

AFW Addressing Affordability and Vulnerability

Appendices

March 2019

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AV.A1.3 - Threshold of Acceptability Research prepared for CCWater	AFW.AV.A1; AFW.AV.A2
AV.A1.4 – Supplementary report to Ofwat from the Affinity Water Customer Challenge Group (29 March 2019)	AFW.AV.A1
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Appendix AV.A1.1

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Verve Research Report – published 11 March 2019



Affinity Water

PR19 Bill Profiling: Acceptability Testing

Online survey

Research Report

March 2019

PR19 Bill Profiling: Acceptability Testing

Report – 11th March 2019

1.1 Background to report

- Verve was commissioned by Affinity Water to undertake survey research as part of a series of work being undertaken to support PR19 and the development of Affinity Water's Business Plan for the period 2020-25 and 2025-30.
- This report is a summary of research into the Acceptability and Affordability; variations for the final plan, with & without inflation and with & without charges for sewerage were tested in the survey.

1.2 Methodology and Sample

- Independent market research agency Verve conducted an online survey of 1,000 Affinity Water customers aged 16+, sourced via an external access panel.
- Fieldwork was conducted between Friday 1st and Friday 8th March 2019.
- Recruitment quotas targeted a representative sample of adults aged 16 and over resident in Affinity Water's eight service areas. The achieved sample profile and the effects of weighting are outlined in the Appendices of this report.
- The survey was designed to provide a representative sample of customers across all areas served by Affinity Water; quotas were placed and weighting was applied to ensure representation from Affinity Water's eight regional Water Resource Zones (WRZ) and across core customer demographics.
- Please note the survey was designed to provide a representative sample of customers across all areas served by Affinity Water, rather than a representative sample of customers of the three sewerage providers covering the Affinity Water area (Thames Water, Anglian Water, Southern Water) or within each of Affinity Water's eight Water Resource Zones.
- The number of customers served by the three sewerage providers and within each WRZ is proportional to the size of the population within each area.

1.3 Considerations for study design and interpretation of data

- The study was designed in conjunction with Verve and Affinity Water to ensure alignment with accepted best practice and guidelines for conducting social research.
- The required timelines for delivery of results naturally drove some pragmatic decisions as to study design; these are discussed below.
- Verve is an independent market research agency, member of the MRS Society and is ISO27001 certified.
 - Verve adheres to MRS Code of Conduct in research - the professional standards that all research practitioners must maintain.
 - This is a comprehensive set of guidelines which has been established for c. 60 years, last updated in 2014 (currently being updated in wake of GDPR for April '19).
 - While provided guidelines are not definitive, they set out accepted best practice across the research lifecycle from inception to design and execution to final use and interpretation.
 - The Code of Conduct is designed to be relevant for all market, social and opinion research.
- The study was designed to take into consideration a number of guideline areas set out by the MRS where surveys are used for consultation (i.e. where seeking the views of the public on an issue of local concern, such as the provision of new services or amenities, or a planning proposal) which we have summarised below:
 - **Independence**
 - The survey was created in an independent and neutral manner.
 - Where information was provided to inform people's responses it was clearly delineated from the rest of the questionnaire, delivered in neutral language and set out as fact rather than opinion.
 - **Clarity**
 - The layout and design of the questionnaire was structured clearly with clear sections and introductory text for new information / areas.
 - The questions themselves were designed to be clear and avoid jargon - where technical terms were included, explanatory text was provided.
 - **Fairness**
 - The survey was designed to provide a representative sample of customers across all areas served by Affinity Water (please see note below on vulnerability).
 - **Respondent rights**
 - The survey explained to respondents the purpose of the survey and how the information would be used.
 - The questionnaire was kept to 15 minutes in length; the expected length of the survey was outlined in advance, so participants knew what was expected of them.

- Survey filters and sample cells were used to help to reduce survey length / repetition for individual respondents, whilst also help to provide independent analysis on key areas (i.e. the sample was split into separate cells for the two bill profiles, therefore allowing for a monadic view on each profile).
 - Information collected in the survey was treated anonymously and confidentially.
 - **Presenting results**
 - This report presents the facts and results from the survey in a clear and neutral manner. Opinion and inference has been minimised for the purposes of the report.
- The guidelines for consultation work state that all customer groups who will be affected by the decision are included in the sample. For pragmatic reasons of scheduling and efficiencies, the deliberate decision was made to use an online sample for the survey.
 - An online survey may, by its nature, exclude certain cohorts of customers, specifically a proportion of those classified as living in vulnerable circumstances.
 - The definition of vulnerability is a complex and dynamic one, as it includes permanent, fluctuating and short-term vulnerabilities. This makes inclusion of all groups a challenge for any research.
 - However, the nature of the online approach inevitably means the exclusion of customers who do not have access to internet services.
 - Figures from 2016 indicate that 93% of UK population are currently online, so while the majority of customer profiles are included - the survey was designed to ensure representation from across social grades / income and captured disability at a high level - there are a percentage of customers who will have been omitted by the nature of the methodology.
 - Additional work using alternative methodologies (i.e. face to face interviewing) would
 - be required to include the opinions of these groups.
 - In addition, the survey was also provided in English only and therefore did not specifically cater for groups for whom English is not their first language. However, customers would have been able to translate via their browser to overcome this.
- Finally, we should note that any survey will only ever generate estimates of the 'truth'; the latter of which would only be available if a complete census of customers was undertaken.
 - As a result, findings are subject to sampling tolerances and statistical confidence intervals, shown in the Appendices.
 - Any regions with a base size of under 100 have not been used for analysing the results of the survey.
 - Survey data has been weighted to match the profile of the population living in Affinity Water areas by age and WRZ, based on 2011 Census data.

- Where percentages do not sum to 100, this is due to rounding of figures.
- Despite the above limitations which have been called out above, Verve and Affinity Water agreed that an online survey was the most suitable methodology to achieve a representative sample within the set timescale.

1.4 Survey Structure

- The survey was designed to capture customer's views on two different bill profile plans for 2020-2025 (AMP7) and 2025-30 (AMP8).
 - The survey presented half of the participants (500) with bill profile 1 and the other half (500) with profile 2. The sample was split on a 'least fill' basis to ensure consistency of profile within each cell. The achieved sample for each profile so far is outlined at the end of this document.
 - Each cell saw, in order:
 - A Clean Water plan & bill context for 2020-25 (AMP7) over the five-year billing period, with and without inflation.
 - A Clean Water plan & bill context for 2025-30 (AMP8) over the five-year billing period with and without inflation.
 - A combined Clean & Waste water bill profile, with and without inflation – as appropriate for the individual's sewerage provider.
 - Each bill profile was rated for acceptability and affordability.

2. Executive Summary

- The survey data indicates that both Profile 1 and Profile 2 are rated highly on the acceptance and affordability metrics across the 2020-2025 (AMP7) clean water plan and the 2025-2030 (AMP8) clean water plans.
 - All were rated 'very' or 'fairly' acceptable (top 2 box from 5 point scale) by between 74% and 81% of customers and 'very' or 'fairly' affordable (top 2 box from 5 point scale) by between 72% and 78% of customers.
 - Although not directly comparable with previous surveys conducted in these areas this level of acceptability is broadly in line with plans tested with Ipsos MORI in 2018.
 - When looking at AMP7 (2020-25), Profile 1 and Profile 2 scores are consistent across acceptability and affordability, no significant differences are identified
 - When looking at AMP8 (2025-30) Profile 2 is significantly more acceptable and slightly more affordable than Profile 1.
 - Please note the Profile 2 positive scores for AMP8 (2025-30) may be due to the ordering of the stimulus and the curvature of the graph. The AMP7 (2020-25) Profile 2 stimulus, where

the line graph visually shows a steady increase over time, is shown to customers first. The AMP8 (2025-2030) Profile 2 stimulus, where the line graphic visually shows more of a flat line, is shown to customers second.

