautiful coastline and way of living.

"It's important to focus on the bathing waters at the beaches because it's our industry isn't it, its tourism. If we've got the best beaches we are getting the best income."

Launceston Focus group
(PC and ODI research)

When the priorities were tested through the following quantitative phase with c. 1,300 customers, bathing waters ranked higher than at the previous price review, number two compared to number five in 2012.

The priorities were tested again in our research on understanding 'customer support for long-term affordable investment in services' and bathing waters continued to be ranked second with an overwhelming 94% of customers (700 sample) saying that this was an important area to invest in.

We also asked customers where they wanted to see improvements in their priority areas, for bathing waters it was broadly 50/50 in wanting to see performance improved and current performance maintained.

In our second stage (Willingness to Pay) wastewater study, the feedback was customers value improvements in bathing water quality. In particular customers continue to value highly more bathing waters achieving excellent water quality that is associated with Blue Flag status. The incremental value from moving from good to excellent remains relatively high, this means further efforts to improve already high bathing water quality to excellent around the region is valuable to customers.

- 86% of households agreed that bathing water performance was good[1] but 77% would like to see further improvements in bathing water performance
- 82% of customers believewe should focus on getting all 'sufficient' bathing waters improved to 'good' or 'excellent'
- Small levels of dissatisfaction are caused by customers witnessing or have a perception of pollution and sewage issues at local beaches[2].

"Would you want your children swimming somewhere that's sufficient?"

OPM scoping focus group

Future customers also considered bathing waters to be an important area to continue to invest in, with the majority of groups citing it within their top three priorities. Bathing waters were also considered to be a high priority by our Stakeholders, with c. 90% of stakeholders requiring SWW to continue to invest to improve the quality of the bathing waters.

1 This figure corresponds to our long-term tracking satisfaction of the quality of bathing waters, which is reported as 61% of customers satisfied however this rises to 81% when customers who don't know/no opinion are moved.

2 Long-term tracking survey records reasons for dissatisfaction

Step change in the conversations – discussion topics continued

Case Study continued

"It's so vital to our region and for the tourism industry, we should always be seeking to improve the water. Are we satisfied with 80% getting the 'excellent' rating? We should be constantly improving."

Developer – Devon stakeholder workshop

"As a tourist economy, the bathing water has to be perfect. People come for holidays and to retire. It's very important, lots of people completely dependent on it."

Voluntary group – Devon stakeholder workshop

Given the strong views of customers with this investment area, we undertook a specific piece of research, examining visitor behaviour at selected bathing water sites using a revealed preference method to examine the factors that influence the number of visits to bathing waters each year and the value associated with those visits.

A large scale on site survey of beach users, consisting of SWW customers and non-customers was conducted between April and November 2017 involving 2,137 interviews at 13 bathing water sites in Devon and Cornwall. The selection of sites was primarily based on bathing waters being considered for investment from 2020. The main findings of this study were:

- On average SWW customers visit the beach 56 times a year, for the most part visiting beaches near their homes. In contrast other beach users (non-customer visitors) visit beaches upto four times a year on average typically visiting coastal towns and major resorts
- Around half of respondents stated that they planned to come into contact with the water during their visit. Beach users awareness of bathing water quality and the status of a beach is low, **most simply take it as a given that the water quality was high** at the site they visited.

It's because of this that continuing to improve already high bathing water quality to excellent around the region is valuable to customers. It is a given that we need to have the best bathing waters we can in the region to meet not just our own customer expectations but of those that visit the South West.

The study also established that there is a significant value associated with the recreational use of beaches in the South West, and in line with customer views that bathing water quality is important because the region is heavily dependent on tourism and for the local economy, the study estimates that direct visitor expenditure (local business turnover) range from c. £8m per year for coastal villages to c. £51m per year for major resorts, with full time equivalent (FTE) jobs supported between c. 150-1000 per resort.

When reviewing our current and potential future performance commitments with customers, bathing water was seen as the most important measure to have under our 'Benefiting the community' outcome, with customers consistently telling us that it is especially important to include as livelihoods depend on it and they enjoy the environment in which they live. Customers also supported the use of outperformance payments and under performance penalties reflecting their views that we need to maintain current performance and be incentivised to go beyond our statutory requirements.

"Launceston: the region is heavily dependent on tourism."

PC and ODI focus group

With that in mind our performance commitment has been designed to meet our customers' needs – to maintain and improve bathing water performance and to continue to meet our statutory requirements.

Our performance commitment is designed to deliver the number of bathing waters meeting or exceeding the Environment Agency (EA) requirements identified in the Water Industry National Environment Programme (WINEP). These eight bathing waters represent a cost beneficial investment that is both affordable and acceptable to our customers, we will also ensure that we continue to maintain current levels at all other bathing waters. We will get penalised if a bathing water status is downgraded due to the fault of our assets or operations

We have also built into the performance commitment that if through investigating the potential to improve a bathing water status under the WINEP we can deliver further improvements through the period we can earn an outperformance payment, this is because we may be able to deliver additional improvements and benefits to customers above our business planning targets.

To conclude, the investment for bathing waters aligns with **what matters most** and is the right thing to do by our customers both current and future, wider stakeholders and for the environment that we all enjoy.

Resilience

In PR14 based on customer views we developed our outcome 'Resilience in extreme circumstances' recognising the importance of a resilient service. Since PR14 we have had a step change in conversations and responded to customers' concerns around resilience. In our **OPM research** we asked customers how they felt about resilience and what sorts of risks and hazards they thought it was reasonable for us to be prepared for. Customers told us that to them resilience is about ensuring customers' demands for water are met during drought and other extreme weather conditions. They think less about issues such as supplies cut due to power cuts, as they trust we have plans in place to deal with reasonably foreseen events such as this (e.g. through backup generators).

Customers told us that they believe the resilience of the system is more of an issue today than in previous generations due to rising populations and changes to weather patterns. But customers were also clear that we should be reasonable in our approach to resilience; we can't protect against every risk, every time, no matter how unlikely.

Customers told us that our approach to resilience is about planning for what can go wrong – and either preventing issues from happening, or responding well and getting service back to normal quickly when they do.

"We're quite shortsighted. We want the tap to turn on and that be that, but South West Water have to think further."

OPM Research, St Austell, Aged 25-45, SEG BC1C2D

"You still have to plan for the future even if it works now."

OPM Research, Bude, Aged 45+ SEG BC1C2D

In our **PC research**, customers told us they are concerned about the impact of changing weather patterns and associated increased risk of flooding. And that whilst they do not want or expect us to protect against all risks and all eventualities however unlikely, we heard again that we should prepare for reasonably foreseeable events, and this includes having the capability and resources in place to respond effectively when events do occur – so customers are informed, services are returned to normal quickly, and those in vulnerable circumstances are particularly protected.

In the **PC research** customers told us that our PR14 outcomes and performance commitments focused on priority resilience matters but were quite narrow in focus and needed to be much more inclusive of the wastewater side of our operations. In reviewing and refreshing our outcomes for PR19, we recognised that resilience is much broader than just extreme conditions, we have revised the title of our outcome to 'resilience'. We refreshed our performance commitments in this area to provide a more balanced approach across water and wastewater, and to deal effectively with all hazards in a practical way.

In our **Post event surveys** we have learned a lot from customers about our processes for dealing with disruptive events. In **Cold snap research (freeze and thaw)** we engaged customers affected by the recent Freeze and Thaw event, and this gave even more insight into our processes and ways of working in extreme conditions.

We learned that that we have effective processes in place to ensure customers have water from tanks, distribution points and direct delivery when things go wrong. Our communications are reasonable – although nearly half of our customers told us we could be better at communications before and during the event.

Our Cold snap research showed that those that received our text alert felt very up to date and supported; those that did not receive this relied more on friends, family, our website, and our staff at distribution points. A key lesson learned is that we need to promote our text messaging services more – which we have already started to do.

Our PSR customers have told us that they are well looked after and supported during events. However, from our **Post event surveys** and **Cold snap research (freeze and thaw)** it is clear that large numbers of customers that could be classified as being in vulnerable circumstances are not aware of the PSR. A further key lesson has been to promote the PSR better – which we have also started to do.

In the **Cold Snap research (freeze and thaw)** our customers told us it was acceptable for there to be disruption to services given the scale of the extreme weather: the level of impact and disruption were proportionate to the severity of the weather. And they have lukewarm support for investing significant sums in the network to protect against such severe weather in the future. Whilst one third (34%) said we should invest more money to prevent this in the future the rest of our customers told us that this is not a high priority – and there are more pressing concerns for us to focus on today than investing to protect against such extreme weather. A balanced response was needed in our plans.

The feedback we received has provided the basis on which we have refreshed our long-term 'WaterFuture' vision which outlined the key customer priorities for services during 2020-2050. This was published in September 2017 and includes key long-term aims around resilience, namely to:

- Increase the resilience of our water network to reduce leakage and minimise interruptions in supply
- Improve the resilience of the sewer network to make sewer flooding a thing of the past.

Based on this feedback we have also refreshed our performance commitments in our resilience outcome. We have replaced our PR14 measure around water interruptions: Supplies interrupted due to flooding of our sites with four measures which give a more balanced and rounded assessment of resilience.

- We have a measure of the number of supplies interrupted for more than 12 hours. This can be due to flooding, or other events such as third-party damage, freeze thaw conditions, catastrophic asset failure, lightning storms, etc. This measure now captures all hazards that can impact on water supplies, and by including a duration threshold, gives a strong incentive to respond and recover services quickly. This performance commitment is called Resilience in the round water
- We have also introduced the measure Resilience in the round – waste. This is a measure of the number of resilience action plans we have in place – ensuring our sites are resilient to hazards, but also can respond and recover quickly
- We have introduced two resilience measures proposed by Ofwat: drought risk and flooding risk. Our customers support these measures, especially the flooding risk measure.

We have set challenging targets to deliver for our customers. We have tested a range of scenarios around improving resilience and our proposed investment and targets are value for money and cost beneficial, given the benefits in terms of reduced interruptions, flooding and other disruption prevented.

We have presented and tested our resilience plans in **Regional investment focus groups** and our **Acceptability testing**. Customers find our plans to be challenging and support the investment and bill impacts. We have designed and tested ODI to ensure we deliver on our promises here. In line with what customers told us in our **ODI Research** and **Balancing risk and reward** research, we have applied financial incentives to our bespoke resilience measures.

Asset health

We have always recognised the importance of asset health. Over the years we have consistently measured and tracked asset serviceability and reliability, improving over time and delivering against our basket of targets.

In developing our plans for 2020-25 we responded to the proposals that asset health should be no longer a basket of metrics, but should be the individual measures themselves. We recognised that this would need a step change in our conversations with customers, as we had undertaken little engagement with customers previously in this area.

Our **Priorities research** showed that maintaining the asset base to deliver service is hugely important. However, our **OPM research** was the first real opportunity to start a conversation with customers on asset health. We asked them:

- What does asset health mean to them?
- How important is it to them?
- What aspects of asset health are important to capture?
- Does asset health feel like an issue – or does it feel about right?

This showed the strength of feeling that customers have around asset health – this is a key area and priority for customers. At this early stage it was clear this would be a key topic for our conversations with customers.

In the **OPM research** customers told us that it is very important to maintain asset health – and they take it as a given that this is what we do. Even if services are being maintained – there is the expectation that the system is subject to regular upkeep and maintenance.

In the **OPM research** we presented customers with a long list of potential asset health measures:

- Those in our existing reliability basket
- Potential measures identified in various UKWIR reports.

We asked customers what is useful to measure and what is not. Customers told us that what matters to them is having asset health measures that show the underlying condition and performance of the asset base is being maintained or improved. In this research, customers were unanimous that asset health needs to continue to improve – the only disagreement among customers was the pace of change given the impact it could have on the bill.

We further tested asset health measures in our **PC Research**. This included:

- Our existing asset health measures – testing the measures developed in PR14 across both South West Water and Bournemouth Water
- Proposed mandatory and recommended measures set out by Ofwat in the draft methodology consultation

Step change in the conversations – discussion topics continued

- A full and comprehensive list of potential measures across water and wastewater services based on the results of the **OPM research**, a review of other industries asset health measures, and a review of our performance and risk data to understand what we can support now and in the future.

We presented all of this to customers and asked them their views on each of them as part of our **PC research**. What this showed is that customers want asset health measures that:

- Ensure we manage and maintain our networks and asset
- Represent a good link between asset health and service
- Are easy to understand
- Avoid duplication with each other as much as is practical.

Some of the measures presented were technical and not self-explanatory. Customers told us they like measures where it is clear there is a link between improving the measure and improving service. For example customers like mains bursts as an asset health measure as they recognise that if we are reducing mains bursts we are reducing issues such as supply interruptions – today and in the future. Similarly, if we are reducing sewer collapses by maintaining our sewer network, we are protecting service today and in the future.

However, for some other measures customers struggled to make the link between asset health and service. Measures we presented for discussion such as pumping station availability and remaining life were considered less transparent, less understandable in terms of the impact on service and were therefore less popular.

Following this research we developed our asset health PCs based on customer views and our available data.

We have set ourselves challenging targets for our asset health PCs. We have considered a range of scenarios around asset health. Our targets for asset health are based on a mix of cost benefit and the asset health levels needed to deliver upper quartile service levels.

This has involved estimating the customer value for asset health measures. This is something new to PR19 and has been a key part of our customer valuation. From our **Stated preference and Revealed preference** research studies, we have estimated the value of service improvements. We have estimated asset health values bottom up based on the service impacts they can cause. So if we prevent blockages and collapses – we prevent pollution and sewer flooding; if we prevent bursts – we prevent supply interruptions. We have used these links to value asset health, whilst removing any overlap and double counting through our **Triangulation** process.

We tested our asset health targets in our acceptability testing programme. The **Regional focus groups** were used to assess our plans across the region, but also locally. Customers were asked if the proposed plans met their local needs as well as regional considerations. These showed that customers thought our targets were mostly stretching – but were not stretching for some of our asset health measures. Customers wanted us to be more ambitious about our performance when compared to other companies.

We took this feedback on board and improved our asset health targets. This was tested in our quantitative **Acceptability testing** – and our customers have indicated our targets are highly acceptable. All of our asset health targets have the support of 85%-90% of our customers.

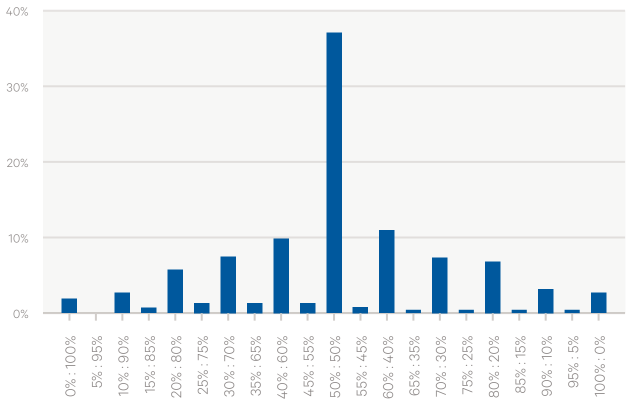
We have developed a suite of incentives around our asset health to ensure we have a strong focus on service delivery of our targets. We engaged customers about whether these incentives should be financial or reputational; customers indicated financial incentives should apply in our **ODI Research**. This was also the finding of our **Balancing risk and reward research** where there was strong support for all of our asset health measures to be financial, particularly sewer collapses, blockages and external flooding as these are high priority areas for our customers.

We have tested whether our financial incentives should be outperformance based as well as underperformance based. In our **ODI Research**, the view from our customers is that they should have under and outperformance incentives. They want to see a strong focus on service delivery and they believe that if we have set ourselves stretching, challenging targets and it is economic for us to go further, then the incentives should be in place to encourage that. Therefore we have set all of our financial asset health incentives in that way.

In the **Balancing risk and reward** research our customers told us asset health incentives should be strong, with asset health and service equally important to incentivise – on average asset health measures should carry similar financial risks to service measures.

This is shown in the following diagram: on balance customers want asset health measures to carry the same weight as service measures.

Customers' views on the financial incentives
Asset health: Service measures



Source: Balancing risk and reward research

This has been a key check on our ODIs – ensuring that asset health measures are on a par with other measures.

We are confident we have the right package of ODI measures. Overall Asset Health accounts for 24% of the total penalties and 25% of the outperformance payments in the RoRE range. Given just over one-quarter of our performance commitments relate to asset health, this is the right balance of asset health to service-based incentives.

Innovation

We have discussed with customers how we respond to future challenges, such as population growth, changing weather patterns, and potentially growing affordability concerns through the region. **Do we do more of the same? Or do we do something different?**

Our customers have told us consistently that we need to find better ways to conserve precious resources, and to promote sustainability and biodiversity if we are to meet customers increasing expectations, address future challenges, and deliver our vision to 2050.

Customers – especially younger and future customers welcome innovation and new technologies to support our ways of working or reducing costs (now or in the future) and see this as the way to continue to deliver excellent service as challenges present themselves.

Future customers want us to open our minds and consider what is possible – they challenge us to consider the scope for increasing water recycling, harvesting more rainwater, and finding more efficient ways to source and treat water more cost effectively.

'Couldn't we use the water from the shower and recycle it. Like having your own filter in your house.'

Bournemouth 16-17 year olds

'In 30 years they could have a scheme (like in London) building bio-houses that have water containers on roof and these deal with toilets. Collect rainwater to use and recycle.'

Exeter 16-17 year old boy

'Can they not build more water collection places for rainwater so that it would be easy to treat and not so expensive?'

Barnstaple workshop 19-24 years

'You could use it for watering plants and other stuff as well. Isn't it called grey water? Perhaps use that for washing clothes and showering. It's clean enough to do these functions.'

Barnstaple workshop 19-24 years

Our customers are only too aware that all around us there are ground breaking innovations in technology across all industries. They want us to embrace this. For example, many of our younger future customers told us that they consider it a given that by the time they are bill payers all meters will be Smart meters; and there will be the telemetry and monitoring in place to detect leaks, and identify issues arising before they impact on customers and costs. The idea that we learn about issues on our network because customers call to let us know will be increasingly unacceptable in the future.

In terms of the expected timing of technological advancements, many struggled to put a timeframe upon this; however the overriding feeling was that technology is evolving quickly and constantly, and hence innovation such as Smart technology is a handful of years away – and certainly not much longer.

Innovation is one of the reasons our WaterShare+ scheme is so important to us. Our customers tell us it will build trust and encourage them and other households to be more careful about using water and what they put down sewers and drains. We can therefore improve our performance and reduce costs by simply engaging customers better. If we share success today with our customers – they will be the source of our success in the future.

We have high levels of support for financial ODIs across our customer base. For most this will encourage us to find quicker and better ways to do things we already do. In our **Balancing risk and reward survey** 68% of customers told us that they support ODIs in part as they will encourage innovation and lower bills in the future.

"I think it is good to show this kind of innovation and to involve customer's views."

South West Water, Female, Aged 60+, SEG C1C2

Throughout our engagement with customers, they tell us that cost and innovation are inextricably linked. We need to innovate to ensure stretching targets and to keep bills low now and in the future. We have worked hard to ensure that our costs are as low as they can be. Wherever possible we have challenged ourselves to find more effective ways to make service improvements without expensive investment in assets.

"I think it's about the company coming up with innovative ways where they don't have to replace the asset, I think it's more about are they leading the way with that sort of thinking and technology."

Exmouth ABC1 18-45

Customer service

We are working hard and are on track to meet the stretching service level promises we made to customers in 2014. We continue to improve customer service, as demonstrated by our increasing performance on the key industry measure of customer service, the Service Incentive Mechanism (SIM), our accreditation to the Institute of Customer Service, and being named the fastest improving utility in 2017 in the UK Customer Satisfaction Index.

Customers have been telling us consistently that good customer service is vital especially when things go wrong. In the qualitative phase – **establishing priorities** this seemed to be a stronger priority compared to that at PR14, however when tested through the quantitative phase it sat in a similar position when compared to PR14, i.e. a moderate priority for our customers. This is because increasingly customers want us to get the core services right and reduce the need to contact us, but when they do we have to get it right.

Through the **customer experience research** we understand what good customer service means; that it focuses around our 'responsiveness' in being able to understand their query, taking ownership of problems and providing prompt resolution of problems.

These findings reinforce the continuation of two of our performance commitments from PR14 under our 'Responsiveness to Customers' outcome. In our **PC Research**, customers were supportive of increasing the number of measures in this outcome from five in the current framework to nine. The PC's now ensure a tailored service for all customers with an additional strong focus on those with individual needs.

"I think it's good they are willing to improve with proposed potential framework, it's nice to see that they are putting more emphasis on responding to customers rather than the billing and money side of things..."

Axminster PC Focus group

We are planning to drive customer service through the business as measured through C-Mex, D-Mex and operational contacts resolved first time, our customers tells us that they support our plans and consider them to be affordable. They particularly welcome our increased commitments around customers in vulnerable circumstances.