- After inflation is added, acceptability and affordability falls significantly, this results in similar levels of acceptability for both AMP7 (2020-25) and AMP8 (2025-30) across both profiles (between 49% and 54%).
- The 2020-2025 combined clean and waste water plans generally experience lower acceptance and affordability than the clean water plans, with around two thirds of customers rating the plans as very or fairly acceptable and affordable.
 - Looking again at the two individual profiles, profile 1 scores significantly more highly in terms of affordability (67% vs 59% for profile 2).
 - The impact of inflation is also evident for the combined clean and waste water plans with acceptability and affordability falling significantly across both profiles once inflation is added.

3.1 Response to Clean Water plan & bill profile - 2020-25 (AMP7)

- Respondents were given a description of the household water bill business planning process:
 - *Household water bills are set every five years. They are based on an agreement between each water company and Ofwat, the Government regulator.*
 - *In setting future water bills, Affinity Water and Ofwat take customer views on board and also ensure that legally required standards for water services are met e.g. ensuring tap water is safe to drink.*
- The survey then presented customers with a business clean water plan overview including details of projected annual average household bills over the 2020-25 five-year billing period. The survey presented half of the participants (500) with bill profile 1 and the other half (500) with profile 2. The sample was split on a 'least fill' basis to ensure consistency of profile within each cell. Customers were then asked whether or not they found the presented plan to be acceptable and whether they thought the plan was affordable. Section 3.1 reviews the findings of these questions.
- The details of the plan given to participants were as follows:

Figure 1: Clean Water Plan 2020-2025 (No Inflation) – Profile 1 Stimulus

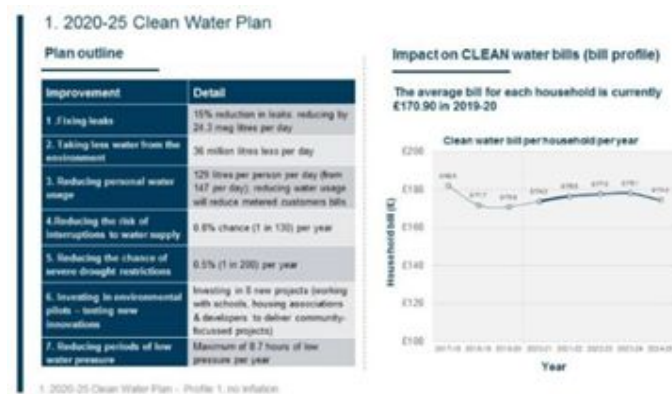
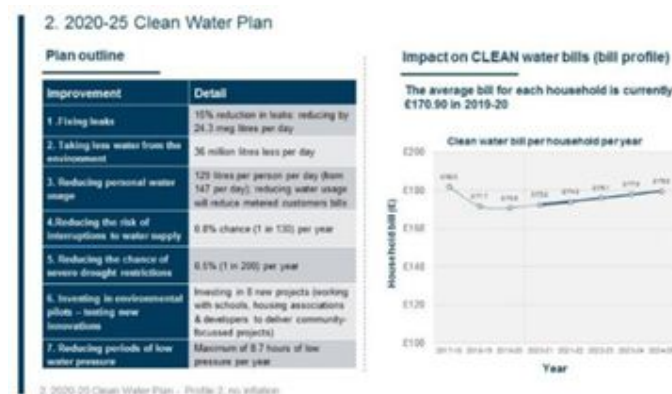
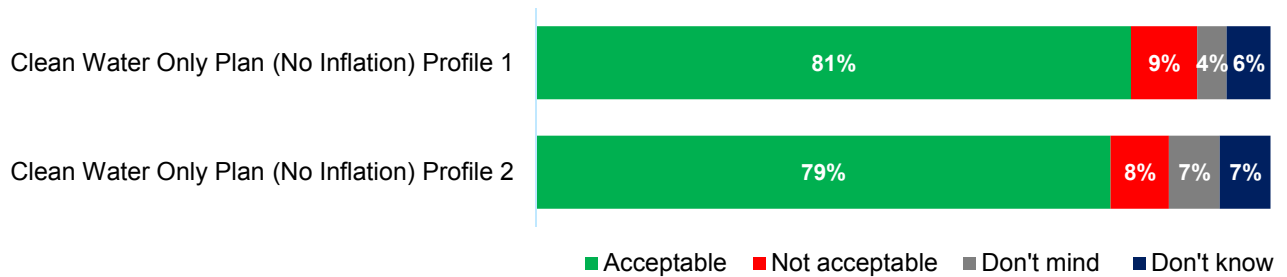


Figure 2: Clean Water Plan 2020-2025 (No Inflation) – Profile 2 Stimulus



- Both tested AMP7 Clean Water plans / bill profiles score highly on acceptability with customers.
 - **Profile 1 scores very slightly higher for acceptability when compared to Profile 2 but the difference was not significant.**
 - Over eight in ten (81%) rate profile 1 as very or fairly acceptable and just under eight in ten (79%) rated profile 2 very or fairly acceptable.
 - In terms of top box scores, just under a quarter (21%) of customers felt that both profile 1 and profile 2 were ‘very acceptable’.
 - Reminder: customers were only exposed to one bill profile throughout the survey; they did not see the other profile and could therefore not compare bill profiles directly.

Figure 3: Clean Water Only Plan 2025-2030 (No Inflation) - Acceptability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- Among those that thought the Clean Water Plans 2020-2025 (AMP7) were not acceptable the following reasons were given:
 - Customers who were shown Profile 1 thought it was too expensive and believe the cost of improvements should not be passed down to them.
 - Customers who were shown Profile 2 also thought the plan was too expensive, especially when considering the target of reducing leaks is only 15%.
- Acceptability of Clean Water Plan 2020-2025 (AMP7) Profile 1 is consistent across demographics, no significant differences identified. (shown in table 4 below).

Table 4: Clean Water Only Plan 2020-2025 (No Inflation) - Profile 1 Acceptability

Clean Water Only Plan 2020-25 P1 (No Inflation)	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
Total	21%	59%	8%	1%	4%	81%
Male	20%	60%	10%	2%	4%	80%
Female	23%	59%	6%	0%	4%	82%
Aged 16-34	24%	59%	9%	0%	3%	82%
Aged 35-54	19%	62%	7%	2%	5%	81%
Aged 55+	23%	57%	9%	2%	4%	80%
ABC1	21%	61%	7%	1%	4%	82%
C2DE	22%	57%	9%	2%	4%	80%
Benefits	23%	55%	8%	2%	2%	78%
No Benefits	21%	62%	7%	1%	5%	82%
Have meter	24%	61%	5%	1%	4%	85%
No meter	21%	58%	11%	1%	4%	78%
Main bill payer	22%	59%	8%	2%	4%	81%
Joint bill payer	19%	61%	7%	0%	4%	81%
Colne	18%	55%	15%	0%	1%	73%
Lee	24%	57%	7%	0%	5%	82%
Pinn	21%	58%	10%	2%	3%	79%
Wey	20%	63%	3%	3%	7%	83%

- Acceptability of Clean Water Plan 2020-2025 (AMP7) Profile 2 is consistent across most demographics, however, when looking at Water Zones, those living in the Wey find the plan significantly less acceptable than the total; 66% fairly or very acceptable compared to the total 79%. Instead, those living in the Wey

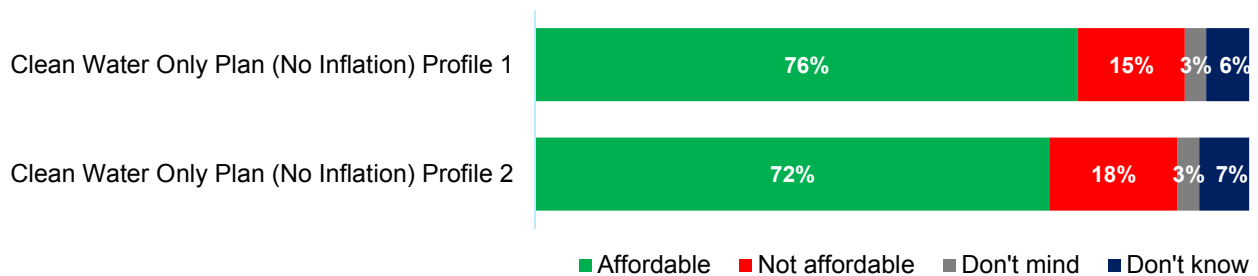
water zone are significantly more likely to fall into the 'don't mind' group (16% vs 7% total) (shown in table 5 below).