ODIs and bill profiles

Incentives are very important to our customers. Customers tell us that they want us to have strong incentives in place to ensure we continue to deliver against our promises, and have a strong focus on service delivery and innovation to lower bills for the future.

Engaging on ODIs is not new for us. We engaged thoroughly with our customers on our package of incentives in PR14. For PR19 we have continued our conversation with customers building on the approach in PR14 to learn more from our customers about how they perceive this important area.

Our discussions with customers have focused on understanding more about what they want incentives to deliver, where incentives should apply and the strength of incentives, how they feel incentives can deliver asset health, and the overall package and incentives in terms of risk and reward.

In our ODI research we asked customers if they supported financial incentives, and which incentive type is right for each PC: financial versus reputational incentives; and within financial incentives, under- versus outperformance. Customers told us they supported underperformance payments where we fail to hit targets, especially those that are compliance based. In terms of outperformance payments customers do not want us to be rewarded to 'to do the job we are paid to do' so only support this if we go above and beyond and drive innovation for the future, our targets need to be demonstrably stretching.

In our ODI research customers were asked to state which incentive type is appropriate for each PC, on the proviso that targets would be set at stretching levels. Customers told us they were keen that legal compliance measures were financially incentivised with underperformance payments only. For those aspects of performance that they consider to be important, customers support incentives that continue to drive value for money investment and allocated these predominately to under and outperformance incentives. Few measures were reputational – those of a lower customer priority, where there was overlap, or where incentives could drive perverse incentives such as numbers of customers on the PSR or receiving financial support.

These allocations require our targets to be stretching; so we have had had many conversations about stretching targets with our customers. Our Regional focus groups, Proposals and Choices consultation, and Acceptability testing programme has focused on understanding what challenging and stretching targets are – customers' assessments are based first and foremost on the incremental change in performance versus the incremental change in the bill, although they found the comparison to other companies in the industry helpful. Customers have told us our targets are stretching, acceptable and affordable.

In our ODI research and Balancing risk and reward investment we asked customers about all of the factors we need to take into account to get the ODI package right, such as the balance between under and outperformance payments, asset health incentives, deadbands/caps/collars, enhanced rates, caps on individual PCs, and the RoRE range.

Consistently customers told us they are very supportive of enhanced incentive rates. This is a matter of principle for them: the bigger the failure of a target the more the incentive should be, so that it becomes increasingly punitive; and similarly, the more a target is exceeded and outperformed, the more the incentive should be so it becomes a truly rewarding rate. We have applied enhanced rates in those areas where customers want these.

Asset health has been a key part of the discussions. Throughout our engagement starting with the **Priorities research** and **OPM** research customers have told us that asset health is important to them. In our **Balancing risk and reward** research customers told us that asset health and service are equally important to incentivise – on average asset health measures should carry similar financial risks to service measures. This has been a key check on our ODIs – ensuring that asset health measures are on a par with other measures.

In our Balancing risk and reward research customers told us that the incentive range should not exceed 3% of RoRE. A range of 1%-3% was popular with customers. Our incentives align with this range. The maximum has been set at 3%. Moreover, undertaking scenarios around the RoRE range shows that in any one year a range of c.1% is more likely (this is the P10 and P90 at the appointee level.

We have explored this further with customers. In our Watershare Principles research we asked customers about bill volatility. This included presenting choices over bill profiles – overwhelmingly customers told us that large bill reductions followed by steep rises back are not popular; neither are bills that go up or down to match investment or performance. Customers prefer more smoothed bills – ideally beyond the 5 years period. This has been a key part of our customers opting to defer the cost savings in Watershare being returned to them – on the grounds this should primarily be used to smooth bills.

We have calibrated our incentives to align with customers views. We are therefore confident we have the right balance of incentives.

We have spent considerable time discussing ODIs with our WFCP. Some members of our WFCP expressed the view that ODIs were a black box to them. To address this concern, we have undertaken workshops with the WFCP to demystify and explain ODIs in principle and in practice. We have presented each ODI in turn to explain the target, the potential upside and downside (P10 and P90) and the overall package. Our WFCP have found this level of transparency unprecedented and given the detail they have seen have felt they could support our package of ODIs.

Affordability

Above all else, what matters most to our customers is that we keep bills as low as possible whilst providing our first-rate service to customers. We take our obligations to provide an efficient, value for money and affordable service to our customers seriously.

We recognise that the current economic climate has placed additional pressures on many households in our region, in which affordability is already an issue. Our customers have historically faced higher than average bills due to our environmental obligations. This is exacerbated by lower than average regional incomes. We see it as the right thing to do to provide additional support to customers who need it, including helping with the affordability of the bill.

We have had conversations about affordability throughout the plan development. Driving efficiency and affordable bills is a customer priority and a long-term aim identified in our **Vision to 2050**, and one of our key strategic objectives for the PR19 business plan.

We have engaged customers to ensure we have acceptable and affordable plans delivered through significant cost efficiencies. We aim to keep bills as low as possible with bills forecast to be lower in 2025 than they were in 2009. This is what our customers tell us they want.

Our PR19 sampling strategy has underpinned all customer engagement. This has ensured we have engaged a diverse cross-section of customers. We have analysed all of the research across the entire customer base and by segmentations to understand how different customers are affected by our plans, activities and services affordability. Those who may struggle to pay the bill are a key segment that we have focused on in our research activities.

We have undertaken more specific research with customers to understand about affordability such as **PC Research**, **Customer support for long-term affordable investment services** and **Building trust, supporting customers, and sharing success research**.

In our **PC research** customers told us that it's important that we have performance commitments that ensure bills are fair and as low as possible for all, which track those customers who have affordable bills, and encourage us to offer the right package of affordability support to those that need it.

In **Customer support for long-term affordable investment services**, customers have told us they support financial initiatives such as support tariffs – with most customers willing and able to pay a modest amount to help those less able to pay. Customers tell us it's the right thing to do to help those that are less fortunate. They also tell us that support tariffs benefit all customers ultimately by helping households contribute more towards their bills and ensuring investment in improving services is not at the pace of the least able to pay.

Our **acceptability research** has specifically asked customers about the acceptability and the affordability of our plans. Customers told us that they are concerned about their bills in the future – they do not know what will happen to their incomes in the future, for example 35% told us that their incomes are rising by less than inflation today. This means that those people with an affordable bill today are not always confident they will have an affordable bill in the future. That's why our customers have told us it's important that we lower bills.

We have also engaged future customers about affordability – these will be bill payers in the not too distant future. **Future customers** have told us that they expect bills to be affordable when they become bill payers and the service we deliver to be excellent.

Based on customers' views we will address water bill affordability concerns for all customers by 2025 through extending our industry leading affordability toolkit.

Our **Building trust, supporting customers, and sharing success** research showed that customers have strong views around all customers having an affordable bill. Our customers told us that it is critical to measure affordability accurately, and it is not appropriate for this to be a subjective measure. Using a question in a survey such as "whether your bill is affordable" is not a robust method as customers may conflate issues such as value for money and they may have poor choices around budgeting. Customers tell us that affordability needs to be an evidence-based measure.

We agree with our customers that an evidence-based approach is the best way to measure this. We have worked with Dr Scott Reid of ICS Consulting to undertake detailed modelling of the impact of tariffs on our customers, given income levels and household composition. From this we have estimated the number of customers that truly do not have an affordable bill. And we've developed an affordability strategy to help everyone have an affordable bill.

We have tested our affordability toolkit in **Building trust, supporting customers, and sharing success** research – customers gave strong support and endorsement of our multi-strand approach to ensuring affordable bills for us. Our approach was found to be the right balance of the right measures.

To quantify the messages from customers further, we undertook a quantitative survey around affordability: **Measuring affordability**. This has allowed us to quantify customers' views on affordability including how it should be measured. This has confirmed that an evidence-based approach is preferable and measuring bills relative to income is a useful indicator.

Based on our acceptability testing – where all customers have indicated high levels of acceptance for our plans and with the support for our affordability toolkit, we have committed to addressing affordability – and ensuring 100% of our customers can have access to an affordable bill.

We have not applied any financial incentive to our performance commitments around affordability. Customers tell us – and we agree – that having financial incentives around supporting customers can drive the wrong behaviours. We have reputational incentives in this area in line with customers' views. We will discuss our ongoing performance with our WaterShare panel to ensure we do the right thing and meet our promises to address affordability for all.

Vulnerability

Helping and supporting customers in vulnerable circumstances is the right thing to do.

Based on discussions with customers in PR14 we developed the outcome 'Responsive to Customers'. For us, this means delivering tailored service to customers in the way that they need it, recognising customers are not all the same, and have different needs.

Our customers tell us that it's important that we build on our PR14 outcomes and do more to support for customers in vulnerable circumstances. There are currently 12,000 households on our Priority Service Register (PSR). We have asked customers in all of our PR19 quantitative surveys if they or anyone in their household has a long-term illness or disability which impacted their day-to-day lives. This shows that in the region of 250,000 households may be eligible for the PSR, with varying degrees of support needed. Having the right PCs in place to reflect this challenge has been key to our business plan.

Our **Priorities research** shows that customers want all customers to receive effective service and support. We tested performance commitments around vulnerability in our **PC Research**. We presented customers a long list of potential measures drawing on:

- Our review of other industries and other sectors – to see what they do to get this right
- Our review of our own activities and vulnerability strategy – looking at the lessons learned from business as usual activities
- Discussed with our WFCP what else we could be doing in this area.

This was then presented to customers as a long list of options in our **PC research**. Customers told us how they felt about the list of options. Our customers told us that it is important that we have tailored customer service that meets the needs of all customers; we deal with issues effectively and first time; we promote and maintain our PSR so the right people are supported; and we provide high quality additional services to those customers on the PSR. Customers told us that we should consider working with other agencies and sharing information where appropriate, and with the right checks in place to make sure that customers are fully protected.

Our views on vulnerability were also informed by our **post-event surveys**. These surveys allow us to get feedback from customers straight after an event such as how a long supply interruption has affected them.

Our post event surveys were initially developed to help us understand customers' avertive behaviours during incidents to support our triangulation of customer values. But the feedback from customers about how they dealt with issues and events has been enlightening and has supported our vulnerability plans and strategy 2020+. These surveys have helped us to understand:

- Our communications, such as whether people know where and how to get help and support during an event; where water distribution points and bowsers will be; when supplies will be back on and so on
- How well we support people during events, such as providing water for those that need it; the support we provide at bowsers and distribution points (e.g. help with carrying water to their car)
- How severe the event was and if they struggled or managed alright
- What we need to do better.

Those customers on our text messaging service and PSR told us they were mostly happy with our support during events. We supported them throughout and kept them up to date.

Some other customers told us they had help from neighbours and friends during the events – and would have struggled without that support. Whilst it's to be expected that friends and family help, we do need to be there if needed. So we have learned that we needed to do much more about promoting the PSR and ensuring that we provide the right level of support when events happen.

This also was a key finding from our **Cold snap research** that we undertook following the freeze and thaw of 2018. This was an opportunity to test our processes around events particularly with respect to the customers in vulnerable circumstances. We were proactive around vulnerable customers – we made sure they were supported throughout. This included providing customers with water in advance, in case there were any issues with their water supplies.

Step change in the conversations – discussion topics continued

There were key lessons from the **Cold snap research** around how we communicate the locations of water tanks and distribution points and communications in general, the approach to compensation, and how we do more to promote the PSR. We have not wasted any time in making those changes – we are getting on with that now.

Based on our conversations with customers, we developed three performance commitments to support these customers' views around the PSR:

- Increase number of customer details checked every two years
- Number of customers on the PSR register
- Overall satisfaction of services received on the PSR.

In our **PSR Research**, we asked customers on the PSR about the quality of the services they receive through the PSR. Customers on the PSR told us that they don't generally need to access the additional services on the PSR as our service levels are good. But for those that have actually had services delivered through the PSR, there are high levels of satisfaction at 85%.

This research also helped us to understand how long they are on the register; how often their details are checked; their views on sharing data with other organisations such as the Red Cross to improve support during an incident; and the extent to which they are registered for other PSR services, e.g. other utilities.

We also asked them their views on the proposed performance commitments and our proposed stretching targets which will ensure we raise the bar. Those people on the PSR agreed that we should do more to raise the awareness of the PSR and supported the performance commitments and the targets that we've set.

We've tested our PSR targets with customers in the **Regional focus groups** and in our **Acceptability testing** and our plans to provide more support and raise awareness of the PSR has very high levels of acceptability and are affordable.

We have set ODI's to ensure we do the right thing in this area. Our incentives are designed to ensure there are no perverse incentives. In our **ODI Research**, our customers told us they don't want us to put just anybody on the PSR to hit a target. They want us to provide the right support to the right people and that's what our ODI incentives are designed to do. Therefore the only financial incentive is around checking customers' details every two years – to ensure we provide high quality services. In our **Balancing risk and reward research**, customers agreed this should be a financial incentive.

In our **Stakeholder workshops** we presented our plans and targets to stakeholders, including councils and charities and other interested parties, and they indicated strong support for plans to strengthen PCs and targets in this area.

Our customer research has underpinned our vulnerability strategy 2020. It brings together all of the learning's and findings we've heard from talking to our customers, stakeholders and in particular those on the PSR.

Customer voice at the heart of the business plan

We have worked hard to raise the bar and ensure a step change in conversations with our customers. This has been integral to putting the customer voice at the heart of the business plan.

We always want to hear what customers have to say – we and the WFCP have worked together to follow up on what customers say to provide actionable insights to update our plans and ways of working.

In considering each research study and engagement activity in turn we ensured we understood three criteria:

- What are the objectives of the research?
- How do we understand what matters most – i.e., who do we need to engage and what is the best way to engage them?
- How will we use the results?

If we can answer these questions, then we can be confident that the research will provide insights we can act on and put the customer at the heart of the business plan.

Acceptability

All of the research that we have undertaken has put the customer at the heart of the plan. The final checks and tests on what we have heard and how we have reflected this in our plans has been our **Acceptability testing**.

We have tested the acceptability of our plan through a mix of qualitative and quantitative research; each phase of acceptability has been used to inform the next phase.

Regional focus groups were used to assess our plans across the region, but also locally. Customers were asked if the plans met their local needs as well as regional considerations. These showed that customers thought our targets were mostly stretching and in line with their views – but were not stretching in all areas; for example, customers did not think some of our asset health measures went far enough and they thought some of our environmental investment was slightly too expensive. We took this feedback on board and improved our targets and increase the efficiency challenge.

We tested our updated plans in our Quantitative acceptability testing.

Bournemouth Water testing process

Regional investment focus groups

Quantitative acceptability testing

In the quantitative testing phase 92% of households in our Bournemouth Water region found the plans to be acceptable. With the sewerage bill explained and inflation added, acceptability was 73%. This confirms our plan is the right balance of investment and bills.

South West Water testing process

Regional investment focus groups

Phase 1

Quantitative acceptability testing

Building trust, supporting customers and sharing success focus groups

Phase 2

Quantitative acceptability testing

When we tested our plans in the South West Water region, the quantitative testing showed high levels of acceptability for our plans and for the proposals in the plan – 86.7% of our customers found the plan acceptable. But there was strong feedback that we could more for less – we were challenged to deliver the proposals for less cost.

Customers told us that inflation concerns them. More so than in PR14. 35% of customers tell us their wages and incomes are rising less than inflation each year – and they worry about water bills that rise faster than their incomes. Our customers tell us it's important to ensure the efficiencies we pass back help relieve inflationary pressures. The impact of inflation had a markedly negative view on customer acceptability of our plans: the acceptability of this plan reduced to 63.5% when inflation was added to bills.

Following our first phase of quantitative acceptability testing in the south west region we tested the findings in focus groups with customers in **Building trust, supporting customers and sharing success** focus groups. Part of these groups involved reviewing the acceptability results and understanding what drives acceptability and affordability. Customers told us that affordability and value for money are key considerations for them in reviewing our plans, and they welcomed our drive to reduce bills for all and provide additional help for those that genuinely struggle to pay their bills.

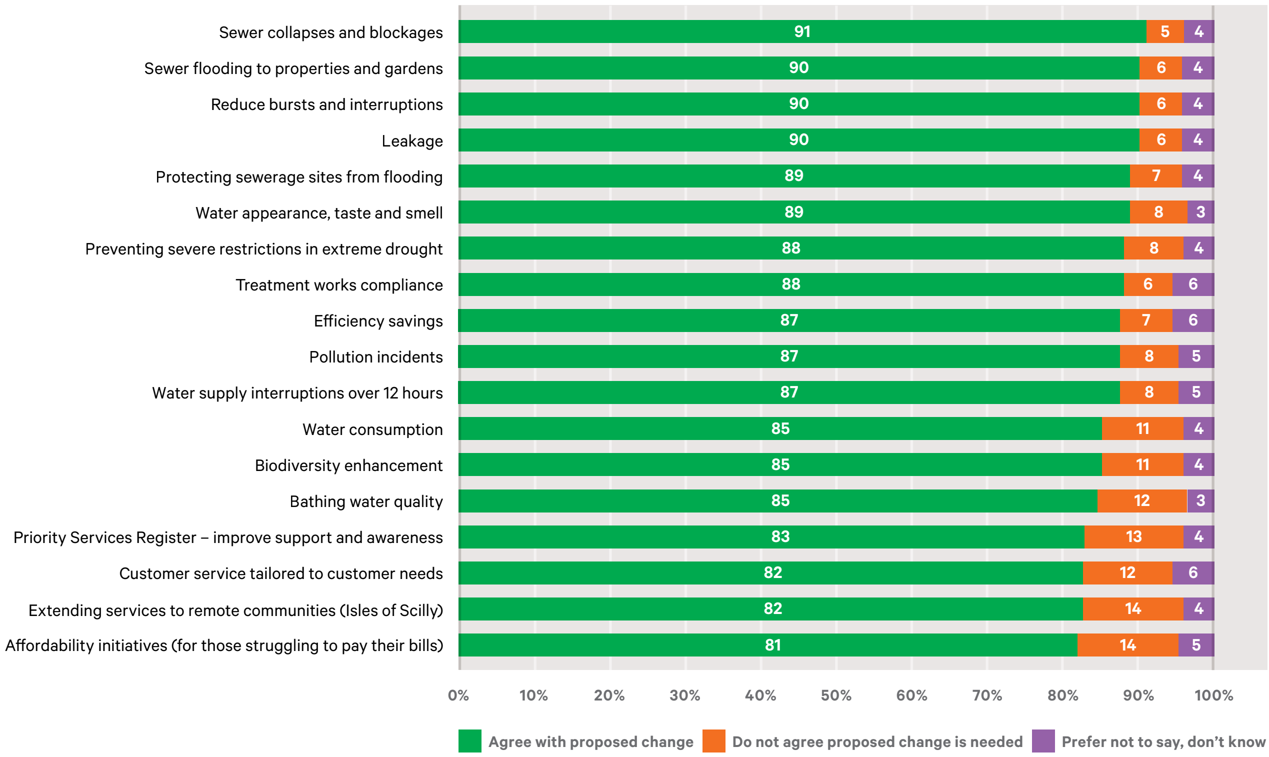
Customer voice at the heart of the business plan continued

Our customers were clear – we need to deliver more for less. We challenged ourselves to reduce bills further – and presented these revised bills to customers in our second round of quantitative acceptability in the south west. This has shown high levels of support for our plans, as well as the initiatives that make up the plan. When this was retested with customers, 88% of our households said the plan was acceptable; 79% with inflation added; and there was huge support for the initiatives in the plan.

"If we can't make water affordable to everyone in this country, then we've got something awfully wrong."

Building trust, supporting customers and sharing success focus groups.

Support for the Proposed Initiatives in the plan



Our plans have gone a long way to mitigate inflationary impacts, meaning that – including inflation – customers find our plans to be acceptable to 79% of customers in the South West Water region and 80% of our Bournemouth Water region.

In our Bournemouth Water region we have tested the impact of a sewerage bill. Our plans are highly acceptable – providing sewerage bills in the Wessex Water and Southern Water region do not increase by more than £10.

Businesses also think our plans are acceptable. 85% of businesses in the South West and 95% in Bournemouth support our plans and initiatives in real terms. Businesses have told us they are troubled by inflation as they are less able in the current climate to pass inflationary pressures onto their customers. Delivering high quality, efficient service is important to them.

Our final levels of acceptability meet our WFCP's requirements, exceeds the CCWater thresholds set in PR14, and are higher than the acceptability levels for both the South West Water and Bournemouth Water plans in PR14. More importantly it demonstrates a high level of customer support for the business plan.

We tested our plans with the £50 government contribution removed. Whilst this has shown our plans are still acceptable to 78% of customers, once customers understand the £50 has been removed, acceptability levels drop to 59% real and 46% nominal.

Customer voice at the heart of the business plan continued

SWW	PR09	PR14		PR19	
		Phase 1	Phase 2	Phase 1	Phase 2
Real	34%	62%	84%	87%	88%
Nominal	n/a	n/a	70%	63%	79%

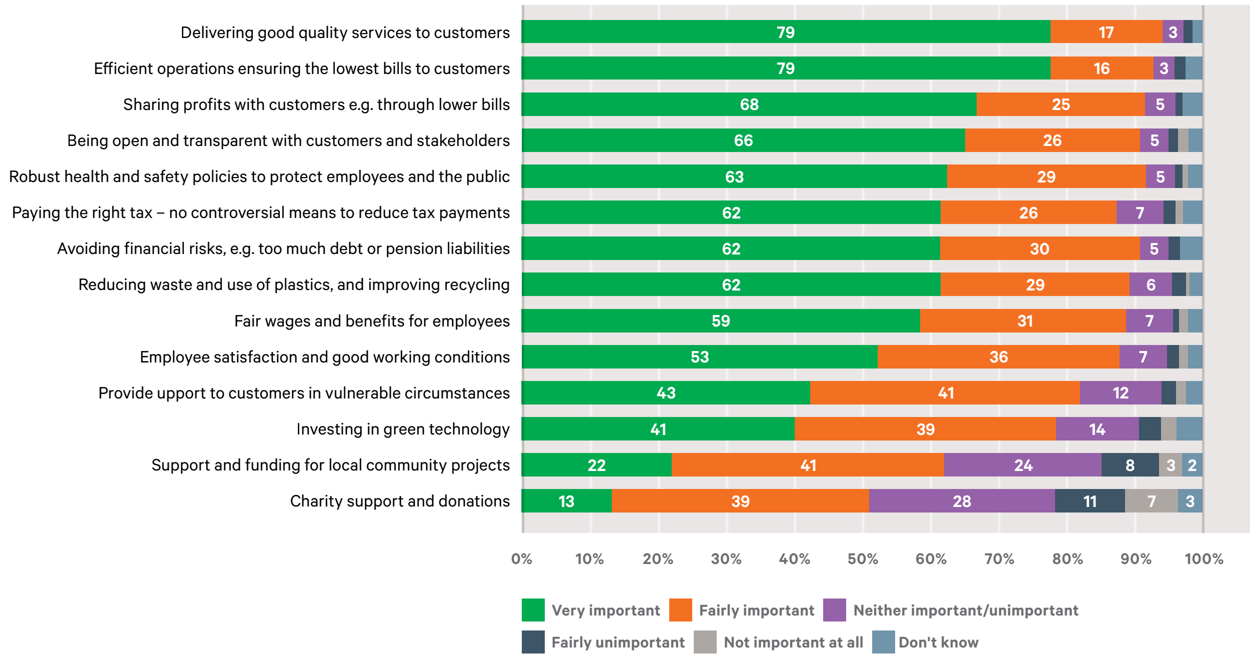
	PR14	PR19	
Bournemouth Water region	Quantitative survey	Pre-test Focus groups	Quantitative survey
Real	-	100%	92%
Nominal	79%	86%	80%

Empowering customers – Watershare+

As a responsible company we care about the communities in which we operate.

In our **corporate responsibility research** we asked customers how they think a responsible company acts and behaves. Our customers told us that delivering a good quality service with efficient operations is the key aspect of corporate responsibility, but they also told us that we should be open and transparent, and share success with customers.

Importance of corporate responsibility elements



Our WaterShare framework allows us the opportunity to share our success with customers. There are high levels of support for our current WaterShare scheme. We asked customers in our **Future of WaterShare research** their views on WaterShare and over 90% of customers said they support the sharing of net gains from outperformance through the scheme.

We have started a process of asking customers each year what they would like us to do with net gains in the WaterShare scheme. We asked this for the first time in our **Future of WaterShare research** and again the next year in our **ODI Research**. In both studies customers told us that they like cost savings being used to lower bills and help even out future fluctuations in bills. Our performance in the delivery of the outcomes is and will remain a key component of the WaterShare+ framework.

Customer voice at the heart of the business plan continued

Whilst customers appreciate and value our annual benefit sharing scheme, this is not enough for some customers. We have consistently heard this theme of doing more to share success (e.g., **Future of WaterShare; Corporate responsibility research**; **ODI research**; **WaterShare principles**; **Building trust, supporting customers and sharing success research**).

"But why not shares?"

Building trust, supporting customer and sharing success focus groups, SEG C2DE, Aged 46+

Ever since customers first indicated that we could do more than share cost savings to share success, we have considered what this could mean in practice. We have introduced WaterShare+ as a direct result of what customers have told us.

In each study we have explored what customers have told us, building on the previous study and exploring themes in greater detail to develop fully formed plans. Our WaterShare+ plans empower customers by offering them a direct stake in the business. This gives customers an opportunity to be more involved in the business and further share in success.

In our **WaterShare+ Principles** research we asked about different ways of returning cost savings to them including shares. We asked them the circumstances under which receiving shares is preferable to receiving a reduction in the bill. Customers told us that they prefer shares when they consider it to have a higher financial benefit for their household. However, this study showed that for some customer segments share ownership is unfamiliar and a new idea for them.

In our **WaterShare Package research** we took the research further and presented our proposals to customers. We asked customers their views about receiving £25 in shares in our parent company Pennon Group in 2020. We have had amazing feedback with 92% of our customers indicating they are supportive of our plans to issues shares to all households or happy either way (i.e. neutral between this or continuing to receive cost savings through lower bills).

"Doing this would give people a voice in the company."

Watershare+ Package research, Female, 60+, DE

"It may change the views of a lot of customers about re-nationalising the water companies as they will have a share in SWW by having these shares."

Watershare+ Package research, Female, 45-59, C1C2

Customers have told us that they would like to own shares in our company; and most will keep them because they think this is positive for their household.

87% of customers that take shares want to keep them.

Our **WaterShare+ Principles** research also confirmed that customers groups are unsure about shares – not all customer groups already own shares and are therefore understandably nervous and wary. Interestingly we found that those customers that are more familiar with our owner Pennon Group were more likely to want to be involved in this scheme.

So we will need to get the communication right around WaterShare+. Customers have told us we would need to help them understand what this offer really means – so we need to get the communications right, and be clear they can keep the shares or cash them in.

Customers have told us that the benefit of WaterShare+ is that it will increase trust in our company. They think their households will benefit from the plans and they think that it will encourage them and other households to use water more wisely and be careful about what is put down sewers and drains. We can expect this to contribute to improving performance and reducing cost in the future – which everyone benefits from.

Overall our customers are told this is a win-win and they are looking forward to this opportunity.

Continuous engagement

Right at the beginning of this document we set out our overall engagement strategy that encompasses our day to day activities, this will continue and evolve as we move towards 2020+, with more focus on collection of data for PR24 through business as usual activities and to support delivery of all our investment activities from 2020.

We will continue to invest in our people and ensure we have the right communication channels in place to meet our customers' needs to encourage a two way dialogue.

With the introduction of Watershare+ we believe this will empower our customers even more to engage and interact with us, especially when it comes to the overall performance of the company.

For more information, see
Aligning Risk & Return

By having a vested interest in the company and sharing its success we believe it will also encourage customers to understand how their own behaviours in areas such as water efficiency or sewer blockages can impact our performance.

Thinking ahead to the next price review we have already embedded revealed preference surveys – post event (persistent issues, flooding and scheme delivery) into business as usual activities, this data set will provide an enormous wealth of information and values to use for PR24.

Although considered for PR19, we have included subjective wellbeing questions into our long-term tracking satisfaction survey to build up a data set that can be used for PR24.

We have also started to use videos more widely, given the overwhelming feedback from customers on how clear, informative and engaging it was when used for the Water Resources planning, it has helped us inform customers on being water wise and more recently we have started using this format to inform customers on our performance.

Summary – Initial assessment of plan question

We take our responsibility for engaging directly with our customers very seriously. We understand that it is essential to have continuous engagement with our customers and stakeholders, that it's vital to the operation of any top performing company. This is recognised from the Board down.

Our approach is embedded into our daily business and we recognise that the impact of our decisions and actions can be significant and therefore it is important to engage with our customers to make sure they influence our decision-making, drive us to continually perform and hold us to account for our performance.

There was one challenge included within the Initial Assessment of Plans for 'engaging with customers'. This is set out below together with a summary of how we have responded to this challenge and how we demonstrate how we have met this requirement.

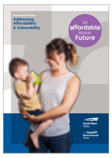
EC 1 What is the quality of the company's customer engagement and participation and how well is it incorporated into the company's business plan and ongoing business operations?

This is question is answered throughout this document and summarised below.

We have had regard to the overarching principles of customer engagement in Ofwat's customer engagement policy statement and expectations for PR19. The seven principles brought forward from 2011 and the additional principles for good quality engagement in the updated policy document.

We have carried out extensive engagement on ensuring our outcomes deliver that which our customers and society value through a robust, innovative and proportionate engagement process. This has involved two way discussions through various channels with our customers and we are sure that the outcomes and promises we are committed to delivering from 2020 reflect our customer base as whole as we have used an iterative process to INFORM – LISTEN – REPLAY-IMPLEMENT approach to our engagement.

We agreed a sampling strategy with the WaterFuture Customer Panel to ensure that we captured the views through our qualitative and quantitative activities that reflect our customer base, both household and non-household, and that we used a range of techniques to reach our most hardest to reach customers. This includes ensuring the views of customers in vulnerable circumstances are heard.



For more information, see
Addressing Affordability & Vulnerability

We used an interactive personalised video to reach out to one third of our customer base to inform and seek feedback on our water resources plan. This innovation in terms of the interaction and control it gave customers – they could choose what they saw and heard, tailored to their supply zone that they lived in, meant that the strategies and timing of options were very real. The video was very well received.

Through our performance commitment research our customers, stakeholders and WFCP presented challenges around current performance (information on current, forecast and comparative industry data was shared and discussed at focus groups. This information was also available to customers participating through our quantitative activities) and 2025 targets and whether we were going far enough – particularly with some of our asset health measures. This feedback was invaluable and made us review our initial proposals in this area.

We have encouraged participation throughout the process and all households (both SWW and BW) have had at least one call to action to get involved.

We have met the challenges of improving the breadth, depth and reliability of the valuation evidence base by increasing the role for revealed preference methods; trialling innovative and new approaches to stated preference surveys; and raising the bar with the use of tools and materials: making it real, making it understandable and exploring all viewpoints.

We have also introduced post event surveys (avertive behaviour) to understand what the true impact of a service failure has on our customers; these are now business as usual as the feedback continually informs our service delivery. The data will be available for PR24 in terms of a 'real value' evidence base.

We are piloting community based water saving incentivisation schemes alongside other behavioural change pilots to complement existing day to day engagement activities like our award winning, love your loo, campaign to understand how to influence customer behaviours. Some of these demand side solutions will be implemented more widely from 2020.

We believe the conversations we have had has led to a step change in our understanding of our customers' needs and wants, we have talked to customers about resilience, asset health, innovation, customer service, affordability and vulnerability in great depth.

Summary – Initial assessment of plan question continued

We haven't stopped engaging with our customers since PR14, through our WaterShare mechanism we had more reason to encourage customers to participate, seeking their views on how they want any cost savings treated each year.

By informing and listening to our customers throughout, we have produced a plan that sets performance targets and incentives that robustly reflect customers priorities and values, both now and in the long term, and taps into their appetite for wider participation in efficient and sustainable delivery at an individual and community level.

Our plan firmly embeds customer engagement as an ongoing, two way and continually evolving process that will provide information for the improvement of services and the enhanced transparency and accountability of our performance. This will further empower our customers in influencing the services they receive.

High quality, ambitious and innovative plan

In addition to the summary responses to each of the initial assessment of plan questions noted above, in the following section we have provided further information evidencing the high quality, ambitious and innovative nature of our plan.

All of the information is included in the documents directly from the document map or indirectly from links embedded in documents within the document map.

- Click on these documents to access them through the document map.
- These documents can be found in the reference folder on the sharepoint site.

Summary – High quality, ambitious and innovative plan

High quality plan features	Evidence & activities	Evidence location within plan
Real leadership on customer engagement and customer participation	Board involvement Innovative interactive personalised video Co-creation workshops Valuation strategy Best worst scenario stated preference (SP) study – adding to industry understanding of SP studies Watershare+ Behavioural economic pilots - water efficiency	● Business plan 2020-25 ● Engaging customers ● Targeted controls, markets and innovation ● Aligning risk and return ● WaterFuture Customer Panel report ○ Customer leakage co-creation workshops ○ Valuation strategy ○ Water Resource – Interactive video findings
Strong evidence that it has effectively applied the principles of good engagement including taking forward participation	Various communication channels used Two way communication Comparative data Current and forecast data Sampling strategy Valuation strategy Triangulation Post event surveys Co-creation workshops Playback sessions Interactive personalised video	● Engaging customers ● Securing trust, confidence and assurance ● WaterFuture Customer Panel report ○ Water Resource – Interactive video findings ○ Customer leakage co-creation workshops ○ Triangulation report ○ Peer review reports
The company's evidence on its approach to customer engagement will be supported by high-quality independent challenge, scrutiny and assurance of its engagement	Market Researchers Experienced and specialist consultants Independent peer reviews WFCP	● Engaging customers ● Securing trust, confidence and assurance ● Board assurance statement ● WaterFuture Customer Panel report ○ Peer review reports
The company will demonstrate sector leading approaches to customer participation in the creation of its business plans and in its delivery	Range of techniques BAU customer engagement Watershare engagement WaterCare App development Co-creation workshops Post event surveys Interactive personalised video Every household invited to get involved #Getintowater	● Business plan ● Engaging customers ● Affordability and vulnerability ● Delivering outcomes for customers ● WaterFuture Customer Panel report ○ Peer review reports ○ Water Resource – Interactive video findings

Appendices

Engagement summaries

Establishing customer priorities

Objectives

To establish what customer priorities are for their future water and wastewater services. Specifically to understand customer priorities for PR19 and to compare to those from 2012 to see if there has been a change or shift in views – particularly when industry comparative data is presented to show company performance versus the rest of the industry. We also started our discussions with customers about whether the current outcomes and performance commitments are still appropriate or not.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Focus groups	13 (104n)	6 (48n)	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- Qualitative phase comprising of 19 groups – cross section of South West and Bournemouth customers including different SEG's, metered / unmetered, digitally and non-digitally engaged, urban, rural, coastal and inland. Hard to reach groups – low income, state pensioners and vulnerable customer groups. Large and SME's covering different sectors
- 90 minute sessions using stimulus to demonstrate different service issues and live in group voting via a keypad system.

What matters most

- Household and Non-household priorities are not dissimilar, so a plan that meets household needs will meet the needs of non-household customers as well
- Water priorities – clean, safe drinking water, continuity of supply, leaks / pipe, having sufficient water resources, taste and odour
- Wastewater priorities – efficient removal of waste, sewage treatment and disposal, pollution, protection of the environment, bathing waters, flooding
- Retail priorities – costs / affordability, good customer services, metering, communications and education, water saving, payment methods, help and advice with bills
- Bill levels. Whilst not a service priority – the research showed that a key priority for customers is to ensure affordable bills
- Timing of investments – the majority of customers want costs evenly spread so that (other than inflation) we pay a similar level in each year (and minimise bill volatility)
- Comparative performance – the majority of customers think it's important that success should be measured through targets agreed with customers and how we are doing compared to the rest of the industry, however showing comparative data had little impact upon the overall ranking of priorities, customers ranked what was important to the region not based on how we were doing in comparison.

Next steps

- The priorities captured from all the groups were rationalised into one list of 18 areas/ focus for investment and fed into a quantitative survey which sought to quantify and rank the priorities identified in this study
- We have developed a set of surveys to track perception and satisfaction with different aspects of our service over time building on our long-term tracking survey. One such survey will be tracking customer priorities – this will ensure we continue to engage customers on their priorities for investment more frequently and whether as service improves their priorities change or whether they are sensitive to external factors.

Impact on our plan and ways of working:

Our customers' priorities have driven our engagement plan – ensuring we engaged our stakeholders and customers on those aspects of service that are high priority (e.g. willingness to pay).

We used the priorities in the refreshing of our outcomes and performance commitments – checking that our performance commitments align and cover the priorities.

The priorities have supported our Vision to 2050.

We have also used the information to ensure we have a balanced plan that meets our customers' needs.

Finally, this research has helped shape our understanding of what is important to customers to invest in, the timing of the investments and to help us ensure we deliver a balanced plan meeting our customers' needs.

Reference

Turquoise report **"PR19 Establishing Customer Priorities Report"**. January 2017

Quantifying customer priorities

Objectives

This study examined household and non-household customers' investment priorities and willingness to pay (WTP) for service improvements for the period 2020-2025. We wanted to understand the overall priorities of customers, customers willingness to pay for improvements in service and views on the order that service improvement should be delivered.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	1012	313	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- A quantitative survey to understand the ranking of customers' priorities
- The list of priorities for investment which was presented to customers reflected the findings of the qualitative research (**Establishing priorities**) conducted previously into customers' priorities. The final wording of the priorities incorporated feedback from the WaterFuture Customer Panels research and engagement sub-group
- In total 18 priorities were identified in the qualitative research. All of these were presented to household customers; two that were not appropriate or relevant for business customers were removed from the non-household questionnaires.

What matters most

- The results show that all the priorities presented to customers are important. Of these the highest priority to customers are to:
  - Maintain a safe water supply, which looks and tastes good to drink
  - Remove bacteria and viruses from treated sewage returned to the coastal waters to protect the quality of bathing and shellfish waters
  - Prevent the sewerage system from failures which can pollute the local environment
  - Ensure the sewer system can cope with heavy rainfall, to prevent it overflowing and flooding houses/gardens or causing pollution in rivers and bathing waters
  - Prevent sewer flooding caused by sewer blockages, through effective maintenance of the sewer network
  - Ensure that the service is secure and reliable, so that water supply is maintained, even in extreme conditions
  - Reduce the amount of water lost from the pipes between the company's works and the customers taps
- The results are very similar across household and non-household customers and by customer segmentation. From this we concluded that a business plan that meets the requirements of household customers is likely to meet the requirements of non-household customers.

Next steps

- Priorities continued to be tested throughout the price review process – in further quantitative surveys and qualitative research
- The priorities supported our engagement programme
- We have developed a set of surveys to track perception and satisfaction with different aspects of our service over time building on our long-term tracking survey
- One such survey will be tracking customer priorities – this will ensure we continue to engage customers on their priorities for investment more frequently and whether as service improves their priorities change or whether they are sensitive to external factors.

Impact on our plan and ways of working:

These results have provided quantitative findings for the value of services as well as providing a useful priority for delivering improvements.

Our customers' priorities have driven the engagement plan – ensuring we engaged our stakeholders and customers on those aspects of service that are high priority (e.g. willingness to pay).

We used the priorities in the refreshing of our outcomes and performance commitments – checking that our performance commitments align and cover the priorities.

The priorities have supported our Vision to 2050.

We have also used the information to ensure we have a balanced plan that meets our customers' needs. The findings show that broadly the areas for investment are the same as PR14 but greater importance is put on wastewater activities.

Finally, this research has helped shape our understanding of what is important to customers to invest in, the timing of the investments and to help us ensure we deliver a balanced plan meeting our customers' needs.

Reference

ICS Consulting and eftec final report **"PR19 Priorities Research"**. March 2017

Value for water

Objectives

This was a simple survey to understand how engaged our customers are; as well as their willingness to engage in the future.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Survey cards/ online	807	-	-	-	-	-	✓	✓

Key messages – what matters most

What we did

- Right at the beginning of our PR19 research and engagement activities, we tested customers' appetite for getting involved through a simple card exercise/survey at local shows and through local magazines; customers could also complete the survey on line
- This involved first giving customers information on the top three priorities determined from previous research. Then customers were asked a range of questions around how much they use water, to what extent they want to get involved in the future of services they receive, how much they think about water
- They were also asked questions around the extent to which they would like to get involved in the future of services they receive.

What matters most

- Results showed that around half of respondents recognise they do not do enough to save water and use it more wisely. Those on a meter are more likely to save water and use it wisely
- The results on future involvement shows there are very different starting points for customer engagement in the South West and Bournemouth regions, with 83% of customers in the South West saying that they might be or were definitely interested in being involved in the future of their services, compared to 47% in the Bournemouth Water region.

Next steps

- The results showed a much lower engagement level in the Bournemouth region and the size of the issue to ensure good levels of engagement across all of our operating regions.

Impact on our plan and ways of working:

We test our priorities and engage customers continually. This survey was a simple survey to understand to what extent our customers consider and think about water and water services and want to participate in water in the future.

The results showed that in the south west there is more awareness, engagement and willingness to get involved than our Bournemouth area. This has input into our plans to build more of a relationship between company and customer in this region.