Table 5: Clean Water Only Plan 2020-2025 (No Inflation) - Profile 2 Acceptability

Clean Water Only Plan 2020-25 P2 (No Inflation)	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
Total	21%	58%	6%	2%	7%	79%
Male	21%	61%	7%	2%	5%	81%
Female	21%	56%	4%	2%	8%	76%
Aged 16-34	20%	64%	5%	1%	6%	84%
Aged 35-54	18%	58%	6%	2%	6%	75%
Aged 55+	24%	53%	6%	2%	9%	78%
ABC1	21%	57%	8%	3%	6%	78%
C2DE	21%	60%	2%	0%	8%	81%
Benefits	29%	46%	9%	1%	9%	75%
No Benefits	19%	62%	4%	2%	6%	81%
Have meter	19%	63%	6%	2%	5%	82%
No meter	24%	54%	6%	2%	8%	78%
Main bill payer	23%	58%	5%	2%	6%	81%
Joint bill payer	16%	58%	6%	1%	8%	74%
Colne	21%	62%	2%	5%	6%	84%
Lee	22%	63%	3%	2%	7%	85%
Pinn	16%	62%	4%	1%	6%	79%
Wey	24%	41%	10%	1%	16%	66%

- Customers were then asked whether or not they found the presented plan to be affordable, and Profile 1 also scored slightly higher in terms of affordability when compared to Profile 2 but the difference was not significant.
 - Just under three quarters (76%) rate profile 1 very or fairly affordable, compared to 72% rating profile 2 very or fairly affordable.

Figure 6: Clean Water Only Plan 2020-2025 (No Inflation) - Affordability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- Affordability of Profile 1 is consistent across most demographics. However, the results suggest that the bill is considered significantly less affordable for customers who do received benefits; 63% agreed it was a

fairly or very affordable proposal, compared with 76% overall. In comparison the bill is significantly more affordable for those living in Lee; 85% agreed it was a fairly or very affordable proposal compared with 76% overall.

Table 7: Clean Water Only Plan 2020-2025 (No Inflation) - Profile 1 Affordability

Clean Water Only Plan 2020-25 P1 (No Inflation)	Very affordable	Fairly affordable	Not very affordable	Not affordable at all	Don't mind	Affordable (NET)
Total	17%	59%	13%	3%	3%	76%
Male	22%	58%	10%	3%	2%	80%
Female	13%	59%	16%	2%	3%	72%
Aged 16-34	10%	67%	11%	3%	3%	77%
Aged 35-54	19%	52%	17%	2%	3%	71%
Aged 55+	22%	59%	9%	3%	2%	81%
ABC1	18%	59%	11%	3%	3%	76%
C2DE	16%	59%	16%	2%	2%	75%
Benefits	10%	53%	19%	3%	3%	63%
No Benefits	19%	60%	11%	2%	3%	80%
Have meter	19%	57%	13%	3%	2%	77%
No meter	16%	60%	13%	2%	4%	76%
Main bill payer	18%	59%	13%	2%	3%	76%
Joint bill payer	16%	59%	13%	5%	1%	74%
Colne	22%	52%	12%	4%	3%	74%
Lee	21%	64%	8%	1%	1%	85%
Pinn	16%	60%	16%	1%	1%	76%
Wey	19%	59%	9%	1%	6%	78%

- For Profile 2 affordability is consistent across different groups of customers (shown Table 8 below). No significant differences identified across sub groups.

Table 8: Clean Water Only Plan 2020-2025 (No Inflation) - Profile 2 Affordability

Clean Water Only Plan 2020-25 P2 (No Inflation)	Very affordable	Fairly affordable	Not very affordable	Not affordable at all	Don't mind	Affordable (NET)
Total	18%	54%	14%	3%	3%	72%
Male	18%	56%	14%	4%	2%	74%
Female	18%	51%	15%	3%	4%	69%
Aged 16-34	21%	50%	18%	1%	3%	70%
Aged 35-54	15%	53%	16%	5%	4%	68%
Aged 55+	19%	57%	10%	4%	2%	76%
ABC1	20%	50%	14%	4%	4%	70%
C2DE	15%	59%	15%	2%	1%	74%
Benefits	21%	48%	19%	3%	4%	69%
No Benefits	18%	56%	14%	3%	3%	73%
Have meter	19%	52%	14%	4%	3%	71%
No meter	19%	59%	14%	3%	1%	78%
Main bill payer	20%	51%	16%	3%	3%	71%
Joint bill payer	14%	60%	11%	3%	2%	74%
Colne	22%	58%	11%	3%	0%	80%
Lee	23%	46%	18%	3%	3%	70%
Pinn	20%	54%	17%	2%	2%	74%
Wey	11%	62%	10%	1%	7%	73%

3.2 Response to Inflation Clean Water plan & bill profile - 2020-25 (AMP7)

- After respondents were shown the pre-inflation clean water plan and bill profile for 2020-25 (AMP7) they were shown the profile again but this time with inflation. Respondents were given a description of inflation first:
 - *Inflation is the rate of increase in prices for goods and services. It is expected that there will be a 2% increase to household water bills each year due to inflation. This increase is in line with expectations on inflation rates for goods and services in general, not just for water.*
 - *When considering the impact of inflation on bills please bear in mind that incomes and pensions can also rise in line with inflation, which can offset the increase in the cost of goods and services.*
- Again, the survey presented half of the participants (500) with bill profile 1 and the other half (500) with profile 2. Customers were then asked again whether or not they found the presented plan to be acceptable. Section 3.2 reviews the findings of these questions.

The details of the plan given to participants were as follows:

Figure 9: Clean Water Plan 2020-25 (Inflation) – Profile 1 Stimulus

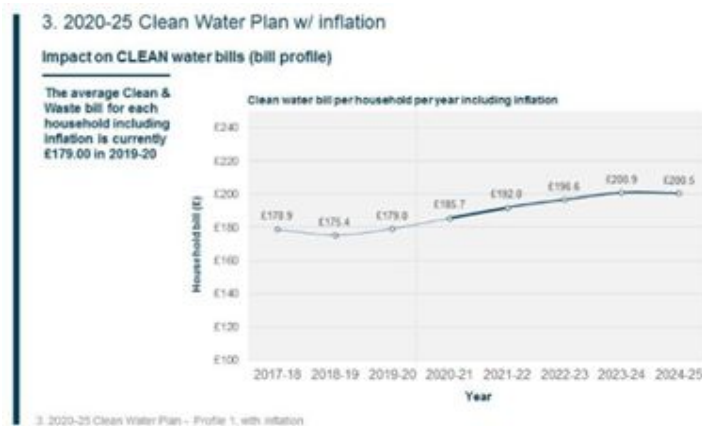
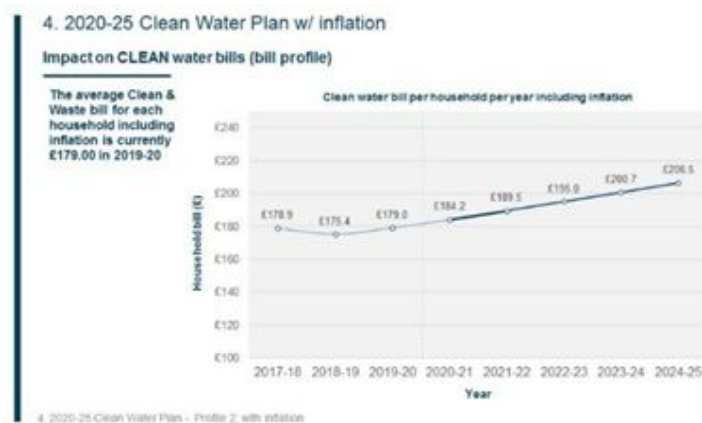
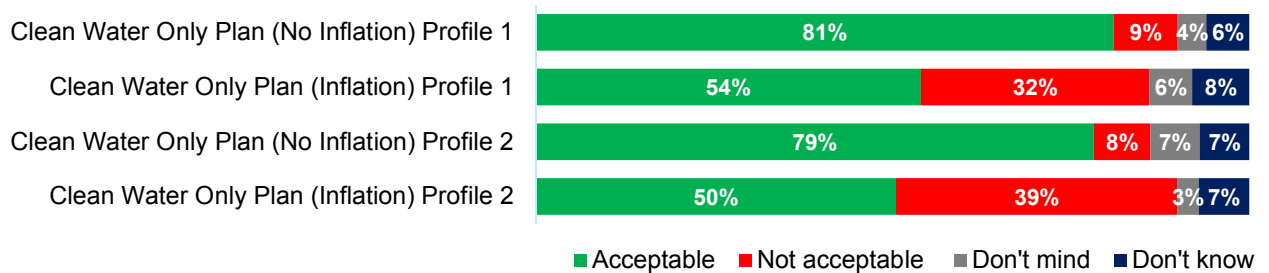


Figure 10: Clean Water Plan 2020-25 (Inflation) – Profile 2 Stimulus



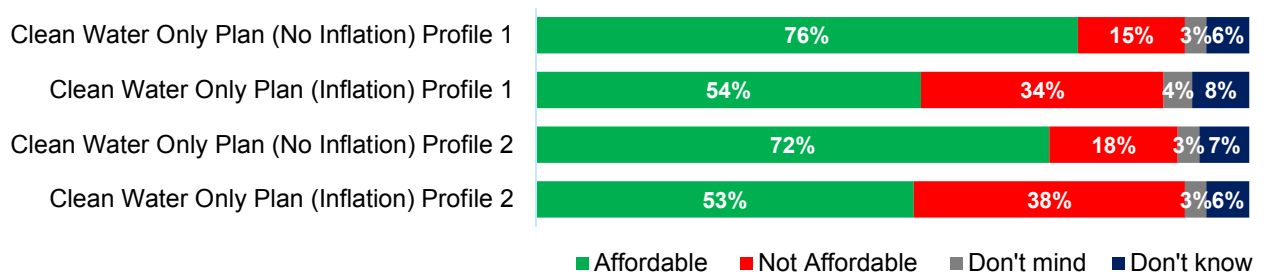
- As seen in previous research, there is a significant drop in stated acceptability and affordability when the bills including inflation were shown, suggesting the term ‘inflation’ continues to have a negative impact; this drop puts responses to the two profiles at similar levels for acceptability and affordability.
 - 81% rating Profile 1 pre-inflation acceptable, significantly dropped to 54% acceptability when inflation is added (-27%).
 - 76% rating Profile 1 pre-inflation affordable significantly dropped to 54% affordability when inflation was added (-22%).
 - 79% rating Profile 2 pre-inflation acceptable significantly dropped to 50% acceptability when inflation was added (-29%).
 - The 72% who found profile 2 pre-inflation affordable significantly dropped to 53% affordability when inflation was added (-19%).

Figure 11: Clean Water Plan 2020-2025 (No Inflation vs Inflation) – Acceptability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

Figure 12: Clean Water Plan 2020-2025 (No Inflation vs Inflation) – Affordability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

4.1 Response to Clean Water plan & bill profile - 2025-30 (AMP8)

- Next the survey then presented customers with a business clean water plan overview including details of projected annual average household bills over the 2025-30 five year billing period. The survey presented half of the participants (500) with bill profile 1 and the other half (500) with profile 2. The sample was split on a 'least fill' basis to ensure consistency of profile within each cell. Customers were then asked whether or not they found the presented plan to be acceptable. Section 4.1 reviews the findings of these questions.

The details of the plan given to participants were as follows:

Figure 13: Clean Water Plan 2025-2030 (No Inflation) – Profile 1 Stimulus

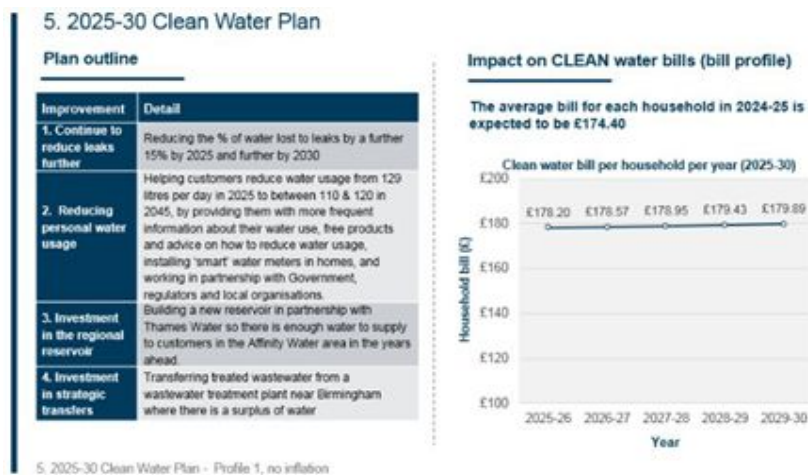
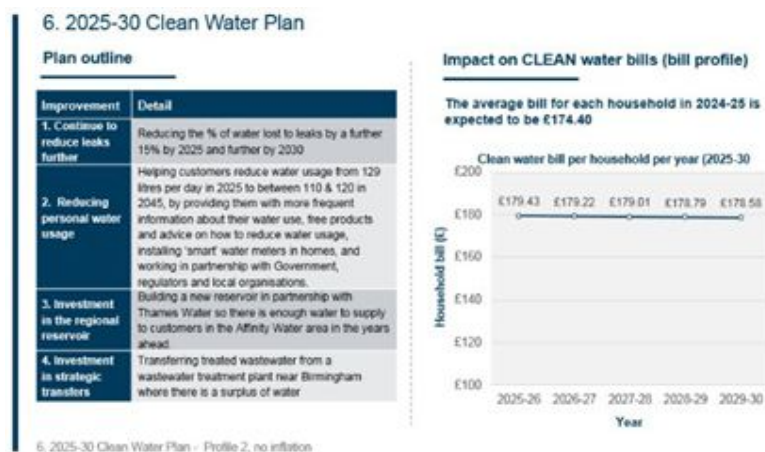


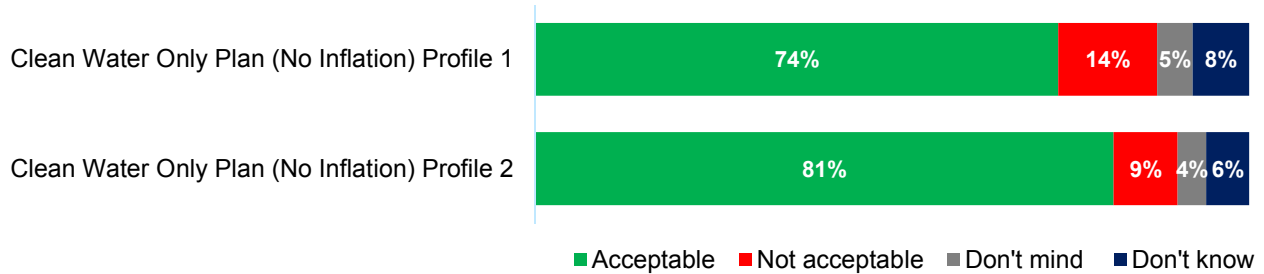
Figure 14: Clean Water Plan 2025-2030 (No Inflation) – Profile 2 Stimulus



- Both tested AMP8 Clean Water plans / bill profiles score highly on acceptability and affordability with customers, however Profile 2 was considered to be significantly more acceptable than Profile 1.
 - 74% found Profile 1 to be very or fairly acceptable and 81% found profile 2 to be very or fairly acceptable.
- Customers also found Profile 2 to be more affordable than profile 1 but not significantly so.