We have extended our communications strategies to the Bournemouth region, to ensure that they have more of a relationship with their water company than in the past.

Reference

BW Value for Water Tables
SWW Devon and Cornwall Shows Research

Customer service improvement research

Objectives

To explore the perceptions of a group of customers who have taken part in SIM surveys (quantitative research), and who give a score of 3 or 4, as opposed to 5, in order to understand how we can increase customer satisfaction to ensure we give customer service to all customers that is "5 out of 5".

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Qualitative focus groups	2 (n 16)	-	-	-	-	-	✓	-

Key messages – what matters most

What we did

We held focus groups with customers that had completed quantitative SIM surveys to better understand the motivations behind their scores through understanding:

- What their expectations of SWW are – including their previously held perceptions, the levels of satisfaction with SWW, and their view following the issue
- Perceptions of other companies in regards to service – which service providers are the best and who can SWW learn from
- What gold standard service/excellence looks like.

What matters most

- Customers said that generally their previously held perceptions of SWW were largely ambivalent; higher bills in the past has resulted in some negative feelings towards SWW from some customers
- Customers struggle to compare SWW to 'gold standard utilities' as utilities are a low interest area in general for customers, particularly water as household customers have no choice around provider. However customers told us that gold standard service – i.e. 5 out of 5 – is where customers enjoyed interacting with companies, as companies have gone 'the extra mile' to make the interaction more positive for the customer. However customers recognised this is difficult for SWW as customers usually only make contact when there is a problem. There are also a number of customers who do not agree in principle with giving 5 out of 5 – as there is always room for improvement and this may make the company more complacent.
- To ensure customers get great customer service SWW needs to:
  - Resolve problems quickly
  - Treat the customer as an individual and empathise with their problem
  - Believe the customer, be honest and not defensive
  - Apologise when SWW get things wrong
  - Send engineers out straight away to explore problems
  - Manage expectations better – communicate if there is an issue
  - Call customers back to explain that the problem has been resolved and check to see if they are happy
  - Go the 'extra mile' – and not just deal with customers by following a set protocol. Be fair and show customers that SWW is reasonable and does the right thing for its customers.

Next steps

- These findings have been key to improving our customer experience and customer service approach.

Impact on our plan and ways of working:

The outputs have fed into our communications and call handling processes. We have sought to improve the process and experience for our customers.

We have used the study to support our performance commitments to ensure we monitor our performance in customer service and drive improvements. In addition to the Ofwat measure (SIM and more recently C-Mex) we have further performance commitments in this area – e.g. operational contacts resolved first time (waste and water), customer satisfaction, and overall satisfaction of services received on the PSR.

Reference

Turquoise report **"SIM Improvement Research"**. June 2016

Stated preference research: main study

Objectives

The aim of main willingness to pay studies is to underpin the development of a full set of quantified customer valuation data. This study provides the key anchor values of valuations, which other relative value link to. We have used a mix of fully tested traditional and new techniques to ensure a robust understanding of customers' willingness to pay.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey – following hall tests	1502 (on-line and face-to-face)	455 (online)	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- Examined customer priorities across water, wastewater and environmental service areas through stated preference research. The results quantify the importance and priority that household and non-household customers place on maintaining and improving services
- Developed a set of valuations to measure the benefit to customers of changes in service levels, to support cost benefit analysis
- There were two versions of the survey, the traditional discrete choice experiment approach (DCE), and a newer alternative best-worst scaling approach (BWS). Whilst the DCE layout tested better with customers we maintained both approaches in the study
- The research aimed to address stakeholder concerns about the use of stated preference methods: we had a significant testing programme (hall tests, cognitive interviews and pilot studies), engaged our WFCP throughout, ensured customers were engaged through a visually appealing survey interface, and ensured customers had comparative information on which to base their decisions. The research was a notable step forward from our PR14 approach to stated preference.

What matters most

- Findings from DCE choice task present a consistent view of household and non-household customers' priorities for water and wastewater services
- In general, tap water discolouration, external sewer flooding and pollution incidents were identified as the main areas for further improvement by both household and non-household customers. For non-household customers, leakage was also a consistent concern
- South West Water household customers tended to prioritise improvements in service areas that have a direct impact on day-to-day activities (e.g. tap water discolouration, supply interruptions) to those that have a wider impact across the region (e.g. leakage, pollution incidents and river water quality)
- Non-household customers also tended to prioritise aspects of service that have a direct impact on their organisation (especially tap water discolouration and leakage) as well as those with a wider impact (in particular, bathing water quality and pollution incidents)
- Bournemouth Water household and non-household customers typically had a strong preference to maintain service levels, likely in part due to the high current levels of service
- The BWS version of the survey provides a complementary set of results to the DCE and was included in our 'triangulation' process of customer valuation evidence. Where comparisons are possible, the customer priorities and values are broadly consistent, although there is generally larger uncertainty around BWS results.

Next steps

- The results fed into our valuation triangulation process. These results were given high weight in the process.

Impact on our plan and ways of working:

Using two versions of the survey DCE and BWS produced complementary results that were used to cross-check and validate customer priorities and valuations.

The study provides a range of customer valuation results in the form of unit values and aggregate values to input into the valuation framework.

These results have shown that there has been an increase overall in the value our customers attach to wastewater improvements since PR14, whilst the value for some water aspects of service has fallen (e.g. supply interruptions where we have improved service in recent years) – which aligns with our priorities research.

These results have been highly weighted in our triangulation process. The final triangulated results have underpinned our cost benefit approach and testing of whether or not our performance commitments are stretching or not.

Reference

ICS Consulting and eftec final report **"Main Stage Stated Preference Study"**. April 2018
ICS Consulting and eftec final report Annex **"Main Stage Stated Preference Study"**. April 2018

Stated preference – water and wastewater second stage studies

Objectives

The aim of second stage studies is to support the development of a full set of quantified customer valuation data. This study provides the relative value of a number of water and wastewater aspects of service, to link to the anchor values from the main study.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	611 (wastewater) 613 (water and common)	-	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- The study consisted of two survey instruments:
  - wastewater – the first part covered different flooding incidents and sustainable drainage solutions; the second part covered bathing water quality – this applied to SWW customers only
  - water & common – the first part covered water disruption (interruptions, aesthetics, pressure, water quality notices) and the second part covered pollution (and in the SWW variant – CSOs) – this was applied to SWW and BW customers.
- We used a stated preference approach to understand the relative value of service impacts on the household. Given the consistency between households and non-households in the priorities research, main stage stated preference study, and water resource second stage study – this study focused on households only
- Respondents were presented with choice tasks and were asked to select their preferred scenario from two alternatives. The approach was the DCE method as this tested better with customers in the main stage study
- The results were tested in the customer playback sessions prior to use in our triangulation process.

What matters most

- **Pollution.** Customers dislike all forms of pollution. In most of the choices presented customers focused on reducing the total number of incidents as well as reducing the most severe categories of pollution. Combined with the main stage results, the results show that the value of category 1 pollution is largely unchanged since PR14 but the value of category 3 events has increased notably. This is due to our comparative performance in this area as well as the increased priority customers give to wastewater improvements and protecting the environment since PR14
- **Bathing water.** Customers value improvements in Bathing Water quality. In particular customers continue to value highly more bathing water achieving excellent water quality that is associated with Blue Flag status. In contrast to other value transfer research (which shows the incremental value of improving water quality declines) the incremental value from moving from good to excellent remains relatively high. This means further efforts to improve already high bathing water quality to excellent around the region is valuable to customers
- **Sewer flooding.** This survey – combined with the main stage study – has shown that external flooding has increased in importance to customers since PR14. This is in part because this is an area where we perform less well than our peers
- Despite the increased relative value of external flooding, preventing internal flooding and restricted toilet use continue to be important to avoid, although the future focus should be more on reducing external flooding. High frequency flooding and flooding of sensitive customers are particularly valuable to customers to avoid
- **Drainage solutions.** Customers support drainage in principle and want us to research and pilot more of these solutions to understand how cost effective and reliable these are in practice. A small premium is attached to options that create habitats and support wildlife. Mandatory or compulsory rain gardens are unpopular with customers, but if optional are on a par with wetlands in terms of attracting a small premium
- **Water aesthetics.** Taste and odour issues with tap water are more significant than discolouration. Both one-off events and persistent events should be avoided

- Drinking water restrictions are the most serious of water disruption impacts. For severe drinking water notices customers may at times prefer a complete supply interruption instead – to ensure that there are no health risks (e.g. if the notice is missed and people drink the water unknowingly) and to ensure confidence in water supplies. If these are to be used the communications around these need to be very robust to avoid longer term impacts
- **Supply interruptions.** Longer duration events have a higher valuation to avoid. Shorter duration events are not considered too much of an issue.

Next steps

- The results fed into our valuation triangulation process. These results were given high weight in the process.

Impact on our plan and ways of working:

The OPM Framework underpins our whole approach to business planning, decision making and delivery. OPMs represent the level of detail against which all expenditures are assessed and business cases are developed.

The OPM framework aligns with our Outcomes framework – in particular we ensure there is a clear mapping from OPMs to performance commitments. We predict and forecast our PC performance by first predicting and forecasting performance at OPM level.

In total we have 150 OPMs – this study has been combined with main stage research in our triangulation process to populate a large number of these OPMs with customer valuations where appropriate.

These values have been used in applying cost benefit analyses to our wholesale water and wastewater plans. This means we can ensure our plan balances what matters most to our customers and deliver maximum value to our customers.

Reference

ICS Consulting and eftec Final Report **"Water and Wastewater Research"**. May 2018

Stated preference – water resources second stage study

Objectives

The aim of second stage studies is to support the development of a full set of quantified customer valuation data. This study provides the relative value of water resource options and water restrictions, to link to the anchor values from the main study.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	601	274	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- Stated preference survey to investigate household and non-household customer preferences for:
  - Managing water when it is in short supply during periods of drought, including different types of water use restrictions; and
  - Different options for managing the amount of available water and for providing additional water resources
- We used a stated preference approach to understand the relative value of service impacts on the households and non households
- Respondents were presented with choice tasks and asked to select their preferred scenario from two alternatives. The approach was the DCE method as this tested better with customers in the main stage study.

What matters most

- Water restrictions:
  - Customers are not too concerned about lower level restrictions such as hosepipe bans, but are very concerned about more serious restrictions. Drought permits were particularly of concern to customers – and were found to be more of a concern than hosepipe bans or the business impacts of non essential use bans
  - There is no appetite to reduce the current level of risk restrictions or drought permits. Customers are happy with the current level of service – hosepipe bans every c. 20 years is considered to be good levels of performance
- Water resource options:
  - Leakage reduction and metering are the most preferred options for managing water resources
  - Overall demand side options are preferred to supply side options. The very clear order of preference is to reduce leakage, encourage metering and support water conservation. Other sources of water are less popular with customers
  - Options with lower environmental impact and those that use renewable energy are also strongly preferred
  - Linked to the main stage outputs the value of leakage is similar to the value in PR14.

Next steps

- The results fed into our valuation triangulation process. These results were given high weight in the process.

Impact on our plan and ways of working:

The OPM Framework underpins our whole approach to business planning, decision making and delivery. OPMs represent the level of detail against which all expenditures are assessed and business cases are developed.

The OPM framework aligns with our Outcomes framework – in particular we ensure there is a clear mapping from OPMs to performance commitments. We predict and forecast our PC performance by first predicting and forecasting performance at OPM level.

In total we have 150 OPMs – this study has been combined with main stage research in our triangulation process to populate all of the OPMs relating to water resources.

This means we can ensure our water resource plan balances what matters most to our customers and delivers maximum value to our customers.

The water resource plan has used the values for all restriction types and resource options in a cost benefit assessment.

Reference

ICS Consulting and eftec final report **"Water Resources SP Research"**. March 2018

Pollution research: understanding customer views on pollution and the environment

Objectives

To understand customers' views on the environment and pollution in the South West region, the need for improvement and the pace of change around reducing pollution, and customers' willingness to pay for the improvements to be delivered over the period 2020-25

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	601	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- We surveyed South West Water customers to understand their views on proposed pollution improvements and potential consequential bill impacts. The survey consulted 601 of household customers living in the South West Water region. The survey fieldwork was undertaken in July 2017. A representative sample was achieved with quotas set for gender, age and socio-economic group
- The survey consults customers about their views on the environment and pollution in the South West region, the need for improvement and the pace of change they want to see. A contingent valuation exercise was used to estimate customers' willingness to pay for the improvements to be delivered over the period 2020-2025.

What matters most

The main findings are:

- Customers are happy with their local environment and the environment in the south west in general; the majority of customers (83%) rate the overall water environment as very good or good
- Despite this, customers support further reductions in pollution in general across the region, e.g. from South West Water, agriculture and manufacturing. The largest problem is perceived to be pollution from the general public in the form of litter and fly tipping. Pollution from farming and overflow of untreated sewerage are thought to be the next largest problems
- Whilst customers consider pollution in local rivers to be a problem, most do not consider this to be a big problem. 36% of customers told us that overspills of sewage into watercourses is a big concern for them, whilst 52% said it was a small problem
- Customers are generally unfamiliar with the categorisation of pollution incidents. Moreover they don't necessary view pollution in that way – all pollution incidents concern them, not just major category 1 and 2 events
- South West Water customers showed strong support (8 in 10 customers) for further improvements in preventing pollution in the region. However, customers had very mixed views around the balance between getting the rate of change and the bill impacts right. Those in the higher SEG had a significantly higher willingness to pay to see pollution reductions; whilst those in the lower SEGs were more concerned about keeping bills affordable
- Customers generally consider that pollution at beaches and rivers should be treated the same, although customers also indicate that South West Water should focus on preventing pollution at rivers and beaches that are most frequently used for recreation and in the summer when there is more tourism.

Next steps

- The results fed into our valuation triangulation process. These results were given high weight in the process
- Pollution has been shown to be a high priority in all our research activities. We will continue to undertake multiple engagement activities to understand customers' views in this area as our performance continues to improve.

Impact on our plan and ways of working:

The outputs of this study have been analysed to estimate the value of preventing pollution incidents. This has fed into our valuation triangulation process, which in turn informs cost benefit analyses and ODI incentive rates.

This study has been useful for confirming the importance of pollution prevention to our customers. Research conducted prior to this (e.g. priorities research) has showed that broadly the areas for investment are the same as PR14 but greater importance is put on wastewater activities – this study has supported that finding.

We have used the information to ensure we have a balanced plan that meets our customers' needs. This engagement has helped shape our understanding of what is important to customers to invest in, the timing of the investments and to help us ensure we deliver a balanced plan meeting our customers' needs.

Reference

ICS Consulting and eftec final report **"Pollutions Research"**. July 2017

2050 Vision – look, feel and language

Objectives

To review the customer version of the 2050 Vision document with customers to test understanding of the language used and whether the look and feel is conducive to helping customers to understand the company's intent and to understand in each section is easy to read.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Qualitative	2 groups (n 16)	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- Two qualitative focus groups were conducted (one with State Pensioners and the other with Vulnerable customers) to collect feedback on the draft 2050 Vision (customer version) in terms of look, feel and language and to understand any improvements needed.

What matters most

- Customers responded positively towards the customer version of the 2050 Vision document
- They were more likely to query or question the information in the document rather than being confused by or not understanding it
- Overall reviews of the document were very positive with the document fulfilling what it sets out to do in terms of giving customers a clear understanding of what the company intends to do in the future
- Customers felt the document was clearly laid out and easy to read and understand
- When asked for changes or improvements, customers felt that the key improvement overall would be to address that the document felt repetitive as the layout was the same on every pair of pages.

Next steps

- The research has helped us to understand how to communicate our Vision and ongoing performance to stakeholders and customers through PR19 and beyond.

Impact on our plan and ways of working:

Feedback from these sessions has informed the development of all our customer-facing PR19 documents. They have shaped the language, style, look and feel, so we can be confident our publications are easy for our customers to understand and engage with.

Reference

Turquoise report **"2050 Vision Customer Document Review Research"**. August 2017

Customer leakage, co-creation workshops

Objectives

To co-create with customers improvements to the customer leakage process, through establishing key problem areas in current processes, understanding what SWW are doing right, and ensure changes to the customer journey meet the needs of both customers and company.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Workshops	3 (24n)	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- We held 3 co-creation workshops which were attended by customers who had experienced customer side leakage issues and had therefore been through our leakage process as well as SWW representatives from all stages of the process. The customers that attended had varying degrees of satisfaction with the process they went through.

What matters most

- Customers told us that the current process could be stressful and cause worry, particularly if the first indication of a leak on their property is a large bill. Communications from the company once a leak had been confirmed needs to be organised and help allay any fears customers may have. Some customers told us that some of our information materials are hard to understand ('jargon') and our process could be simpler and be quicker
- Some customers queried why the onus is on the customer to find and halt the leak and pay for repair/replacement; with other utilities the onus is on the company
- Customers were happy with the leak allowance process, but felt that this could be better communicated in the early stages of the process to allay concerns around high bills
- Customers felt that the contribution that the company provides towards repair/replacement was fair, but felt that despite this customers who were financially vulnerable could have difficulty funding the remainder
- Some customers were happy to conduct their own leak tests; some struggled. There were concerns that this could be particularly difficult for vulnerable or elderly customers, and maybe distressing and frustrating for them
- Some customers struggled to find plumbers/contractors to undertake the repair or replacement within the 30-day timescales and many felt that customers in vulnerable circumstances may have difficulty arranging repairs
- Customers found the contractor lists helpful, but some were concerned that contractors on the list could overcharge and thought that they had to use someone from the list for the work. Others thought that it would be better to recommend the use of WRAS approved plumbers
- Following the initial workshops, a new customer journey was created which was tested with a number of customers who had attended the original workshops to ensure that it met their needs. Feedback from customers was that the new customer journey was a more caring and personal approach. Many could recall the case of a vulnerable customers who had attended one of the original workshops and used his scenario to sense check elements of the new process – that the revised customer journey indicates that SWW respond to personal circumstances was considered a huge improvement
- The new leaflet was very positively received, customers felt the tone was more pleasant and the information easier to understand.

Next steps

- We adopted the findings of the research study in full ensuring that all customers can follow the process easily and readily. We will continue to monitor our approach and processes in this area.

Impact on our plan and ways of working:

A new customer journey was created – key changes were:

Additional assistance for vulnerable customers providing leakage technicians to investigate potential leaks, and where necessary offer a discretionary free repair

Increase the number of customers proactively contacted when high bills are generated.

Referral to a third party contractor for those who would prefer not to use the contractor list and to reduce the onus placed on customers.

New leakage leaflet to be issued to any household on confirmation of a leak.

Additional staff recruited to fully resource the process changes and to proactively manage customers through the end-to-end process.

Reference

Turquoise report Customer Leakage Co-Creation, October 2016.
Turquoise report New Leakage Customer Journey, January 2017.

Isles of Scilly

Objectives

To understand customer views on and willingness to pay for providing and improving water and wastewater services on the Isles of Scilly.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	303 (online)	-	-	-	-	-	✓	-

Key messages – what matters most

What we did

- We conducted an online survey with customers in the South West to understand their willingness to pay to support investment in the IoS to ensure that those communities receive a clean and safe supply of water, and a reliable wastewater service which protects the environment
- The study collected customers' views on:
  - Attitudes and familiarity with existing cross-subsidies – such as the £50 government subsidy and social tariffs
  - How they feel about Isles of Scilly becoming part of the South West Water region – if this means they will be subsidising these communities
  - Estimated Willingness to Pay for service improvements on the Isles of Scilly.

What matters most

- A minority of customers object to cross subsidies in principle
- The Isles of Scilly is already seen as part of the South West region
- Improvements in services and environmental protection for remote communities are viewed positively and the wider benefits are recognised
- Customers believe it is important to share the costs of water and sewerage services to keep bills affordable for all
- 65% of respondents accepted a bill increase in order to improve services on the Isles of Scilly. Willingness to pay increased with SEG and income.

Next steps

- Based on customer willingness to pay for some improvements in this area we tested scenarios around investment and bill impacts to feed into stakeholder discussion. Further views of customers on investment in IoS following this analysis was incorporated into our acceptability testing.

Impact on our plan and ways of working:

This study supported discussions with our stakeholders on the potential incorporation of Isles of Scilly into our South West Water operations.

This study provided a bill impact that customers were willing to subsidise IoS customers with. Within this bill impact we have undertaken significant investigation of the costs of improving the water and wastewater services.

Our plan balances the needs of SWW and IoS households – based on the findings of this study and our acceptability testing.

Reference

ICS Consulting report **"Isles of Scilly Research October 2018"**.