- Just under three quarters (73%) found Profile 1 to be very or fairly affordable and 78% found Profile 2 to be very or fairly affordable.
- Reminder: customers were only exposed to one bill profile throughout the survey; they did not see the other profile and could therefore not compare bill profiles directly.

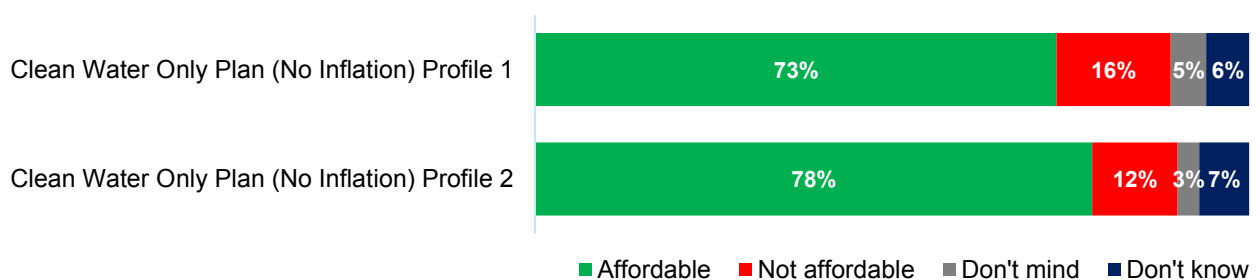
Figure 15: Clean Water Plan 2025-2030 (No Inflation) – Acceptability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- Among those that thought the Clean Water Plans 2025-2030 (AMP8) were not acceptable the following reasons were given:
 - Customers who felt Profile 1 was not acceptable thought the increased price of the water bill was not justified when water leakage rates are still high. Customers also react negatively to the proposition they will have to reduce their water usage.
 - Customers who felt Profile 2 was not acceptable were concerned that water leakages are only slightly reduced when the costs of the water bill remain high.

Figure 16: Clean Water Plan 2025-2030 (No Inflation) – Affordability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- For Profile 1 acceptability is relatively similar across different groups of customers (shown Table 17 below). However, customers living in the Pinn Water Zone are significantly less accepting of the bill, 62% find Profile 1 fairly or very acceptable compared to 74% total.

Table 17: Clean Water Only Plan 2025-2030 (No Inflation) - Profile 1 Acceptability

Clean Water Only Plan	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
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2025-30 P1 (No Inflation)						
<i>Total</i>	22%	52%	11%	3%	5%	74%
<i>Male</i>	26%	51%	9%	3%	4%	77%
<i>Female</i>	18%	52%	12%	2%	7%	70%
<i>Aged 16-34</i>	18%	52%	13%	2%	6%	69%
<i>Aged 35-54</i>	22%	52%	9%	3%	5%	75%
<i>Aged 55+</i>	25%	51%	12%	3%	4%	77%
<i>ABC1</i>	22%	50%	11%	2%	6%	71%
<i>C2DE</i>	22%	55%	11%	4%	3%	77%
<i>Benefits</i>	21%	50%	5%	8%	4%	71%
<i>No Benefits</i>	23%	52%	13%	1%	6%	75%
<i>Have meter</i>	23%	50%	12%	3%	4%	73%
<i>No meter</i>	23%	56%	9%	1%	5%	78%
<i>Main bill payer</i>	23%	49%	11%	3%	6%	72%
<i>Joint bill payer</i>	19%	58%	12%	1%	3%	77%
<i>Colne</i>	31%	44%	14%	2%	3%	75%
<i>Lee</i>	25%	56%	4%	0%	5%	81%
<i>Pinn</i>	18%	44%	18%	5%	5%	62%
<i>Wey</i>	17%	55%	12%	3%	6%	72%

- For Profile 2 acceptability is consistent across different groups of customers (shown Table 18 below). No significant differences identified across sub groups.

Table 18: Clean Water Only Plan 2025-2030 (No Inflation) - Profile 2 Acceptability

<i>Clean Water Only Plan 2025-30 P2 (No Inflation)</i>	<i>Very acceptable</i>	<i>Fairly acceptable</i>	<i>Not very acceptable</i>	<i>Not acceptable at all</i>	<i>Don't mind</i>	<i>Acceptable (NET)</i>
<i>Total</i>	24%	56%	7%	2%	4%	81%
<i>Male</i>	25%	55%	7%	3%	5%	81%
<i>Female</i>	24%	57%	7%	1%	3%	81%
<i>Aged 16-34</i>	27%	62%	4%	3%	1%	89%
<i>Aged 35-54</i>	23%	55%	7%	2%	4%	78%
<i>Aged 55+</i>	24%	52%	11%	1%	7%	76%
<i>ABC1</i>	27%	56%	6%	3%	4%	83%
<i>C2DE</i>	21%	57%	9%	0%	4%	78%
<i>Benefits</i>	23%	55%	8%	2%	7%	78%
<i>No Benefits</i>	25%	57%	7%	2%	3%	83%
<i>Have meter</i>	26%	58%	5%	2%	4%	84%
<i>No meter</i>	25%	56%	9%	1%	5%	81%
<i>Main bill payer</i>	24%	56%	7%	2%	5%	80%
<i>Joint bill payer</i>	25%	56%	6%	0%	3%	82%
<i>Colne</i>	26%	58%	5%	5%	4%	84%
<i>Lee</i>	33%	51%	5%	2%	6%	85%
<i>Pinn</i>	22%	56%	11%	0%	2%	78%
<i>Wey</i>	20%	57%	5%	3%	8%	77%

- For Profile 1 affordability is relatively similar across different groups of customers (shown Table 19 below). No significant differences identified across sub groups.

Table 19: Clean Water Only Plan 2025-2030 (No Inflation) - Profile 1 Affordability

Clean Water Only Plan 2025-30 P1 (No Inflation)	Very affordable	Fairly affordable	Not very affordable	Not affordable at all	Don't mind	Affordable (NET)
<i>Total</i>	21%	52%	13%	3%	5%	73%
<i>Male</i>	26%	53%	11%	3%	1%	79%
<i>Female</i>	16%	51%	15%	3%	8%	67%
<i>Aged 16-34</i>	17%	50%	14%	3%	8%	67%
<i>Aged 35-54</i>	21%	53%	12%	3%	5%	75%
<i>Aged 55+</i>	24%	52%	13%	3%	2%	77%
<i>ABC1</i>	21%	51%	11%	4%	6%	72%
<i>C2DE</i>	21%	54%	16%	1%	3%	74%
<i>Benefits</i>	20%	43%	21%	3%	3%	62%
<i>No Benefits</i>	22%	54%	11%	3%	5%	77%
<i>Have meter</i>	27%	47%	13%	4%	4%	74%
<i>No meter</i>	15%	60%	11%	2%	5%	76%
<i>Main bill payer</i>	23%	50%	13%	2%	4%	73%
<i>Joint bill payer</i>	16%	56%	12%	6%	7%	72%
<i>Colne</i>	23%	48%	10%	5%	3%	71%
<i>Lee</i>	19%	62%	6%	2%	5%	81%
<i>Pinn</i>	26%	40%	21%	4%	3%	66%
<i>Wey</i>	24%	51%	12%	1%	7%	75%

- As with Profile 1, Profile 2 affordability is relatively similar across different groups of customers (shown Table 20 below). No significant differences identified across sub groups.

Table 20: Clean Water Only Plan 2025-2030 (No Inflation) - Profile 2 Affordability

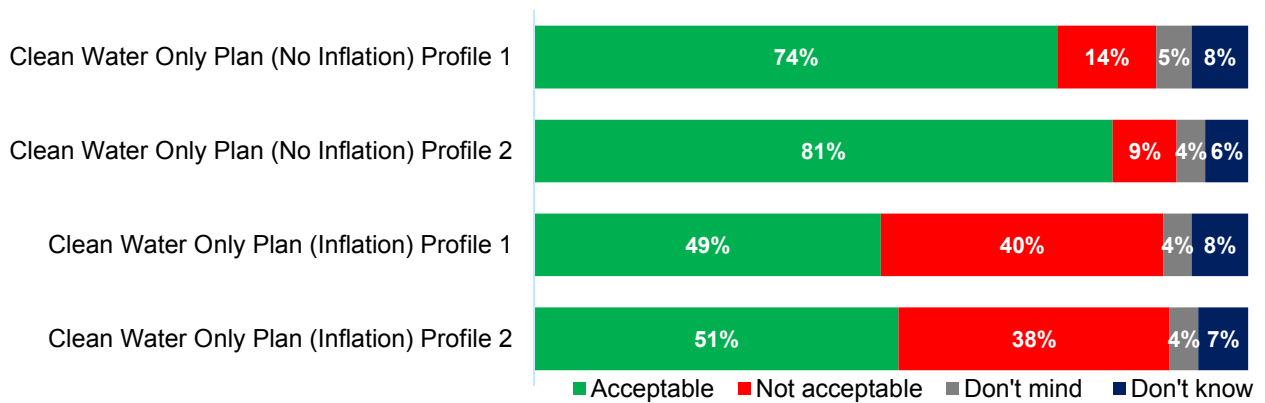
Clean Water Only Plan 2025-30 P2 (No Inflation)	Very affordable	Fairly affordable	Not very affordable	Not affordable at all	Don't mind	Affordable (NET)
<i>Total</i>	25%	54%	9%	3%	3%	78%
<i>Male</i>	26%	54%	8%	5%	3%	80%
<i>Female</i>	23%	54%	9%	2%	3%	77%
<i>Aged 16-34</i>	28%	53%	6%	4%	2%	81%
<i>Aged 35-54</i>	23%	54%	11%	2%	2%	77%
<i>Aged 55+</i>	23%	53%	9%	3%	4%	76%
<i>ABC1</i>	28%	50%	8%	3%	4%	78%
<i>C2DE</i>	19%	60%	10%	3%	1%	79%
<i>Benefits</i>	23%	49%	14%	2%	4%	72%
<i>No Benefits</i>	25%	56%	8%	3%	3%	81%
<i>Have meter</i>	28%	50%	9%	4%	3%	78%
<i>No meter</i>	23%	61%	6%	3%	3%	84%
<i>Main bill payer</i>	27%	51%	10%	3%	3%	78%
<i>Joint bill payer</i>	19%	61%	5%	3%	3%	80%
<i>Colne</i>	34%	48%	9%	6%	2%	81%
<i>Lee</i>	34%	44%	10%	2%	5%	78%
<i>Pinn</i>	20%	62%	8%	0%	1%	83%
<i>Wey</i>	21%	55%	6%	5%	3%	76%

4.2 Response to Inflation Clean Water plan & bill profile - 2025-30 (AMP8)

- As with the 2020-25 plan, the bill including inflation was presented to participants. Again, results show a significant drop in perceived acceptability and affordability:

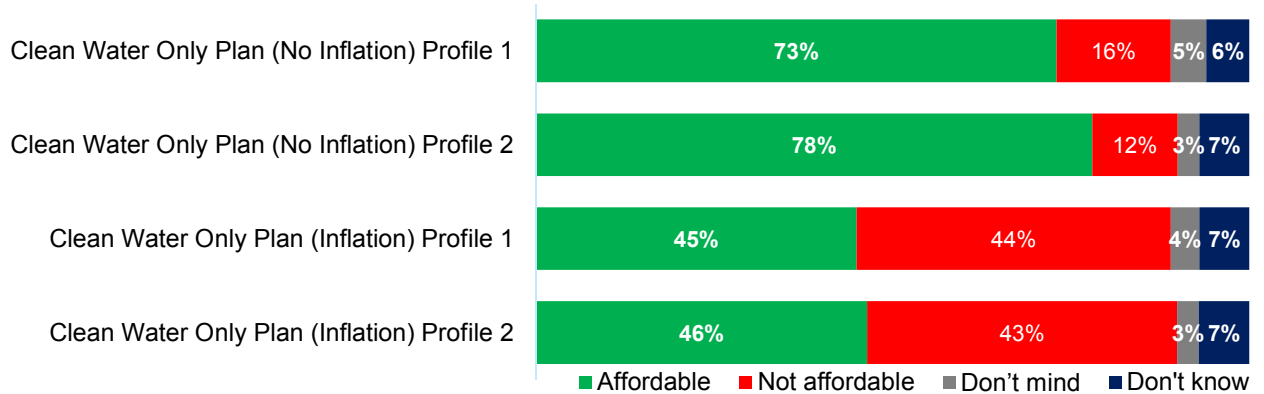
- 74% rating profile 1 pre-inflation acceptable significantly dropped to 49% acceptability when inflation was added (-25%).
 - 73% rating profile 1 pre-inflation affordable significantly dropped to 45% affordability when inflation was added (-28%).
- 81% rating profile 2 pre-inflation acceptable, significantly dropped to 51% acceptability when inflation was added (-30%).
 - 78% rating profile 2 pre-inflation affordable significantly dropped to 46% affordability when inflation was added (-32%).

Figure 21: Clean Water Plan 2025-2030 (No Inflation vs Inflation) – Acceptability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

Figure 22: Clean Water Plan 2025-2030 (No Inflation vs Inflation) – Affordability



- Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

5.1 Response to Clean and Waste Water Bill Profiles

- Respondents were given a description of waste water services and fit with the household water bill business planning process
 - You pay Affinity Water for WASTE water services, but they pass this part of the bill on to Thames/ Anglian/ Southern. The bills they set are also based on an agreement with Ofwat, the Government regulator.
- Respondents were shown a combined clean and waste water bill from 2020 to 2025 dependant on their waste water provider. The survey presented half of the participants (500) with bill profile 1 and the other half (500) with profile 2. The sample was split on a ‘least fill’ basis to ensure consistency of profile within each cell. Customers were then asked whether or not they found the presented plan to be acceptable. Section 5.1 reviews the findings of these questions.
- The details of the plan given to participants were as follows:

Figure 23: Complete Water Bill Information (No Inflation) – Profile 1 (Thames Water)



Figure 24: Complete Water Bill Information (No Inflation) – Profile 1 (Anglian)



Figure 25: Complete Water Bill Information – Profile 1 (Southern)