Stated preference research – supply interruptions

Objectives

With this study we wanted to understand household customers' views on the level of service they receive with regard to supply interruptions, how affected they are by supply interruptions and the value they place on reductions in interruptions. The focus was on the South West Water region where relative performance showed we were performing at below upper quartile. Up until this point the evidence base supply interruptions was mixed – this study provided a significant data point for our triangulation approach.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	600	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- We surveyed South West Water customers to understand their views on proposed supply interruptions improvements and potential consequential bill impacts. The survey consulted 600 household customers living in the South West Water region. A representative sample was achieved with quotas set for gender, age and socio-economic group
- The survey consults customers about their experience of issues with water supply such as interruptions or aesthetic issues. We also asked specific questions on the impact that supply interruptions can or has had on them and/or their household
- A contingent valuation exercise was used to estimate customers' willingness to pay for improvements to ensure upper quartile performance to be delivered over the period 2020-2025. The results of this survey were tested in our customer playback sessions.

What matters most

- South West customers consider supply interruptions to be a key aspect of service. They are happy with the current level of service and want it maintained
- When asked about improvements customers told us that there are higher priority areas they want us to focus on. Improving supply interruptions performance past our 2020 targets is not highly supported by customers
- Vulnerable customers are more adversely affected by these events; in this survey – and in the customer playback sessions – we heard that we need to ensure that vulnerable customers are prioritised and supported during these events more than improving our performance further
- Whilst customers would be supportive of some improvements in interruptions they disagree on the rate of change – given the impact this can have on the bill
  - 53% of customers stated they that short interruptions have no or little impact on them; 17% said the impact could be a lot or even severe
  - 90% of customers state that they are happy with the current level of service and do not want to see further bill rises in this area. Although when presented with bills increases to improve supply interruptions, half indicated they would be willing to pay a modest amount to meet best in industry levels of service
  - 83% of customers stated that as long as the elderly and those in vulnerable circumstances are protected there is less of a driver to improve supply interruptions
  - 63% of customers are against us reaching best in industry levels of supply interruptions if this causes upward pressure on bills.
- In summary, maintaining the current levels of supply interruptions is a priority area for South West Water customers, but the willingness to go further and pay to see a further reduction in supply interruptions has less support.

Next steps

- The results fed into our valuation triangulation process. These results were given high weight in the process.

Impact on our plan and ways of working:

The outputs of this study have been analysed to estimate the value of reducing supply interruptions. This has fed into our valuation triangulation process, which in turn informs cost benefit analyses and ODI incentive rates.

This study has been useful for confirming the importance of maintaining service around supply interruptions. Research conducted prior to this combined with the value transfer data in our triangulation process showed mixed views around this area. This survey was useful in clarifying how customers feel about this.

We have used the information to ensure we have a balanced plan that meets our customers' needs.

It has highlighted the impact these events can have on more vulnerable customers. It has therefore fed into our vulnerability strategy and response to operational events on our water network.

Reference

ICS Consulting and eftec final report **"Supply interruptions research"**. February 2018

Priority Services Register (PSR) research

Objectives

To understand levels of satisfaction with PSR services and evaluate whether current service levels meet customer needs. To discover PSR customer views on data-sharing with various organisations, and to understand support for bespoke performance commitments in this area.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative	469 (200 CATI, 269 Online)	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- We undertook a CATI and online survey to determine:
  - Levels of satisfaction with the PSR service we currently offer
  - How long customers have been on the register and how frequently their details have been checked
  - Customer views on data sharing to register them with other PSR organisations and in order to provide support during an incident
  - Which other PSRs customers are registered for and how we compare
  - Which bespoke performance commitments PSR customers feel are most suitable.

What matters most

- There was low recall among customers around being contacted to confirm that their details on the register were correct
- Although there was low dissatisfaction with PSR services only 58% of customers were satisfied although this is primarily due to customers not having received any services through the PSR; for those customers that have received services through the PSR the level of satisfaction was 85%
- On data sharing, customers are not keen for us to share their information with other PSR organisations with only 41% happy for us to do this. However they were happy for us to share information with organisations such as the Red Cross to provide support during an emergency, with 77% happy for us to do this
- 57% of customers were signed up to another PSR and for most this was their electricity or gas provider, and 92% of these customers were satisfied with those services
- PSR customers feel that SWW should raise awareness of the PSR among customers in general
- PSR customers also support performance commitments in this area:
  - satisfaction with the PSR service among registered customers (83%)
  - contacting customers every two years to confirm details and needs (77%)
  - increasing the number of customers registered (56%).

Next steps

- Findings from the research have been used to inform service improvements for PSR customers and in the development of our Vulnerability Strategy.

Impact on our plan and ways of working:

The results of this survey have been used to develop bespoke performance commitments around vulnerability:

- To raise satisfaction with PSR services to the same level as satisfaction with overall services
- To confirm 100% of PSR customer details every two years
- To increase the number of customers receiving support through the PSR.

This research has also been used to inform and develop our Vulnerability Strategy.

Reference

Turquoise report **“Priority Services Register Research”**. January 2018

Customer support for long-term affordable investment in services

Objectives

The aim of this study was to understand household customers views on the use of social tariffs and other financial support initiatives for PR19 and beyond. This included understanding their views on the role of subsidies and social tariffs, the level of support that should be provided, who should benefit from such support, and how support should be administered in practice.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	701 (online)	-	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- The survey consulted 701 household customers across both regions. The fieldwork was undertaken in October to November 2017. Quotas were set on the sample for gender, age and socio-economic group; the sample was close to a representative sample
- The survey covered a wide range of issues regarding social tariffs and support in general. A contingent valuation question was included to understand how much support customers were prepared to offer.

What matters most

- There is widespread familiarity with the £50 government contribution in the South West Water region; but across both regions there is little awareness of the social tariff schemes currently in place
- There is strong support for the use of subsidies such as these to:
  - ensure bills are affordable for all – customers consider social tariffs to be useful in helping those that are less well off
  - reduce levels of bad debt overtime – customers want us to support customers that have struggled to pay their bill in the past and are in arrears to start to pay something and reduce debt overall in the future
  - ensure that investment is not restricted due to the affordability of those least able to pay – customers wish to continue to see gradual improvements over time in our services through additional investment. Social tariffs can help ensure investment in gradual improvements is affordable to all
- The average willingness to pay value is £9.37 per household per year. This excludes those that already receive financial support and may be incentivised to indicate high willingness to pay levels. Customers in the Bournemouth Water region indicated slightly higher levels than in the South West, although the Bournemouth region results were scaled back to reflect water services only
- There is little opposition to a social tariff. Only 14% of customers surveyed stated they were opposed to social tariffs in principle. However, when presented with the contingent valuation question a quarter (22%) of those that stated they are opposed to social tariffs did indicate they would be willing to pay small amounts towards a social tariff
- Customers want the support to be spread widely across the customer base: customers prefer to offer smaller amounts of help to a wider set of customers than larger help to fewer customers
- The level of opposition to social tariffs has reduced in recent years: the 2012 South West Water and 2016 Bournemouth Water studies show opposition at 29% and 32% respectively.

Next steps

- These results have informed our affordability strategy. We will continue to engage our customers on affordability regularly.

Impact on our plan and ways of working:

These results have feed into our affordability strategy.

Our affordability strategy includes a range of measures including:

- Metering promotion
- Dual meter billing
- Water saving advice and devices
- Income maximisation support
- Financial support for those that struggle to pay the bill.

Based on the results we have extended the criteria for providing assistance, and increased the level of assistance we can offer to customers.

Reference

ICS Consulting **"Customer support for long-term affordable investment in services"**. November 2017

EngageOne interactive video (water resources)

Objectives

The main aim of this research study was to trial a new interactive approach to engaging with our customers, whereby customers interact with the survey contents, viewing what information they want to see, when they want to see it, and providing feedback as they want. We used this to obtain customer views on the approach we should take to future water resources, the balance of supply/demand options and the preferred pace of change.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Interactive video	6,577	-	-	-	-	-	✓	✓

Key messages – what matters most

What we did

- We worked with Pitney Bowes on this engagement as they are experts in using interactive two-way personalised media in engaging customers/stakeholders
- We used a highly experienced creative company to produce the videos – so they looked engaging, interesting and easy to follow
- We sent the resulting interactive, personalised video to all customers for whom we hold email addresses in order to understand their views on the future of water resources in the region. The video was also circulated via our social media accounts and was promoted on our website
- The video provides an opportunity for us to educate and inform customers about long-term issues around the resilience of our future water and their attitude to risk in this area
- Throughout the video customers were shown customised information rather than company wide information, e.g. the relevant information for their water resource zone and issues affecting long-term supply such as population growth, customer demand, climate change and impacts to the environment
- Customers were given an overview of the 'do nothing' future and an explanation of the supply side and demand side options available, alongside information on the timing of taking action and associated risks
- All data collected was independently analysed to ensure unbiased and accurate analysis of the survey.

What matters most

- Customers told us that they wanted us to take a balanced approach to future water resources, but with more of a focus on demand-side options. Whilst customers prefer demand side options they also like the reliability of supply options – hence wanting to ensure we use a mix of water options
- They also told us that they wanted to start taking some action now or in the next few years to avoid the risk of 'getting this wrong'
- Customers were given the opportunity to tell us why they had made their specific strategy and timescale choices, the key themes expressed in those responses were:
  - Protect the environment, now and in the future
  - Educate people how to use water wisely, e.g. in schools, to change habits
  - Think of the impact on bills, especially for those on low incomes
  - Plan for the uncertain future (e.g. climate change, population) – starting early to manage costs – be resilient to change
  - Have a balanced approach and pragmatic approach to manage risks, bills and the environment.
- Views expressed in the free text questions in the survey reflected other research which shows increased importance placed on environmental issues with customers expressing preferences for the options with the least environmental impact. Customers also reiterated the importance of education around reducing water consumption
- There were no significant differences in views depending on age, location or metered status

Next steps

- Customers told us that they liked this style and method of engagement – they found it educational and informative. Therefore we will be utilising this style of engagement to provide information to customers around company performance.

Impact on our plan and ways of working:

The results from this engagement provided insight into customers attitude to risk around delivery of water resources solutions.

Results from this engagement have been used alongside other research to inform development of our WRMP and business plan.

Reference

SWW **"Water Resource Interactive Video Findings"**. Feb 2018

Long-term tracking survey – SWW

Objectives

Our long-term tracking survey enables us to understand customers' views and priorities over time. We track customer satisfaction overall and by service area, as well as value for money each quarter.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative (CATI)	c. 1200 per year	-	✓	-	-	-	✓	

Key messages – what matters most

What we did

- Each quarter we engage c. 300 customers to understand their views. We use the same survey variant to understand trends in customer views over time
- Customers are asked their views on:
  - customer satisfaction with overall service; and by service area: sewage treatment and disposal, drinking water quality, quality of bathing waters, leakage, metering and billing, communications
  - value for money and affordability
  - the experience of contacting SWW, if applicable
  - brand tracking (e.g. NPS).
- Customers are not provided with any information on which to base their views – the findings are the uninformed views on how we are performing
- Since January 2017 we have been collecting further details to support the future assessment of customers' subjective wellbeing.

What matters most

- For the majority of our customers, maintaining current standards and service levels is important
- Satisfaction with drinking water quality is consistently high with 9 in 10 customers satisfied in this area
- Customer satisfaction with sewage treatment and disposal has been declining, from 76% in 2014/15 to 64% in 2017/18. Customers are increasingly concerned by pollution to rivers and coastal waters, and sewer flooding
- Satisfaction with bathing water quality is high – 83% and constant over time
- Satisfaction around leakage is low, with only one third of customers perceive we are doing well in this area. Customers want to see a quicker response to issues as they are reported
- Our communications and customer service levels are good, with most customers reporting they have received good service.
- Finally, general level of affordability among all customers as reported in our long-term tracking survey shows that some customers struggle to pay their bills, although the percentage indicating they find their bill not very affordable or not affordable at all has been gradually declining.

Next steps

- We are reviewing and updating our tracking research – updating it to help us track customers views on a range of topics as we deliver our 2020-25 plans
- For example, we plan to ensure that we continue to understand and track how affordable our bills are. We will use the research to support the accurate tracking of the percentage of customers that struggle to pay their bills; to understand which customers struggle the most; and how we provide information to all customers that can help them use water wisely and reduce their bills
- We will have one survey that covers the south west and Bournemouth regions and will report a single set of results for both regions. However, we will have a large enough sample to drill down and understand differences across the regions
- We propose to launch our updated tracking research in 2018 Q4.

Impact on our plan and ways of working:

Our long-term tracking research allows all parts of the business to understand trends in customers' views overtime.

The long-term tracking has been dovetailed with our priorities research to understand what is important for our customers. We have a detailed and comprehensive understanding of what matters to our customers and we have used this information to shape our 2020-25 plans.

The tracking research findings are disseminated quarterly across the business for review; to understand issues affecting customers and how to make improvements for our customers.

Reference

Turquoise **"South West Water Domestic Tracking"** – reports provided quarterly.

Long-term tracking survey – BW

Objectives

Our long-term tracking survey enables us to understand customers' views and priorities over time. We track customer satisfaction overall and by service area, as well as value for money each quarter.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative (CATI)	c. 780 per year	-	✓	-	-	-		✓

Key messages – what matters most

What we did

- Each quarter we engage c. 195 customers to understand their views. We use the same survey variant to understand trends in customer views over time
- Customers are asked their views on:
  - customer satisfaction with overall service; and by service area: sewage treatment and disposal, drinking water quality, quality of bathing waters, leakage, metering and billing, communications
  - value for money and affordability
  - the experience of contacting BW, if applicable
  - brand tracking (e.g. NPS).
- Customers are not provided with any information on which to base their views – the findings are the uninformed views on how we are performing
- Since January 2017 we have been collecting further details to support the future assessment of customers' subjective wellbeing.

What matters most

- For the majority of our customers, maintaining current standards and service levels is important.
- Satisfaction with drinking water quality is consistently high with 9 in 10 customers satisfied in this area.
- Satisfaction around leakage is low, less than a quarter of customers perceive we are doing well in this area. Customers want to see a quicker response to issues as they are reported.
- Our communications and customer service levels are good, with most customers reporting they have received good service.
- Finally, the general level of affordability among all customers as reported in our long-term tracking survey shows that some customers struggle to pay their bills, although the percentage indicating they find their bill not very affordable or not affordable at all is low.

Next steps

- We are reviewing and updating our tracking research – updating it to help us track customers views on a range of topics as we deliver our 2020-25 plans.
- For example, we plan to ensure that we continue to understand and track how affordable our bills are. We will use the research to support the accurate tracking of the percentage of customers that struggle to pay their bills; to understand which customers struggle the most; and how we provide information to all customers that can help them use water wisely and reduce their bills.
- We will have one survey that covers the South West and Bournemouth regions and will report a single set of results for both regions. However, we will have a large enough sample to drill down and understand differences across the regions.
- We propose to launch our updated tracking research in 2018 Q4.

Impact on our plan and ways of working:

Our long-term tracking research allows all part of the business to understand trends in customers' views overtime.

The long-term tracking has been dovetailed with our priorities research to understand what is important for our customers. We have a detailed and comprehensive understanding of what matters to our customers and we have used this information to shape our 2020-25 plans.

The tracking research findings are disseminated quarterly across the business for review; to understand issues affecting customers and how to make improvements for our customers.

Reference

Turquoise **"Bournemouth Water Domestic Tracking"** – reports provided quarterly.

Bathing water study

Objectives

To examine the value of recreational use of beaches in the South West to SWW customers and visitors from outside the region; and to assess the benefits to the local economy in terms of visitor expenditure and employment. To compile data on customer/beach visitor behaviour and perceptions of bathing water quality, to support strategic and operational decision making concerning bathing waters.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	2,137 (828 SWW customers)	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- The study used revealed preference methods to provide the basis for estimating the value of recreational visits and how this varies by factors such as visitor type, site type, bathing water status and use of site and activities undertaken
- An on-site survey of beach users between April and November 2017 across 13 bathing water sites reflecting a variety of location types and bathing water quality status
- Survey data was used to estimate the value of beach visits, measured in terms of willingness to pay. This represents the benefit that individuals derive from recreational uses of bathing water sites. Added to this, the 'per visit' spending data collected from the survey was used to assess the importance of visitor expenditure to the local economy. This provides an alternative perspective of the value of bathing water sites, measured in terms of the jobs and local income that is supported by recreation and tourism activities associated with beaches.

What matters most

- Key factors in determining which site to visit were distance, natural beauty/scenery, beach type (sand/shingle), cleanliness in terms of litter, and facilities/amenities at the beach
- Around half stated that they or a member of their group, planned to come into contact with the water during their visit and for these the main activity was paddling
- Awareness of specific bathing water quality status was low. Most thought that water quality would be high – this is a 'given' to customers and visitors
- Analysis of visitor behaviour reveals that travel distance, availability of substitutes, and respondents' demographic characteristics have the main influence on the frequency of visits to beaches. In line with the more qualitative findings, bathing water quality does not have a consistent effect on the frequency of visits to beaches
- Overall the study found that there is a significant value associated with (open access) recreational use of beaches in the South West
- Bathing water quality at a site was not found to influence the value of beach visits as there was low awareness of bathing water quality information (e.g. signs) and general acceptance that water quality is high across the region. Customers have little recent experience and knowledge of poor quality sites, although they would avoid beaches where they know there are issues with the quality of the water
- Visitor spending associated with beach visits provides significant value in terms of gross value added and jobs supported in the local economy. While some portion of this is dependent on bathing water quality, it is also dependent on site amenities and facilities that attract visitors.

Next steps

- The results fed into our valuation process and business cases.

Impact on our plan and ways of working:

The results demonstrate the continuing importance of bathing waters in our region and the huge value they have to the region.

We have shared the results with stakeholders in the region. These results show that more can be done to inform customers of water quality issues when they arise, e.g. improved signage.

Willingness to pay values derived from the revealed preference bathing water study fed into the valuation strategy and triangulation process alongside valued derived from stated preference research.

Reference

ICS Consulting and eftec report **"Bathing Water Research"**. April 2018
ICS Consulting and eftec report Annex **"Bathing Water Research"**. April 2018

Cold snap post event survey

Objectives

Following the disruption caused by 'the Beast from the East' we undertook a specific post-event survey to engage with affected customers and understand how we dealt with the event and lessons learned for dealing with these more severe resilience-based events in the future.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	205 (face to face and telephone)	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- Following the disruption caused by 'the Beast from the East' we undertook a specific post-event survey to engage with affected customers and understand how we dealt with the event and lessons learned for dealing with these more severe resilience-based events in the future
- We surveyed over 200 household customers in the worst affected areas through a mix of face to face and telephone surveys to cover households in the most rural areas
- We asked customers about awareness and preparedness for the storm, the impact of supply interruptions on their household, and their perception of SWW's handling of the event in terms of communications, support, speed of recovery and response overall.

What matters most

- Generally customers felt that the process of ensuring customers had water from tanks, distribution points and direct delivery worked very well. Customers accepted the weather was particularly extreme, and thought the level of impact and disruption was proportionate to the severity of the weather
- There was limited support for investing in the network to prevent against such severe weather in the future (34% saying we should invest as a high priority, 27% that they would like investment but it is not a high priority and the same saying that it is not worth spending lots of customer money to protect against such extreme weather events)
- Communications were considered to be reasonable, although nearly half of customers felt that communications could be improved both before and during such events. Those that received our text alert felt very up to date and supported; those that did not receive this relied more on friends, family and our staff at distribution points. A key lesson learned is that we need to promote our text messaging services more
- Some customers that could be classified as being in vulnerable circumstances were not aware of the PSR. A further key lesson is that we need to promote the PSR better
- Customers were very happy with the compensation paid – both in terms of the speed and level provided.

Next steps

- The findings from this survey has informed the preparedness planning for future events, particularly around communication strategies and response to vulnerable customers
- Post-event surveys will continue outside of PR19, and will continue to gauge our response to resilience-based events.

Impact on our plan and ways of working:

This engagement has fed into our vulnerability strategy and communications around incident response and preparedness.

We have already taken steps to encourage customers to sign up to the PSR and to provide training for customer service staff to support them to identify where a customer may be in a vulnerable situation.

The survey has shown that the targeting of messaging did not work in all cases, and we are improving our processes in this area.

Reference

ICS Consulting report – **"Cold Snap Survey"**. May 2018

Customer post event surveys

Objectives

To understand customer impacts around temporary or one-off events and incidents, including customers' avertive behaviours. This informs the customer valuation programme and the development of incident response plans, especially around vulnerable customers.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	338 Mix of face to face and online	0	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- Customer surveys following burst trunk or distribution mains, to understand the impacts on customers of supply interruptions, low pressure and water aesthetic issues they cause
- Mix of long and short duration events – to build a picture of the impacts.