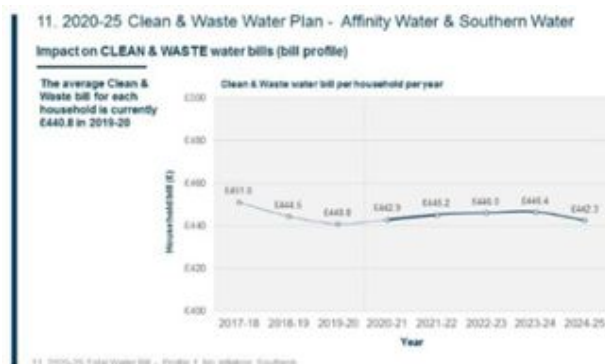


Figure 26: Complete Water Bill Information (No Inflation) – Profile 2 (Thames Water)



Figure 27: Complete Water Bill Information (No Inflation) – Profile 2 (Anglian)

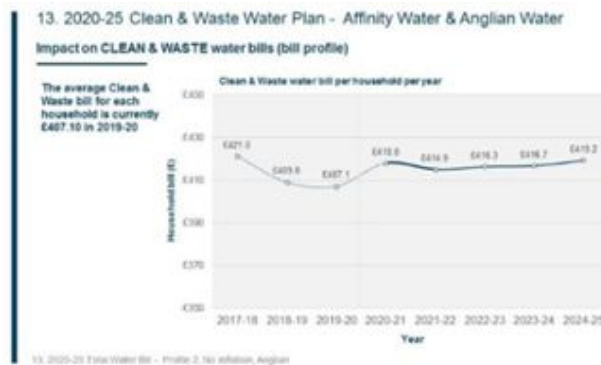
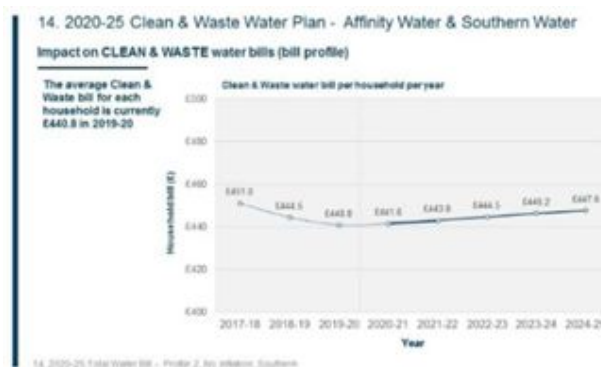
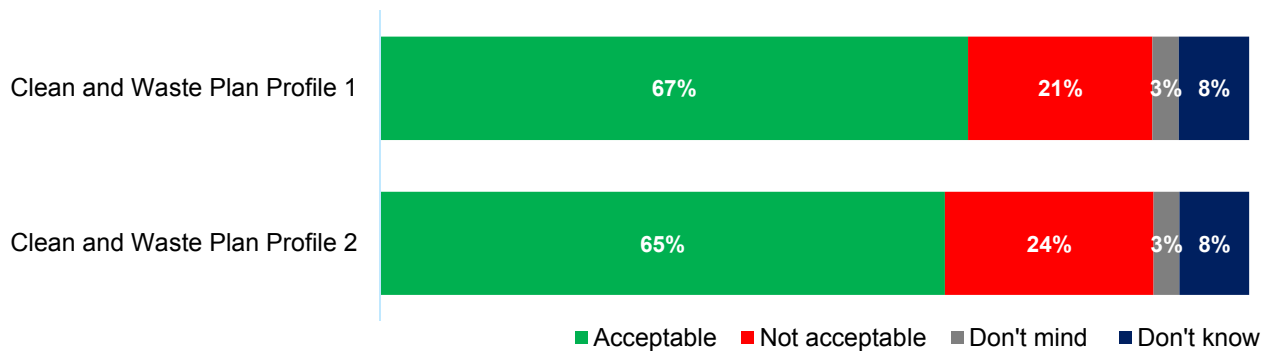


Figure 28: Complete Water Bill Information – Profile 2 (Southern)



- Levels of stated acceptability for combined clean and waste water bills from 2020-2025 are generally lower, but, **both profiles receive similar levels of acceptance rating by customers** with each plan rated very or fairly acceptable by around two thirds overall. Profile 1 is considered to be slightly more acceptable but not significantly so.
 - 67% rate Profile 1 as very or fairly acceptable.
 - 65% rate Profile 2 as very or fairly acceptable.
- Reminder: customers were only exposed to one bill profile throughout the survey; they did not compare bill profiles directly.

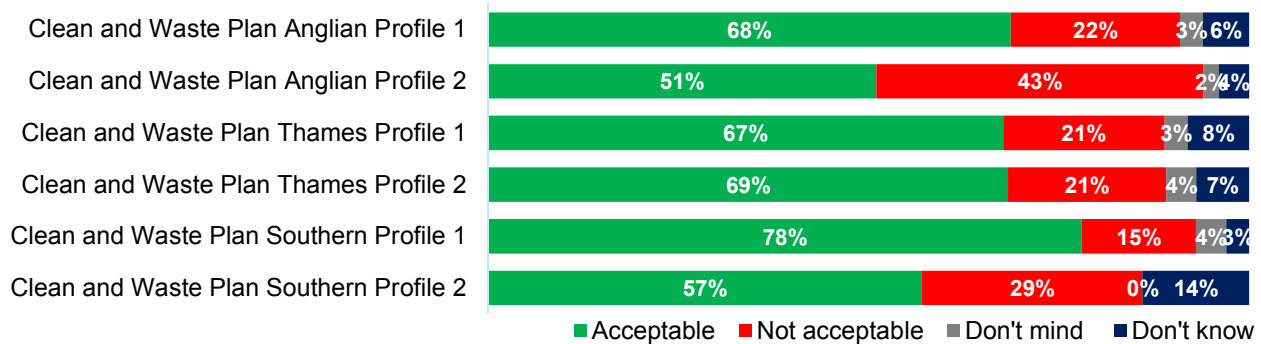
Figure 29: Clean and Waste Water Plans (No Inflation) – Combined Acceptability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- When comparing results by sewerage provider acceptability is consistent for Profile 1:
 - 67% of Thames customers feel that Profile 1 is very or fairly acceptable, 68% of Anglian feel that Profile 1 is very or fairly acceptable.
- But profile 2 tells a different story with Thames customers significantly more accepting of the combined clean and waster bill than Anglian customers.
 - 69% of Thames customers feel that Profile 2 is very or fairly acceptable, but only just over half (51%) of Anglian customers feel that Profile 2 is very or fairly acceptable.
- Please not that due to low base sizes for Southern we were unable to comment on the results but have included the data in figure 30 as a reference.

Figure 30: Clean and Waste Water Plans (No Inflation) – Acceptability by Sewerage Company



Base: Thames P1 381 /1000, Thames P2 385/1000, Anglian P1 67/1000, Anglian P2 64/1000, Southern P1 32/1000, Southern P2 23/1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- For Profile 1 clean and waste water acceptability is relatively similar across different groups of customers (shown Table 31 below). However, customers aged 35-54 are significantly less accepting of the bill, 59% find Profile 1 fairly or very acceptable compared to 67% total.