What matters most

- **Impacts:** Key concern with these events is the interruption. Low pressure and aesthetics issues are secondary to customers. Most considered short frequencies to be manageable with low or moderate impact on the household
- **Mitigation:** Many customers mitigate the impacts through the purchase of bottled water, or using water and drinking supplies at home. Few use tanks and distribution points in part due to lack of communications about their locations. Avertive behaviours are low – with most households not spending much to mitigate the impacts
- **Vulnerable:** Some customers struggled more than most. Customers in vulnerable circumstances found the impact to be severe and needed additional help with water supplies. Many relied on neighbours and families, and did not realise that we provide additional help if the customer is on the Priority Services Register (PSR) or makes us aware they are unable to collect water themselves. This highlighted the need to ensure we make sure our PSR is promoted more widely, which is underway (e.g. through targeted Facebook posts and more promotions at community events)
- **Communications:** Customers in general found our communications appropriate – using a variety of sources (website, social media, etc). The deployment of tanks was an area to improve the communications around, as is our text alert system in general. The improvements in communications identified in this research have already been taken on board.

Next steps

- The programme of post incident surveys will continue
- We have developed a set of surveys to be rolled out for a range of service issues – and we are developing surveys to help understand how we impact customers when we deliver our plan (e.g. disruption, roadworks, etc.)
- This will ensure we continue to engage customers on how we impact their day to day lives with our operations.

Impact on our plan and ways of working:

The outputs of customers' stated avertive expenditures have been analysed to estimate the value of preventing supply interruptions and water aesthetic issues. This has fed into our valuation triangulation process, which in turn informs cost benefit analyses and ODI incentive rates.

The findings around vulnerable customers have been particularly insightful, and have shaped our vulnerability strategies and communications strategies around the PSR.

Overall the learnings have shaped our PCs, PC levels, and ODIs – e.g. satisfaction of customers on the PSR, and increase the numbers that are on the PSR through targeted communications.

Finally, this engagement has helped shape our understanding of what is important to monitor and measure.

Reference

ICS Consulting and eftec report – **"Avertive Post Event Survey May"**. 2018

Future customer workshops

Objectives

To understand future customer priorities, perceptions around affordability of bills, and to explore future challenges for water and wastewater and understand how future customers would like to see these addressed.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Focus groups and friendship groups	6 sessions (32 n)	-	-	✓	-	-	✓	✓

Key messages – what matters most

What we did

- We carried out a series of workshops with consumers who are not currently bill payers across four age groups: **Coming of age** (16-17 year olds); **Young adults** (18-19 year olds); **Early twenties** (20-24 year olds) and finally an older group of **Twenties/Turning thirties** (21-30 year olds)
- The groups explored perceptions of water and wastewater services, future challenges and solutions, regional priorities, corporate responsibility, education and involvement, and bill affordability
- Techniques used varied according to the age group to ensure that recruitment and activities were applied appropriately – to ensure the sessions where engaging and interesting. For example:
  - In the focus groups for the older groups we used a customised budgeting exercise whereby each attendee was given a scenario that reflected their future income and expenditures (which matched the SEG profile in the region) and asked to consider their monthly outgoings. Then we discussed if our bills are value for money and affordable, and to ensure bills are affordable when they are bill payers
  - In the friendship groups for the younger groups we used a 'cool wall' to understand about corporate responsibility, as well as getting them to draw and colour the future of the water industry (using a number of black and white templates).

What matters most

- Overall the views of future customers were broadly consistent regardless of age group
- Future challenges are perceived to be related to increased population demand and the associated impacts such as pressure on water resources, infrastructure and water quality. The environment features strongly in future challenges, priorities and investment areas
- Education around water conservation and technological advancement are seen as a key part of the solution to future challenges. Future customers believe that it is just as much the customer's responsibility to conserve water as it is the water companies to improve the network
- Future customers see the future water industry with smart technology – this will impact on household water use management (e.g. smart meters, smart appliances), monitor and manage networks to prevent issues and failures, etc.
- Ultimately, future customers believe the challenge is about finding more efficient and economical ways of delivering a continuous, safe supply of water without adversely impacting the environment
- On corporate responsibility, future customers believe the focus should be environmental and community based. Education and information are also paramount – and as a large business we have a responsibility to help train young people, e.g. through apprenticeships
- Communication with future customers – the group readily welcome education around what water/wastewater companies do, they recognise this may be better through more formal route through schools etc. as they appreciate that it is difficult for companies such as water providers to get on their radar
- Future customers broadly agree with current customer priorities, although they prioritise the environment and education on water saving and sewer usage higher
- Overall, future customers believe the current average bill is affordable, particularly in context of other household bills and alongside an understanding of services provided, but there is concern around the future affordability of bills.

Next steps

- We were clear from the outset that these groups would feed our future vision work, potentially influence the plan, inform our approach to education, training and corporate responsibility, and feed into our assessment of innovation in the future.

Impact on our plan and ways of working:

This engagement showed that a plan which meets the requirements of current customers will on the whole reflect the needs of future customers.

It shows that when future customers become bill payers they expect smart technology to be in place and for us to respond to and embrace the current changes in technology occurring. We need to reflect this thinking in our next Vision document.

We used a number of new methods for educating and education. The feedback was that some of these were really very helpful and should be made more widely available (for example our budgeting exercise). We want to improve our education programme around affordability and water efficiency using some of the learnings from these sessions.

Reference

Turquoise Thinking **"PR19 Future Customer Research Report"**. May 2018

Stakeholder workshops

Objectives

To engage with a variety of stakeholders on the WRMP and business plan and to seek feedback on whether proposals meet their needs and the needs of customers they represent.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Workshops	-	-	-	-	✓	✓ (69)	✓	-

Key messages – what matters most

What we did

- We held stakeholder workshops in Devon and Cornwall which consisted of presentations and roundtable discussions around: current performance; WRMP; Proposals and choices for water for 2020-25; Proposals and choices for wastewater for 2020-25; and prioritising performance options for the business plan
- This was followed by a number of market stalls providing more detailed information on a range of business activities
- A broad range of consumer interests were represented as stakeholders attended on behalf of a variety of organisations representing groups including: Consumer interest body; Business customer/Retailer; Local authority/elected representative; Developer/connections representative; Environmental representative; Energy / utility company; Charity/non-profit organisation; Academic/education institute; Social housing providers.

What matters most

- Stakeholders are broadly positive about our overall performance, and are particularly impressed with our flood protection programme, praising our foresight in bringing forward investment. Several environmental projects that South West Water had been involved in were also singled out as positive
- In terms of improvements, communications with customers and members of the public and pollution were the areas singled out
- On **WRMP**, stakeholders were generally supportive but felt a little more contingency might be appropriate to provide more headroom. Stakeholders also felt that the company should plan for extreme drought even though it is unlikely. Stakeholders also preferred to see demand-side solutions to water resource management and felt the company should do more to reduce demand – there was support for leakage reduction and water efficiency measures. On the timing of activities, the consensus was that SWW should start to take action now.
- **Proposal and choices** (Water) – Stakeholders were supportive of proposals whilst raising concerns around affordability of bills. There was support for leakage reduction and educating customers around water efficiency, with stakeholders supportive of schools-based activities. There was a lot of support for social tariffs and the work SWW does to promote these, although given high levels of water poverty in some areas there was a desire to see the company go further on this. Finally there are concerns about the age of the water network – and calls to make sure this is addressed before expensive large-scale replacement is needed
- **Proposals and choices** (Wastewater) – Stakeholders felt the company could go further on sewer capacity and flooding, sewer blockages, and pollution incidents (including CSOs). Stakeholders wanted the company to do more to reduce sewer flooding incidents as these are particularly unpleasant for customers. The other issue was around 'fatbergs' and sewer blockages and stakeholders felt there needed to be more education for customers on the issue as well as taking a leading role with manufacturers (e.g. improving the labelling of wet wipes for customers so they know not to put them down the drains). Stakeholders also felt that more investment was required to increase sewer capacity in response to the increase in new housing developments
- **Prioritising** performance options – stakeholders felt the company should prioritise leakage reduction, pollution reduction, improvements in river quality, customers on a support tariff, bathing water quality, and external sewer flooding.

Next steps

- We will continue to test and monitor stakeholder and customer priorities and views, and to feedback to stakeholders as we deliver our plans from 2020.

Impact on our plan and ways of working:

The findings show that those aspects of service important to our customers broadly align to what stakeholders consider important. This gives us confidence that our plan meets the needs of all customers and stakeholders.

The findings have been used to understand if we have stretched ourselves in our plans, particularly around leakage, asset health, pollution and flooding.

We have also challenged our communications approaches based on the feedback from stakeholders in this area.

Reference

EQ report **"Stakeholder Workshops Summary"**. March 2018
EQ report **"Stakeholder Workshop Cornwall"**. March 2018
EQ report **"Stakeholder Workshop Devon"**. March 2018

Retailer research

Objectives

To explore and understand how SWW can support Retailers now and in the future; and to understand Retailers' perceptions of NHH customer needs for PR19.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Qualitative	-	-	-	-	✓ (8)	-	✓	✓

Key messages – what matters most

What we did

- All retailers were contacted and invited to take part in in-depth telephone interviews of approximately 45-60 minutes. A total of eight retailers took part
- In addition to understanding retailers' perceptions of how the market is operating so far (across the whole industry – not just the south west), how it will develop and their experience of working with SWW, we also asked about PR19 priorities for end customers and how SWW could support retailers in their plans for the future.

What matters most

There are common themes across the retailers when it comes to their end customer future needs and expectations:

- Key issue is water efficiency services and audits – retailers believe that their customers want to have a positive impact on the environment, or at least a neutral impact. Larger businesses are particularly interested in water audits; they want to reduce and monitor their consumption
- Retailers feel that accurate billing is a big issue with their end customers. Accurate, easy to read billing is fundamental to their business. Across the industry there is poor data which has a big impact on retailers (e.g. issues with meter data such as missing digits can cause financial settlement issues) and inconsistent approaches from wholesalers (e.g. operating systems and web portals)
- Some retailers told us that some end customers still get billed by their old providers long after they have switched suppliers
- Retailers were clear that the market favours the incumbents – the incumbents set up the market codes. They are in discussions with Ofwat to change these
- Some retailers believe that the tariff structure is complex; and more uniform tariff structure would be beneficial to them and their customers. Moreover, retailers would like to see more consistent allocation of costs between the differing elements of the bill
- Generally, larger users of water want accurate bills rather than estimated bills. End customers want accurate bills because they want control of their finances
- High levels of customer service – if there are problems with the supply, end customers want fast response and updates.

Next steps

- We will continue to engage with retailers and use their feedback to improve service.

Impact on our plan and ways of working:

Feedback from retailers relating to market issues and relationship with SWW fed back to the Wholesale Account Management team to feed into service improvement in short and medium term.

Reference

Turquoise report **"Retailer Research"**. January 2018

OPM scoping research

Objectives

This phase of research involved engaging customers on what aspects of service matter to them and should be included in the OPM Framework. This involved understanding what categories of risk and performance should be considered as part of the PCs, e.g. categories of external flooding, internal flooding, supply interruptions, water aesthetics and water resource options. Also included a review of what asset health and resilience means to them and how it should be measured.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Focus groups	12 (96n)	-	-	-	-	-	✓	✓

Key messages – what matters most

What we did

- The focus group discussions centred on what matters to them and should be measured and monitored by South West Water
- The current and potential revisions to the OPM Framework were discussed. Customers provided views on these – as well as any gaps or other aspects of service
- The sessions covered water, wastewater, customer service, environment, asset health and resilience, ensuring that each topic was discussed in-depth
- Different scenarios were presented to customers – customers were asked to discuss the scenarios and identify the factors that made them consider which scenarios warranted investigation and which did not. From this it was possible to discuss with customers the aspects of service that need to be included in any business case.

What matters most

- The performance commitments are often too granular for customers. For example:
  - Customers do not view all internal or external flooding incidents equally: e.g., flooding of sensitive properties is more of a concern than flooding of other homes; flooding of highways is less of a concern than flooding of gardens. Customers were concerned that flooding of farmland or the frequency of flooding was not captured in the OPM framework
  - Similarly, the OPM framework aggregated all water aesthetic issues, but customers told us that taste and odour issues are more of a concern than discolouration; and these should be split out
  - Some drainage solutions have a premium over traditional solutions – if they create habitats and genuinely improve biodiversity
  - Water resource options have different impacts on customers and the environment; the OPMs focused on water efficiency and leakage only and needed to be extended to increase demand option granularity and include supply options.
- Asset health – Customers expect South West Water to be looking after the health of assets and think it is very important that they do so. The OPMs presented did not cover asset health fully, with customers suggesting that more should be done to capture this key aspect of service
- Resilience – the OPMs were too focused on flooding and did not cover other predictable resilience hazards.

Next steps

- We updated our OPM Framework based on these findings. We will continue to engage our customers periodically on the OPM framework as part of future updates.

Impact on our plan and ways of working:

The OPM Framework underpins our whole approach to business planning, decision making and delivery. OPMs represent the level of detail against which all expenditures are assessed and business cases are developed.

The findings from these focus groups were key to updating the OPM Framework for PR19.

They also contributed to the development of our performance commitments – by helping us understand what our customers want and care about.

The OPM framework aligns with our Outcomes framework – in particular we ensure there is a clear mapping from OPMs to performance commitments. We predict and forecast our PC performance by first predicting and forecasting performance at OPM level.

Finally, the findings of this research informed our customer valuation programme. Our main and second stage studies sought to provide values for all OPMs (where appropriate). Having the OPM research conducted early on in the process allowed us to scope and deliver the valuation programme in a timely manner.

Reference

Turquoise report **"OPM scoping report"**. March 2017
ICS Consulting report **"OPM framework review"**. May 2017

Understanding Performance Commitments and Outcome Delivery Incentives.

Objectives

This study had two objectives and was divided into two clear parts. The first part focused on testing the long list of potential performance commitments to understand which should be the final set we use for PR19. The second part covered a wide range of issues around ODI development and design, such as which incentive type is applicable to each potential PC, views on caps, collars, deadbands, enhanced rates and the timing of ODI payments.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Focus groups	15 (120)	1 (8)	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- The first 8 focus groups centred on the eight outcomes and the full list of potential performance commitments for each outcome (the PR14 list, the Ofwat mandatory and recommended measures, and the outputs of a review of PR14, other sectors and companies, and UKWIR studies). These were discussed in some detail
- The main focus of the discussion on the PCs was around the relevance of each potential measure, how easy or not it was to understand the measure given the title and definitions, and the relative priorities of the PCs in terms of the most and least important to capture
- To support this discussion each PC was provided along with a definition, units of account, rationale for the measure, and information on previous associated measures. This was tailored for both the South West Water and Bournemouth Water regions
- To support the development of PCs and make sure nothing was missed there were discussions on asset health, resilience, vulnerability, affordability, the environment and biodiversity
- The second set of 8 focus groups centred on the principles and application of the incentives framework. Customers were asked how the ODIs should be allocated into each of the incentive baskets i.e. penalty, penalty and reward, and reputational – and the reasons why
- They also discussed the principles of ODI design such as views on caps, collars, deadbands, views on enhanced rates, and the timing of ODI payments and bill volatility.

What matters most

- Overall the sessions show that there is strong support for the Outcomes and Customer Priorities identified in PR14 and updated for PR19. These are clear and well-liked by customers
- In terms of the detail, the full set of (66) potential PCs presented was considered to be too much. The view from customers was that this was overwhelming and confusing as it contained duplication across the measures. Customers want a simple framework. There was a lot of support for almost all of the measures presented. But the right framework needs to present a much smaller number if customers are to continue to be engaged with the framework
- It is important the PCs focus on those aspects of service that are core to South West Water's customers. This is often comparator measures published by Ofwat/Discover Water; but more so are those aspects of service that may be less important nationally but reflect local issues to customers in the South West and Bournemouth regions
- In terms of the discussion topics:
  - Asset health was shown to be very important to customers. They want our clean and safe water and reliable waste outcomes to have a healthy mix of service-based and asset health measures. Asset health should focus on leading indicators and avoid any subjective assessments (e.g. remaining life is too subjective)
  - Our existing resilience measures were thought to be too narrow and needed to be extended to cover wastewater, and to not just focus on flooding
  - Environmental measures should be included. These should encourage SWW to protect and enhance biodiversity
  - Vulnerability was highly important. Have measures in place that make sure that vulnerable customers are identified, and given the right level of quality support was important.

- With respect to ODIs, customers want to be compensated too if things go wrong. Initially there can be mixed views around rewards: for some the initial reaction to the term 'rewards' is negative, but once customers understand the role of rewards in driving service and innovative they are much more supportive of these
- These focus groups were undertaken before the change in language from rewards to outperformance payments – in these focus groups once explained, our customers told us that 'rewards' is a misleading concept and therefore the change in language would be supported by our customers
- Financial incentives should be used for those aspects of service considered the most important and/or where further investment is needed to improve service. Reputational incentives are for those aspects of service less important to improve and less important for customers
- Asset health was a key area for financial incentives. And generally customers supported these being both reward and penalty based on the basis that encourage innovation is good for the future
- Customers welcome some of the proposed changes to the ODI framework proposed by Ofwat, in particular enhanced rates. Other proposed changes are less popular or even disliked, e.g. removal of deadbands, caps and collars. There was mixed views about whether ODIs should be paid in-period or not; on balance customers were slightly more against this than in favour.

Next steps

- The findings of this research have contributed directly to our understanding of what ODIs customers want and our suite of ODIs
- The research highlighted strong support for enhanced rates whilst identifying concerns about removing caps, collars and deadbands for all PCs. These areas were considered in the Balancing risk and reward survey to understand more about customers views in these areas (alongside views on the RoRE range).

Impact on our plan and ways of working:

The findings have been used to refresh and confirm our outcomes and performance commitments. Those with the least customer support (least important, duplication, etc) were removed.

The findings helped define the units and definitions of our PCs.

The findings of this research has been used to inform our ODIs. We have allocated our PCs to the incentive type using the findings of these focus groups.

This study also identified some areas to consider further with customers in our Balancing risk and reward survey.

Reference

ICS Consulting **"Understanding Performance Commitments and Outcome Delivery Incentives"**. December 2017

Balancing risk and reward research

Objectives

To understand customers' views on ODIs in principle and the application in practice. This built on the findings of the ODI Research focus groups. Wide ranging survey covering a number of key areas that are important to ODI design, such as views on asset health ODIs, the variability around the bill (i.e. the RoRE range); and role and application of enhanced rates.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative Survey	602	-	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- A quantitative study focusing on household customers across the SWW and Bournemouth Water operating regions. Seeking to quantify findings expressed in earlier focus groups "Understandings PC and ODIs"
- Wide range of topics including customers' views on:
  - financial ODIs; asset health ODIs, including the balance between financial incentives for asset health and service-based measures
  - the preferred variability around the bill (i.e. the RoRE range) – customers were presented with four packages of incentives and asked to rank them in preference order
  - what should happen if ODI payments exceed the proposed amount
  - the role of deadbands
  - Enhanced rates
  - If any individual ODIs should have caps/collars.
- Segmentation analysis to understand if different customer types have similar or dissimilar views.

What matters most

- The study showed strong preferences for there to be financial incentives for both under- and over-performance (83% of customers agreed with them)
- When customers were asked to rank the four incentives packages in order of preference, the packages with zero incentives or 5% RoRE range were the least popular. Packages with a range of 1%-3% were more popular, as whilst customers support ODIs, they do want the impact on bills to be affordable
- Customers support a cap on individual measures, so that no one measure carries too much penalty or outperformance payment
- Strong support for financial incentives for asset health; asset health and service are equally important to incentivise and on average asset health measures should carry similar financial risks to service-based measures
- Customers were supportive of enhanced rates. There were no aspects of service customers said should be exempt from enhanced rates, and they have indicated support for enhanced rates for leakage and flooding (83% and 85% respectively). Customers indicated the rate of an enhanced rate should be approximately double the standard rate
- Customers indicated support for mechanisms that deal with uncertainty – they believe there should be caps and collars and deadbands to deal with extreme weather and where third parties can impact on performance
- These views are consistent across customer segments examined.

Next steps

- The findings of this research have contributed directly to our understanding of what ODIs customers want and our suite of ODIs.

Impact on our plan and ways of working:

The findings of this research have been used to inform our ODIs.

We have developed ODIs with an overall RoRE range in line with customers views.

We have applied enhanced rates to areas of service where customers have indicated high levels of support. Whist the benefits to other companies from our enhanced rates would warrant a high uplift in our standard ODI rates, we have chosen to follow our customers' views and opt for a modest doubling of the incentive rate.

We have ensured the asset health incentives that make up clean, safe water and reliable waste outcomes have financial payments that align with the service-based measures – in line with customers views.

We have applied deadbands for those measures that Ofwat suggested in its methodology may be suitable – on the grounds that our customers support this.

In line with our customers views we do not propose to carry the full amount of any ODI payments in excess of the RoRE range to the next year.

Reference

ICS Consulting report **"risk and reward survey"**. June 2018

Customer playback sessions: valuations and preferences

Objectives

The objective of the research was to hold workshops with customers to playback and review the findings from key valuation studies, most notably: Main stage 1 stated preference study, Water resources and options second stage stated preference study, Water disruption and pollution second stage stated preference study, Wastewater second stage stated preference study, Bathing water revealed preference study, Drinking water avertive revealed preference study. We wanted to test the findings prior to using the results in our triangulation process and in business planning.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Customer workshops	4 (32n)	-	-	-	-	-	✓	-

Key messages – what matters most

What we did

- The sessions involved summarising the key findings from the research and discussing why customers have given the feedback they have, how to interpret and apply the findings in business planning, and identify any areas of uncertainty that need further examination
- We presented the key findings and quantitative survey findings as a series of relative weights rather than absolute values. The meaning of the weights in terms of prioritisation of expenditure was discussed and confirmed.

What matters most

- Across the board there was strong support for the findings of the previous research programme, and few areas where customers questioned the results
- **Water resources.** All previous findings around leakage, demand management, water resources, bathing waters and rivers were all supported by customers
- **Supply interruptions** – customers confirmed the findings of research programme – that there is a lower value for improving supply interruptions than previously. Service is considered to be good and needs to maintained. As long as customers in vulnerable situations are protected and looked after there is only lukewarm support for further improvements in this area.
- **Drinking water restrictions** – customers confirmed these are the most serious of water disruption impacts. We presented the seemingly counter-intuitive results from the water and common survey that customers may at times prefer a complete supply interruption instead of the more severe drinking water notices. Customers supported these findings on the grounds that there can be health risks with a notice (e.g. if the notice is missed and people drink the water unknowingly, particularly the vulnerable) and to ensure confidence in water supplies. If these are to be used the communications around these need to be very robust to avoid longer term impacts
- **Sewer flooding.** We presented to customers the findings that external flooding has increased in importance to customers relative to internal flooding and should be the future focus. Customers were clear that there has been no reduction in their tolerance or acceptability of internal flooding events, but recognise it is less of an ongoing priority given good performance in this area. The view was that this must be maintained at least, with any repeat internal or external flooding unacceptable and to be prioritised. They said they would be unsupportive of any reductions in the value of internal flooding – but rather said it was the value of external flooding that has increased
- **Drainage options.** Customers support drainage in principle. We presented the findings of the wastewater second stage study that suggested raingardens are not valued by customers, even though other options that create habitats and support wildlife attract a premium. Customers told us that mandatory or compulsory rain gardens are unpopular with customers, but if optional are on a par with wetlands in terms of attracting a small premium
- **Pollution.** We presented the findings of the water and common second stage study which suggested that customers view pollution as largely similar, and are equally concerned with the numbers of events as the severity of the events. Customers supported these findings, but were concerned what this would mean in practice given this suggested the value of a category 3 events and CSO spills would be on a par with internal flooding. There was a unanimous view that this was not right and they expressed concern about this finding being used in developing the plan and prioritising investment. Overall the view was that the value of pollution has risen since PR14, but by less than suggested in recent survey findings – the value was driven by a strong reaction to the term pollution itself. i.e., the survey finding is driven by how much of a priority this is and how emotive the term pollution is – and does not just reflect the actual value of reducing or preventing this

- **Bathing water.** Customers were presented with the findings of the main study and second stage wastewater study. They agreed that the value of bathing water continues to be high, even though SWW is a leader in this area. Customers confirmed that they continue to value highly more bathing water achieving excellent water quality as this supports Blue Flag and therefore benefits the community and supports the economy. Customers agreed that further efforts to improve already high bathing water quality to excellent around the region is valuable to customers
- Having the WFCP view the sessions and understand more about what customers value and are willing to pay for has improved their confidence in our overall valuation programme and triangulation process.

Next steps

- This feedback helped us to set the weights that we applied in our triangulation process, in particular how relevant each data source is.

Impact on our plan and ways of working

The OPM Framework underpins our whole approach to business planning, decision making and delivery. OPMs represent the level of detail against which all expenditures are assessed and business cases are developed.

The OPM framework aligns with our Outcomes framework – in particular we ensure there is a clear mapping from OPMs to performance commitments. We predict and forecast our PC performance by first predicting and forecasting performance at OPM level.

In total we have 150 OPMs – the valuation programme has populated all the OPMs, allowing cost benefit analyses to be undertaken.

The sessions helped us to understand survey results, understand the customer thinking behind the survey findings and areas where the values should be applied as per the survey and areas where more consideration is needed in developing the final set of values to use.

We have used the findings to set the weights attached to all the evidence in the triangulation process.

Reference

ICS Consulting report **"customer playback sessions"**. December 2017

Regional investment research

Objectives

To obtain feedback on whether the benefits/outcomes delivered through investment activities fulfil customer needs. Provide verification that the overall priorities determined through earlier research are still relevant to customers. Provide qualitative acceptability ahead of quantitative studies and to discuss the impact of inflation with customers, how they feel about inflation and how that affects their views on acceptability.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Focus groups	12 groups (n 96)	3 groups (n 24)	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- We held a series of focus groups with SWW and BW customers, both household and non-household, with a mix of household sizes, socio-economic groups, metered and unmetered and customers who sometimes struggle to pay their household bills
- The sessions presented back our plans for the region and their local area in particular to ensure we had the right balance of investment and are targeting it to the right areas – meeting local needs as well as addressing regional issues
- Topics covered were consistent across all focus groups and included:
  - Exploration of any key problems in the local area
  - Exploration of the regional priorities that would have the most impact locally
  - Exploration of local investment activities
  - Evaluation of bill impact acceptability
  - Exploration of the impact of inflation on the bill and acceptability.

What matters most

- Overall, the views of customers were largely consistent. The priorities established earlier in the research were seen to be correct and comprehensive and the benefits/outcomes delivered through our plan meet customer needs and expectations. Our proposed plans to deliver against the priorities were seen to be acceptable even with inflation included
- The focus groups showed what is important to local communities. For example:
  - Bude relies heavily on beaches and expect us to support this with excellent bathing waters, but affordability is also a concern so they want to see lower efficient bills
  - Plymouth has some odour issues from our wastewater treatment works, so welcome investment to reduce that. Again affordability is a big concern here
  - Bournemouth trust their water service – and are more concerned about future supplies, so welcomed our water resource plans
- In all the locations we sought views on whether the initiatives and investment we are planning are beneficial to the local communities and the wider region – the resounding opinion was that it would be
- Whilst customers welcomed the initiatives there was a view that some of the targets were not that stretching – areas of asset health where we have average or below average performance. We were challenged to go further within the bill levels we presented
- For many customers wages and incomes are not rising in line with inflation and this was concerning to customers as they expect their bills will increase regardless.

Next steps

- We updated our targets in those areas where customers said our performance was not stretching and challenged the efficiencies in our plans prior to the quantitative acceptability testing phases.

Impact on our plan and ways of working:

This research provides evidence that development of the plan continues to meet the needs and priorities of our customers on both a local and regional level.

Findings around acceptability of the plan and the impact of inflation have helped shape the quantitative acceptability testing and how we interpret those results.

The company understands that customers have serious concerns around the impact of inflation on household bills and have sought to drive further efficiencies within the plan to help mitigate this.

Reference

Turquoise **"Regional Investment Research"**. April 2018

Proposals and choices consultation

Objectives

We have formally consulted with customers and stakeholders around our proposed plans through our proposals and choices consultation. We provided information on all the key initiatives that we have proposed in our plan and potential bill impacts; as well as options for investing more or less. A full version was sent to stakeholders; and a shortened customer version was sent to every household.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Consultation	Version sent to all households; c. 250 responses		✓	-	-	✓	✓	✓

Key messages – what matters most

What we did

- The key initiatives by region (South West Water and Bournemouth Water) and by outcome were summarised along with the potential bill impacts. Bill impacts were presented with and without inflation
- We sent our full version of the consultation to our stakeholders; we also sent a shortened customer version to every household, so that every household has had the opportunity to review and comment on our plans
- We consulted on an average South West Water bill changing from £500 in 2020 (prices of the day) moving to £485 before inflation / £546 with inflation
- We consulted on an average Bournemouth Water bill changing from £142 in 2020 (prices of the day) to £141 before inflation / £155 with inflation
- The consultation outlined our priorities for investment – drinking water quality and availability; improving our wastewater service to reduce pollution and flooding; and focusing on the environment and bathing waters
- Key investments include:
  - Continuing to provide top quality drinking water and preventing interruptions, including the replacement of a large water treatment works in the Bournemouth Water area
  - Reducing sewer flooding, reducing pollution and improving bathing and shellfish waters through maintaining the sewer network and increasing sewer separation
  - Reducing odour from wastewater treatment works
  - Tackling leakage – reducing by 15% and optimising water resources
  - Reducing our carbon footprint and protecting biodiversity in the region
  - Improving resilience and our ability to respond to extreme events
  - Increasing our engagement with customers, extending communication channels and improving customer service further
  - Ensuring bills are affordable for all through a comprehensive affordability strategy.
- The consultation gave customers choices over their service levels and bills. Customers were given options for each outcome – to indicate they would prefer we spend less (and consequently reduce bills) or to deliver more sooner
- Customers and stakeholders were asked to provide feedback (online, post or via the website) around whether the proposals are affordable, value for money and deliver for customers now and in the future; to identify areas where more or less investment may be warranted – including delivering plans faster; and whether the right activities were considered; and ultimately if the balance of investment and service looks right.

What matters most

- Customers and stakeholders were broadly supportive of the plans presented
- Most respondents agreed that the priorities for investment were right and are important for securing services now and in the future
- **Services** – on balance most of the responses confirmed the plans as having the right balance between service and bills. There are no investment areas that large numbers of responses called for more or less investment
- There was little call for less investment – the only areas identified were around the responsive to customers proposals, where some thought service was good enough
- There was more appetite for going further/faster in a few key areas

  - Water resources: making sure we do as much as we can to understand and deal with population growth and climate change; and doing more to help people save water. A number of responses called for more water recycling
  - Resilience: being able to deal with extreme weather, and support the prevention of flooding in particular
  - Asset health: customers do not want to see an ageing network, and want us to utilise technology and make our services smarter, and fit for modern day challenges, calling for gradual improvements
  - Doing more to help remove plastics from the environment and preventing combined sewer overflows was a key theme in a number of responses.
- **Bills:** the reduction in the bill in real terms was welcomed by customers and stakeholders
  - A common theme in the responses was that the cost of living is rising faster than incomes, and therefore it is essential to ensure bills are efficient and value for money
  - Some respondents urged us to consider if more investment could be funded from profits/dividends in order to keep bills as low as possible whilst delivering the services
  - Respondents in the south west region had stronger views affordability and the need to fund more out of profits than respondents in the Bournemouth region.

Next steps

- The outputs of the consultation have been integral to our plan balancing process, especially when understanding if the plans can be delivered for less.

Impact on our plan and ways of working:

The findings show that our plan does deliver against the priorities of our customers and stakeholders.

Overall customers have indicated strong support for the initiatives in the plan – but identified a few areas where we could go further. The findings have been used to understand if we have stretched ourselves in our plans, particularly around asset health, leakage and resilience.

However whilst there is no appetite to deliver less to lower the bill, our customers and stakeholders have expressed their wish for us to deliver the proposed level of service with a slightly lower bill.

We have challenged whether we can deliver our plans with lower bills – by passing back more efficiency savings to customers.

Reference

South West Water report **“Bournemouth Water P&C”**. July 2018

South West Water report **“South West Water P&Cs summary report”**. July 2018

In period ODI research 2017

Objectives

South West Water customers benefit from the WaterShare scheme whereby any outperformance of the 2015-20 business plan is shared with customers. In 2017 this survey was undertaken to understand customers views on how the outperformance fund of £6.1m should be returned to customers.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey (online)	600		✓	-	-	-	✓	-

Key messages – what matters most

What we did

- This survey was the first survey where we tested customers views on outperformance in the WaterShare scheme. Hence we undertook a series of cognitive interviews to ensure customers fully engaged and could provide accurate responses to the questions.
- The survey explained there were £6.1m to be shared with customers due to outperformance. This is equivalent to a one-off bill reduction of £8 per customer. This survey asked customer how these net gains could be returned to customers – including customers ranking five options:
  - lower bills by £8 in April 2018
  - defer to offset bills in the future
  - reinvest in improving services
  - lower bills by £3 in April, and defer the rest
  - lower bills by £5 in April, and defer the rest
- Customers were asked their views on reinvestment options: beach management and community investments, temporary flood barriers, various initiatives to improve customer service and support financially vulnerable customers. Customers were also able to put forward other areas to be considered for reinvestment.
- A separate part of the survey involved asking customers on the appropriateness of current appointment times offered to customers for issues such as meter fitting or checking suitability.

What matters most

- There are high levels of support for the Watershare scheme. Over 90% of customers welcome the scheme.
- Returning monies or deferring to even out bills in the future are the most popular options; reinvestment of these cost savings is the least favoured option.
- Those that opted to defer said the bill amounts offered were too small – and thought the money should grow to help with uneven bills in the future.
- Whilst reinvestment options were ranked the least, the most popular of these options were to support temporary flood barriers (supporting local communities at risk of flash flooding); beach management and investment; leakage reduction and sewer flooding improvements.
- Customers were asked their views on the current appointment framework. This shows there is customer support for a more flexible appointment system but customers also do recognise the current system is reasonable if appointments are set for a specific time.
- Lower income customers, disabled customers and those in receipt of Watercare or Watersure held similar views to the full sample.

Next steps

- The report feeds into the WaterShare independent panel to discuss and agree the next steps for the scheme.

Impact on our plan and ways of working:

An independent WaterShare panel scrutinises performance against the current business plan, and agrees how any benefits should be shared with customers.

This survey shows that customers want these monies to be used to lower bills. They support the fund being able to grow to provide security for the future and provide one off lower bills at timely intervals.

Therefore the recommendation to the panel was to return some £3 through lower bills in April 2018, and defer the rest to allow the fund to grow.

Reference

ICS Consulting **"WaterShare Research"**. July 2017

In period ODI research 2018

Objectives

South West Water customers benefit from the WaterShare scheme whereby any outperformance of the 2015-20 business plan is shared with customers. The survey involved discussing with customers how the current outperformance fund of £9.3m should be returned to customers.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey (online)	600		✓	-	-	-	✓	-

Key messages – what matters most

What we did

- The survey explained there was £9.3m to be shared with customers due to outperformance. This is equivalent to a one-off bill reduction of £15 per customer. This survey asked customer how these net gains could be returned to customers – including customers ranking five options:
  - lower bills in April 2019
  - defer to offset bills in the future
  - reinvest in improving services
  - use one-third to lower bills in April, and defer the rest
  - use two-thirds to lower bills in April, and defer the rest.
- Customers were asked their views on their preference around storing up cost savings until a threshold is reached – and returning monies to customers when the minimum threshold is reached.

What matters most

- Returning monies or deferring to even out bills in the future are the most popular options; reinvestment of these cost savings is the least favoured option
- Returning all the money without leaving any for the future is not in line with their views – half of customers want all or some of the savings to be deferred to even out uneven bills in the future
- Customers indicated little support for cost savings to be returned in small piecemeal amounts; they prefer monies to be stored until there is a reasonable amount to pass back. The average of the threshold amounts indicated by customers was £17
- Views across the customer segments are broadly similar, although the lower SEG bands have a slightly stronger wish to see cost savings returned earlier rather than being deferred.

Next steps

- The report feeds into the WaterShare independent panel to discuss and agree the next steps for the scheme.

Impact on our plan and ways of working:

An independent WaterShare panel scrutinises performance against the current business plan and agrees how any benefits should be shared with customers.

This survey shows that customers support allowing the fund to grow to provide security for the future and provide periodic meaningful one off lower bills (when there is £15 to £20 to return).

Whilst there is the ability to provide a £15 reduction in April 2019, this would leave the fund without any monies for the future, yet half of customers indicated at least some monies should be saved for the future.

Based on these results the WaterShare panel will determine the timing of returning savings to customers, although the minimum ODI in-period amount will be passed back through customers bills in 2019.

Reference

ICS Consulting **"In Period ODIs Research"**. July 2018

WaterShare+ principles

Objectives

South West Water customers benefit from the WaterShare scheme whereby any outperformance of the 2015-20 business plan is shared with customers. This survey aims to understand customers views on the approach to WaterShare scheme from 2020 – known as WaterShare+ – specifically the principles and broad approach to rolling out share ownership to customers.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey (online)	605		✓	-	-	-	✓	-

Key messages – what matters most

What we did

- The survey explained that by 2020 there could be £20m of outperformance to be shared with customers (equivalent to a one-off bill reduction of £25 per household) and asked views on the options for returning this to customers
- Customers were asked their preferences around lowering bills – fixed rate per household or % reduction. They were asked questions around share ownership, including familiarity and thoughts on receiving shares from Pennon Group
- The survey asked customers to rank six options:
  - A cheque for £25 sent to each household in April 2020
  - A one-off reduction in the bill equal to £25 on average in April 2020
  - Monies deferred to future years to smooth future bills
  - Reinvest in improving services
  - Invest in community, environmental or charitable projects
  - Shares in Pennon Group equal to at least £25 at current market value.
- A contingent valuation exercise was used to understand the tipping point at which shares become more valuable than one-off bill reductions
- A separate part of the survey asked customers about bill profiles.

What matters most

- As seen in previous studies, returning monies or deferring to even out bills in the future are the most popular options; reinvestment is less favoured
- Customers slightly prefer that bills are lowered through a percentage reduction rather than a fixed £25 reduction per household
- The key motivation for opting for shares is the higher financial rewards expected. Secondary benefits are customers using water wisely and being more careful around what they put down the drain
- When offered the choice between £25 in a lower bill or £25 of shares, most opt for the lower bill, but three quarters opt for the shares when the value of shares rises. On average £40 shares is equal to a £25 bill reduction. Those in the higher SEG have a lower value needed to opt for shares (over £50); whereas the higher SEG have a lower range of £35-£40
- Customers have low familiarity with shares – a minority hold shares directly or through pensions/ISAs/etc. Communication around any share offerings would need to be carefully managed
- Customers prefer bill profiles to be smoothed. Large bill reductions followed by steep rises back are not popular; neither are bills that go up or down to match investment or performance. Smoothing bills past 5 years is welcome.

Next steps

- The report has provided key feedback to be incorporated into the WaterShare+ development.

Impact on our plan and ways of working:

The feedback has been useful in developing our proposals for WaterShare+.

It has helped us to understand customers' views on shares in general, and receiving Pennon Group shares in particular – the benefits to customers' and South West Water, as well as any customer concerns.

This survey has helped us to start to understand some of the issues there will be with rolling our shares in practice. First, we understand the value of shares to customers i.e. the tipping point at which shares are preferable to lower bills. And we understand more about the barriers that may prevent some customer segments from participating in this scheme.

All of these understandings have continued to help us shape WaterShare+.

Reference

ICS Consulting **"WaterShare+ Principles"**. July 2018

The WaterShare package

Objectives

South West Water customers benefit from the WaterShare scheme whereby any outperformance of the 2015-20 business plan is shared with customers. South West Water has engaged with customers considerably on the successor to Watershare, known as WaterShare+. This has set out the principles and broad approach to rolling out share ownership to customers. This study focused on understanding customers' views on the proposed package and the barriers that may prevent take up across the customer base.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey (online)	580		✓	-	-	-	✓	-

Key messages – what matters most

What we did

- The survey explained that over 2015-20 outperformance has been shared through lowering bills and deferring monies to return as lower bills in the future. Customers are asked their views on this
- The survey then explains that Pennon Group (SWW owner) is considering voluntarily giving £25 of shares in 2020 to each household. Customers are asked if they will register for the shares, and if so if they will keep the shares or seek to immediately cash them in (with no hassle and no fees).

What matters most

- Customers indicated they are keen on this idea, with only a small minority keen for us to continue to focus on distributing outperformance solely through lower bills (either now or deferred)
- 92% of customers are supportive/very supportive of our plans or are happy either way (between this or cost savings through a lower bill). They consider that this is an effective way to build trust, encourage customers to be more active in their local water company, and will improve the way all customers use water and be more careful what they put down sewers and drains
- Most households will register for the shares. 87% of those that opt for shares say they will keep them rather than cash them in
- Interestingly those in lower SEG are slightly more unsure of these plans, but if they opt to take the shares a much higher proportion say they will keep the shares. Those that are familiar with Pennon Group are also more supportive of the plans and likely to take the shares
- Customers said the barriers to rolling this scheme out effectively centre on communications. Every household needs to hear about this offer and understand it, and we need to ensure that all that are eligible benefit from it, e.g. landlords should not be able to claim shares if tenants pay the bills
- In order to support the scheme, customers believe a multi-channel approach is required, involving leaflets to home and media messaging.

Next steps

- The findings have provided key feedback to be incorporated into WaterShare+ development.

Impact on our plan and ways of working:

The feedback has been useful in developing our proposals for WaterShare+.

It has helped us to understand the extent to which customers will opt to receive shares, and what they will do with the shares once they do receive them.

This survey has helped confirm some of the issues there will be with rolling our shares in practice, and how we can manage these issues.

All of these understandings have continued to help us shape WaterShare+.

Reference

ICS Consulting, **"The WaterShare Package"**. July 2018

Taxation and corporate responsibility

Objectives

The aim of this research was to understand from customers what they expect from big businesses in the local region. The research involved understanding what customers consider corporate responsibility to be. The specific approach to taxation of SWW and its parent company was explored.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Focus groups and quant survey	3 groups (n 26) Survey – 602	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- We conducted focus groups and a quantitative survey to understand the views of customers and members of the public on big business on:
  - Views on what corporate responsibility means – and how important this is
  - Views on tax policy, including awareness of taxation and attitudes towards Pennon Group's taxation policy.

What matters most

- In the focus groups and survey customer issues were most commonly mentioned as the most important part of corporate responsibility, i.e. good quality service, efficient bills, profit sharing mechanisms, and protecting vulnerable customers. Sound financial governance and looking after employees were also considered important elements of corporate responsibility. Customers thought SWW could do more around apprenticeships and training for young people
- Whilst almost no one in the focus groups stated they consider taxation to be a key part of corporate responsibility, once prompted as a topic it resulted in strong reactions that the taxation policies of large businesses are central to corporate responsibility. There is considerable concern about the tax approaches of some big businesses – but based on the information presented in the focus groups participants were reassured by the levels of taxation paid by Pennon Group, and commented that they were pleasantly surprised to hear a local big business is getting the balance right
- A key theme in the focus groups and quantitative survey is that SWW needs to share its success with customers and employees. Customers welcome sharing profits, either through lower bill or share options. Customers were enthusiastic about share options, but recognised there must be choice.

Next steps

- The results informed the Pennon taxation strategy and discussions on the future of Watershare.

Impact on our plan and ways of working:

The results have helped us to update and finalise our Pennon taxation strategy. We have used the results to support how we present tax information in a way that customers can understand and to demonstrate. The results have helped us to engage stakeholders on our approach to taxation.

The results have also supported our discussions on the future of Watershare.

Reference

ICS Consulting **"Taxation and corporate responsibility"** February 2018.

Building trust, supporting customers and sharing success

Objectives

The aim of this research was to understand more about affordability and value for money; how we support customers that are less well off and struggle to pay their bills; and how we share success in the future through cost savings and share ownership (WaterShare+).

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Focus groups	2 (n 15)	-	✓	-	-	-	✓	-

Key messages – what matters most

What we did

- We conducted focus groups to collect customers' views on:
  - The importance of value for money and affordable bills, and how we measure both of these in practice
  - Phase 1 of our acceptability results to customers to understand the motivations behind the results, how affordable they are, and to understand how we could improve our plans for Phase 2
  - Our proposals for our affordability strategy from 2020
  - Finally, building on previous research, we discussed some of the practical issues around sharing success through cost savings and share ownership. This was to feed into our WaterShare+ plans.

What matters most

- Customers feel strongly that water bills should be affordable for all
- Value for money is a subjective phrase – and whilst the best way to measure this is to ask in a survey, ultimately it is not very useful as a measure. Affordability is more important and whilst this can be measured by asking customers if their bill is affordable, this is not a reliable way to understand this as it would be easy for people to conflate with value for money and other factors. This can only be measured using household (equivalised) income
- Many customers that consider their bill to be unaffordable need to be metered and educated on using water wisely. Providing a discounted bill should only be a last resort when measures such as metering, dual bills and income maximisation are not enough
- South West Water's Phase 1 acceptability produces affordable bills. Whilst the £50 government contribution is not a lot of money to most households, it must remain in place to help those were it does support. Customers were clear that removing this would be a source of considerable frustration and concern to all customers
- Customers welcome SWW's cost sharing mechanisms, but for some this does not go far enough. Ensuring customers have the choice to take shares is welcomed – and most of those in the sessions said given the choice between £25 off the bill and £35-£40 of shares, they would take the latter. Only those struggling with bills tended to opt for the lower bill.

Next steps

- The results have informed our business plan, as well as helping us to understand how to better measure and track value for money and affordability in our annual tracking research.

Impact on our plan and ways of working:

The outputs feed into our affordability strategy, acceptability research and development of WaterShare+.

The outputs show that affordable bills is the most important consideration for our customers – and we need to do as much as we can to reduce bills for all and provide support to all households that say they find their bill to be unaffordable.

Reference

ICS Consulting **"Building trust, supporting customers and sharing success"**. July 2018

Measuring affordability (baseline) survey

Objectives

To understand customers' views on affordability in more depth, particularly how best to measure and track affordability, and what steps customers think we should take to make bills affordable for all.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	390 (online)	-	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- A quantitative study focusing on household customers across the SWW and Bournemouth Water operating regions. The survey has quantified findings and views on affordability expressed in the focus groups "Building Trust, Supporting Customers and Sharing Success", and provides baseline data that we will continue to track and report to our stakeholders during the period 2020-25
- Wide range of topics including customers' views on:
  - Measuring affordability, including the industry approach of measuring affordability as the water bill relative to income costs (after housing)
  - Sources of help with affordability
  - Customers views on the affordability of their own (combined) bill
  - Familiarity with non-financial support through the PSR.
- Segmentation analysis to understand if different customer types have similar or dissimilar views.

What matters most

- Affordability is important to customers. Whilst most households have an affordable bill, some really struggle – and all customers are hugely supportive of steps to ensure affordable bills for all
- Customers want there to be financial support measures in place to help others, and say there should be a range of places to go for help
- Customers agree affordability is about ability to pay. Customers do not agree this is a subjective assessment in a survey (i.e. "how affordable is your bill") and support a move to an evidence-based approach, such as the ratio of income to bills
- However, this study shows there are challenges with a survey where it is mandatory for customers to provide personal household finance information to support our estimation of evidence-based household affordability. The design of our future tracking research will need to reflect that some customers do not want to provide this information despite assurances around confidentiality, and will need to allow this to be optional.

Next steps

- The results have been used to set baseline figures that we will continue to track and report over the period as we deliver our 2020-25 plans
- The results have supported our views of how to measure affordability in the future, including how we may roll out this through our long-term tracking survey.

Impact on our plan and ways of working:

The survey has also informed us how customers view affordability. It has provided insights that has allowed us to challenge and verify that our affordability strategy 2020+ is right and will provide meaningful support to customers in need in the future.

The survey has provided baseline positions for some of our support activities This has informed us on the number of customers that are familiar with the financial and non-financial measures we offer.

The survey has provided customers' views on the affordability of the combined bill. This has given the baseline view for Bournemouth Water, which will be tracked during the rest of 2020-25.

Reference

ICS Consulting report **"Measuring affordability (baseline)"**. August 2018

Acceptability testing

Objectives

We have tested the acceptability and affordability of our plans through a mix of qualitative and quantitative research; each phase of testing has been used to inform the next phase. This research project delivered the quantitative phase of testing across all customers.

Format	Households (number)	Non households (number)	Vulnerable customers	Future customers	Retailers	Stakeholders	SWW	BW
Quantitative survey	2485 (on-line and face-to-face)	516 (online)	✓	-	-	-	✓	✓

Key messages – what matters most

What we did

- We tested our plans with household and non-household customers to understand:
  - The acceptability and affordability of the bill overall; bills were tested with and without inflationary impacts
  - The acceptability of the key initiatives for each outcome that make up the plan – given the justification for each initiative and bill impact.
- We tested whether current bills are affordable and whether our future plans are affordable
- We tested separate versions with South West Water household customers
  - the £50 government contribution continuing past 2020
  - the £50 government contribution ending in 2020.
- Given customer feedback on the plans presented in the South West Water region to households, we updated our plans. We therefore have undertaken two phases of quantitative acceptability research in the SWW region
- The Bournemouth Water household and non-household versions tested our water plans, as well as the impact of the sewerage bill on acceptability. Based on the feedback from testing the plan, a second phase of quantitative testing was not needed.

What matters most

- **South West Water households:** When we tested our plans with households in the South West Water region, the quantitative testing showed high levels of acceptability for our plans and for the proposals in the plan – 87% of households found the plan acceptable
- However, households thought the initiatives could be delivered for less, and they were concerned with the impact of inflation. For many customers wages and incomes do not rise in line with or above inflation. The acceptability of our SWW household plan reduced to 63% when inflation was added to bills
- We reduced the costs of initiatives and increased the efficiency savings and presented these revised bills to SWW household as well as non-household customers in our second round of quantitative acceptability. This showed high levels of support for our plans and initiatives, with and without inflation. 88% of our customers said the plan was acceptable; 79% with inflation added
- We have tested our plans with the £50GC removed. Whilst this has shown our plans are still acceptable to 78% of customers, once customers understand the £50GC has been removed, the acceptability levels dropped significantly (59% in real terms and 46% in nominal)
- **Bournemouth Water households:** We tested our plans in the Bournemouth region. This showed 92% of customers found the plans to be acceptable; this drops to 73% once the sewerage bill and inflation are presented. Small rises in the sewerage bill do not impact on customer acceptability – anything over £10 in real terms would start to impact on how acceptable our plans are in the Bournemouth Water region
- Affordability remains a concern – particularly in the south west. Customers are unsure of the future in general. Reductions in the water bill are welcome, but do not necessarily allay all worries about being able to pay essential bills in the future
- Across both regions there is huge support for the initiatives in our plan
- **Businesses:** Businesses also found our plans acceptable. 85% of businesses in the south west and 95% in Bournemouth support our plans and initiatives in real terms. Businesses are equally bothered by inflation and this lowers their acceptability. They are less able in the current climate to push inflationary pressures onto their customers.

Next steps

- The research has been a pivotal input into reviewing and updating our plans. It has informed discussions with our WFCP.

Impact on our plan and ways of working:

The outputs of the testing process have been used to understand if our plans reflect the right balance between service and investment. They have been reviewed alongside the qualitative acceptability testing results.

Based on the results – especially in the south west – we have challenged ourselves to do more for less.

The plans are stretching – they align with customer views but are underpinned by significant efficiency cost savings.

These plans go a long way to mitigate inflationary impacts and address affordability.

Reference

ICS Consulting **"Quantitative Acceptability Testing"**. August 2018

WaterFuture Customer Panel engagement and assurance

Our independent Customer Challenge Group – known as the WaterFuture Customer Panel (WFCP) has been in place since December 2011.

The Panel is made up of representatives from customer, business, stakeholder and regulatory organisations and its role is to provide independent challenge to companies and independent assurance to Ofwat on:

- The quality of a company's customer engagement; and
- The extent to which the results of this engagement are driving decision making and are reflected in the company plan.

The Panel set up two sub-groups to work more closely with the company on the research, engagement and vulnerability (REaV) activities and another to look at the legislative and statutory obligations, both were chaired by a main panel member.

The overarching objective of the REAV is to test and review the quality of the company's engagement and research with customers and challenge how this has been incorporated into the company's PR19 business plan.

To support the overarching objective of being able to place reliance on the customer research and engagement the REAV has assessed the company's research and engagement against all of the Ofwat aide memoire requirements to ensure alignment. The REAV also had regard to Ofwat's customer engagement policy statement and expectations for PR19.

The REAV are content that the company has been able to demonstrated the relevant CCG aide memoire requirements.

In addition to the review and challenges made by the REAV throughout the PR19 process, the REAV has received external independent assurance and peer reviews from Oxera on the overall research and engagement programme and Professor Ken Willis on the overall valuation strategy and willingness to pay studies and outputs. Both provided assurance that the work undertaken by the company can be relied upon for inclusion in the PR19 business plan.

The REAV considers that the volume of engagement and research undertaken by the company has been extensive and designed to obtain a wide range of views from customers about both the company's longer term strategy (2050 Vision) and its PR19 Business Plan.

The REAV considers that in producing its PR19 Business Plan, the company has listened to the views of its customers and incorporated these into its plans.

For more information, see
WaterFuture Customer Panel report

Board assurance

Customer engagement is central to our PR19 business plan and is viewed as essential to securing trust, confidence and assurance in our plans. Our business plan has been informed by our most extensive and innovative customer research and engagement programme to date.

Our overall customer engagement strategy is closely overseen by our Board and this is no different to the engagement undertaken specifically for our PR19 Business Plan. Initially our Board reviewed, challenged and ultimately approved the customer engagement strategy and PR19 plan at the PR19 Sub Committee at the start of the PR19 process. Our Board has been involved throughout all of the engagement with customers to hear first hand customer views.

This has included regular attendance and involvement in:

- Customer focus groups
- Stakeholder workshops
- Customer challenge group meetings (see below)
- Triangulation workshops and resultant cost benefit analysis
- Review of post event surveys from customers
- Willingness to pay surveys
- Customer co-creation workshops.

Our overall approach to customer engagement has been peer reviewed and quality assured. Each element of our customer engagement plan has been undertaken by independent experts and consultants with peer reviews for material areas such as willingness to pay surveys (Professor Ken Willis) confirming the process and results are reliable for inclusion in the plan.

"The valuation strategy put forward by SWW covers a comprehensive array of activities.... It represents a robust, balanced and proportionate evidence base." Oxera, peer review, May 2018.

"SWW has focused on those techniques that deliver the best cost-effective insights" Oxera, peer review, May 2018.

"An outstanding piece of research. It is innovative in advancing understanding of the application of different SP methods in appraising customer values for water service improvements." Professor Ken Willis, Final Peer Review comments, May 2018 (commenting on our overall stated preference research programme).

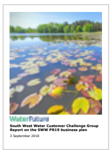
Ever since the submission of our PR14 business plan the Board has been extensively involved in engaging with our independent South West Water WaterShare Panel (responsible for overseeing WaterShare governance and operation), Bournemouth Water Customer View Group (responsible for monitoring and reviewing performance) and WaterFuture Customer Panel (responsible for scrutinising the quality of engagement in our combined PR19 plan).

Over 80 meetings with the various Panels have ensured that there has been enormous scrutiny on our performance, the quality of our engagement with customers and the extent to which we have reflected this in our plans.

Each year the Chair of the WaterShare Panel and Customer View Group publish a report on the assessment of our performance and presents it at the South West Water Board meeting. A copy of these reports are also sent to Ofwat and published on our website.

The Chair of the WFCP also has an open invitation to attend South West Water Board to provide an update on progress and any issues. South West Water iNEDs have attended WFCP meetings every quarter to meet the Panel directly without any Executive present. This provides a backstop that ensures customers views are heard at Board. The Board has committed to a customer share ownership scheme post 2020 which will empower customers and give them greater power to openly hold us to account.

At the conclusion of the PR19 process, the Chair of the WFCP presented their overall assessment to the South West Water Board concluding that the quality of our customer engagement was high and could be relied upon and that customer views had been taken into account and were clearly reflected in the plan.



For more information, see
WaterFuture Customer Panel Report to Ofwat

The result has been the highest ever level of customer acceptance of our plans with 88% of South West Water customers finding our proposed PR19 plan acceptable and 92% of Bournemouth Water customers.

This direct involvement in this area of the plan has enabled the Board to be confident that **our business plan has been informed by**

- **Customer engagement**
- **Feedback from our WFCP about the quality of our customer engagement and how we have incorporated this into the plan.**

This is included in our signed Board assurance statement.

For more information, see
Board Assurance Statement

Our engagement activity is subject to scrutiny on an ongoing basis by our WaterShare Panel, additionally our PR19 engagement activities have been overseen, challenged and outputs reviewed by the independent customer challenge group – WaterFuture Customer Panel.

Professional credentials of third parties

eftec

eftec was established in 1992 and is a leading environmental economics consultancy across the UK and Europe. Services are provided in four key areas:

- Economic valuation – primary research using revealed preference and stated preference methods and value transfer methods.
- Policy and project appraisal – cost benefit analysis, cost effectiveness analysis, impact assessment.
- Design and evaluation of policy instruments – taxes, tradable permits, voluntary agreements, payments for ecosystem services.
- Training and guidance –providing bespoke training course and guidance handbooks for students, economists and non-economists in public and private sectors.

eftec's are experts in:

- Understanding and practical application of all valuation methods (stated preference methods, revealed preference methods, value transfer).
- Design, implementation and analysis of stated preference methods).
- Value transfer studies, helping water companies maximise the use of the academic and government literature, particularly around environmental improvements and including the inter-generational valuation of resources.
- Expertise in undertaking cost-benefit analysis (CBA) of water industry investment programmes.
- Expertise in providing training to water industry clients to assist staff in understanding the application and use of valuation methods and CBA.
- Support to water industry clients in engaging with external stakeholders.
- Application of natural capital accounting methods in the water sector.

Oxera

Oxera is a leading independent economics consultancy. They advise companies, policymakers, regulators and lawyers on any economic issue connected with competition, finance or regulation. They have been doing this for more than three decades, gathering deep and wide-ranging knowledge as they expand into new sectors. They have a reputation for credibility and integrity among those they advise, and among key decision-makers, such as policymakers, regulators and courts. Today they have offices in Oxford, Berlin, Brussels, London and Rome and are able to advise international clients in a highly flexible way, including providing advice in several other languages.

Facts

Facts International, established in 1985, provides high quality market research to businesses and agencies around the world, and is one of the UK's leading field research providers. Facts International is part of global Marketing Services Group – Chime Communications Plc. Chime Communications is a group of leading insight businesses that are helping to redefine the research industry.

Facts has a growing reputation in the UK water industry, having providing significant fieldwork support to a number of water companies for PR14.

Facts International's extensive field research capabilities, are available 24/7 and include face-to-face interviewing, telephone interviewing, online, mobile and mystery shopping research solutions.

FACTS International is a member of the Market Research Society (MRS). The CEO of Facts International is a Director & Council Member of the MRS.

Professor Ken Willis

Professor Ken Willis is Emeritus Professor of Economics of the Environment at Newcastle University. He is also Director for the Centre for Research in Environmental Appraisal & Management; and Editor of the Journal of Environmental Planning and Management.

Professor Ken Willis is one of the prominent economists in the world in environmental and customer valuation methods. His research interests include environmental benefit estimation techniques such as travel-cost models, hedonic price models, contingent valuation methods, stated preference or choice experiment methods, and contingent ranking techniques.

He has directed and worked on dozens of contingent valuation studies with both academic and commercial applications. This has included stated preference (choice experiment) studies which have covered a wide variety of issues from air pollution, bathing water, biodiversity, conservation areas, cultural heritage, earthquake risk mitigation, electricity supply interruptions, environmentally sensitive areas, fishing, forests, green belts, historic buildings, recreation values of waterbodies, landscape, low flow alleviation in rivers, property attributes, quarries, SSSI, traffic calming schemes, utility networks, waiting time for social housing, waste disposal, water quality, and wildlife preservation.

Professor Ken Willis has applied his extensive knowledge in the UK and worldwide. He has a successful track record in supporting water companies customer valuation programmes since PR04.

ICS Consulting

ICS Consulting was established in 2000 and specialises in providing consultancy and support services to infrastructure businesses and regulators in the UK, Europe and Middle East. Their expertise covers:

- Customer and stakeholder engagement
- Regulatory economics, covering policy analysis and development
- Economics analysis, including assessing monetary benefits of investment and cost-benefit analysis
- Investment appraisal and optimisation, covering the design and implementation of bespoke asset management systems.

ICS is highly experienced in all aspects of the regulatory and business planning processes in the water industry and supports a number of key periodic review activities, namely:

- Customer research (priorities, willingness to pay, acceptability testing)
- Regulatory analyses (outcomes and incentives design, tariff formulation)
- Investment optimisation and business plan development (cost benefit analyses, scenario planning, business case development)
- Risk assessment (risk appraisal and assessment).

Turquoise Thinking

Turquoise Thinking Ltd is a full-service market research agency delivering research insight to clients across Consumer and B2B markets in both the private and public sector. We have been operating since 1987 and as a group of passionate market research professionals, we have over 75 years of experience helping a diverse range of UK and International clients achieve their research goals.

Turquoise works across some 14 different sectors including: Automotive, Charities, Consumer, Finance, FMCG, Food and Drink, Government, Healthcare, Travel and Tourism, Skills & Education, with Utilities being one of our leading sectors.

Working across such diverse sectors we are able to apply more holistic and innovative approaches to the research projects we undertake. People are influenced by the all experiences and interactions that they have in their daily lives and as such we believe it is vitally important to understand human behaviour across these (and other) diverse sectors.

Over the last 30 years we have amassed a wealth of experience and understanding of customers, both consumer and B2B. We have also amassed an abundance of experience, knowledge and understanding of research methodologies, both old and new (including our own, bespoke).

Insight from our surveys is being used by clients to target customers more effectively and tailor both communications and strategies and hence increase positive customer engagement.

an engaged Water Future

South West Water

Bournemouth Water

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