Table 31: Clean & Waste Water Plans (No Inflation) – Profile 1 Acceptability

Clean & Waste Water Only Plan P1 (No Inflation)	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
Total	26%	41%	13%	8%	3%	67%
Male	32%	38%	12%	7%	4%	70%
Female	20%	44%	14%	9%	3%	65%
Aged 16-34	28%	46%	8%	8%	3%	74%
Aged 35-54	23%	35%	20%	7%	4%	59%
Aged 55+	27%	45%	10%	9%	2%	72%
ABC1	28%	43%	12%	6%	3%	71%
C2DE	23%	39%	16%	10%	3%	63%
Benefits	15%	43%	15%	11%	1%	58%
No Benefits	30%	42%	11%	7%	4%	71%
Have meter	29%	43%	13%	8%	2%	72%
No meter	24%	40%	14%	7%	3%	65%
Main bill payer	24%	41%	14%	8%	4%	65%
Joint bill payer	31%	42%	10%	7%	1%	74%
Colne	38%	31%	13%	5%	1%	70%
Lee	22%	46%	10%	7%	7%	69%
Pinn	20%	47%	8%	15%	3%	67%
Wey	28%	42%	8%	8%	1%	71%

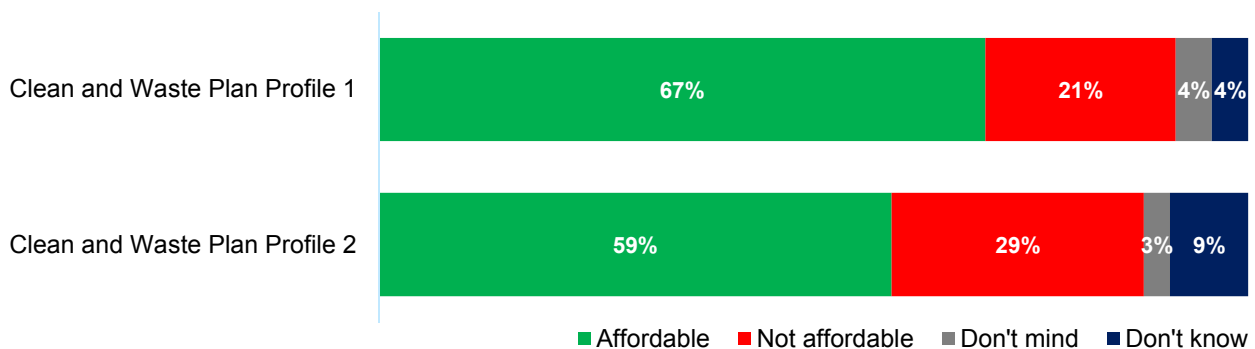
- For Profile 2 clean and waste water acceptability is relatively similar across different groups of customers (shown Table 32 below). No significant differences identified across sub groups.

Table 32: Clean & Waste Water Plans (No Inflation) - Profile 2 Acceptability

Clean & Waste Water Only Plan P2 (No Inflation)	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
Total	23%	42%	16%	8%	3%	65%
Male	24%	44%	14%	8%	5%	68%
Female	21%	41%	19%	7%	2%	62%
Aged 16-34	23%	42%	21%	4%	4%	64%
Aged 35-54	22%	41%	17%	7%	4%	63%
Aged 55+	23%	44%	12%	11%	2%	67%
ABC1	26%	45%	15%	6%	2%	70%
C2DE	18%	39%	18%	9%	6%	57%
Benefits	21%	36%	21%	11%	1%	58%
No Benefits	24%	44%	16%	6%	4%	67%
Have meter	25%	41%	17%	8%	3%	65%
No meter	22%	50%	15%	7%	3%	72%
Main bill payer	23%	41%	17%	7%	3%	64%
Joint bill payer	20%	46%	13%	8%	4%	67%
Colne	29%	39%	14%	7%	7%	68%
Lee	27%	39%	21%	7%	1%	65%
Pinn	21%	46%	16%	6%	3%	67%
Wey	25%	49%	5%	6%	8%	74%

- Levels of stated affordability for combined clean and waste water bills from 2020-2025 are again generally lower than the clean water only plans. When comparing the two clean and waste water profiles, Profile 1 is considered to be significantly more affordable than Profile 2;
 - 67% rate profile 1 as very or fairly affordable compared to the 59% rating profile 2 very or fairly affordable.

Figure 33: Clean and Waste Water Plans (No Inflation) – Combined Affordability

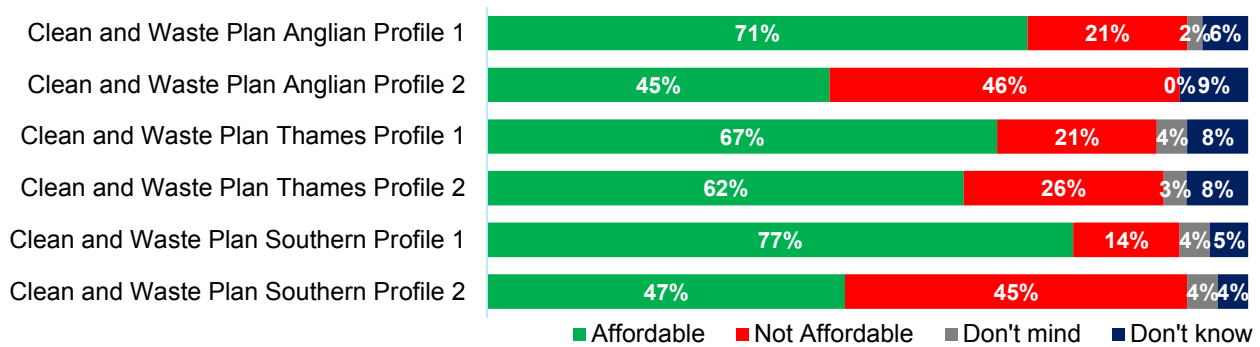


Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- When comparing results by sewerage provider, just like acceptability, affordability is consistent for Profile 1:

- 67% of Thames customers feel that Profile 1 is very or fairly affordable, 71% of Anglian feel that Profile 1 is very or fairly affordable.
- But profile 2 tells a different story with Thames customers feeling like the combined clean and waste water bill is significantly more affordable compared to Anglian customers.
 - 62% of Thames customers feel that Profile 2 is very or fairly affordable, but under half (45%) of Anglian customers feel that Profile 2 is very or fairly affordable.
- Please note that due to low base sizes for Southern we were unable to comment on the results but have included the data in figure 30 as a reference.

Figure 34: Clean and Waste Water Plans (No Inflation) – Affordability by Sewerage Company



Base: Thames P1 381 /1000, Thames P2 385/1000, Anglian P1 67/1000, Anglian P2 64/1000, Southern P1 32/1000, Southern P2 23/1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- For Profile 1 clean and waste water affordability is relatively similar across different groups of customers (shown Table 35 below). However, customers receiving benefits feel that the bill is significantly less affordable; 49% find Profile 1 fairly or very affordable compared to 67% total.

Table 35: Clean & Waste Water Plan (No Inflation) - Profile 1 Affordability

Clean & Waste Water Only Plan P1 (No Inflation)	Very affordable	Fairly affordable	Not very affordable	Not affordable at all	Don't mind	Affordable (NET)
Total	22%	44%	13%	9%	4%	67%
Male	31%	42%	9%	8%	2%	72%
Female	15%	47%	16%	9%	5%	62%
Aged 16-34	25%	46%	6%	8%	4%	71%
Aged 35-54	20%	39%	19%	10%	4%	60%
Aged 55+	23%	49%	11%	7%	2%	72%
ABC1	23%	51%	10%	7%	2%	73%
C2DE	22%	35%	17%	11%	6%	57%
Benefits	14%	35%	19%	16%	5%	49%
No Benefits	25%	47%	10%	7%	3%	72%
Have meter	26%	45%	11%	10%	2%	71%
No meter	20%	44%	15%	7%	4%	64%
Main bill payer	21%	43%	14%	8%	4%	64%

<i>Joint bill payer</i>	25%	48%	10%	10%	2%	73%
<i>Colne</i>	35%	39%	8%	7%	1%	74%
<i>Lee</i>	18%	49%	12%	8%	6%	67%
<i>Pinn</i>	20%	41%	16%	11%	3%	61%
<i>Wey</i>	21%	53%	8%	11%	1%	74%

- For Profile 2 clean and waste water affordability is relatively similar across different groups of customers (shown Table 36 below). However, male customers feel that the plan is significantly more affordable than the total; 67% of males find Profile 2 fairly or very affordable compared to 59% total.

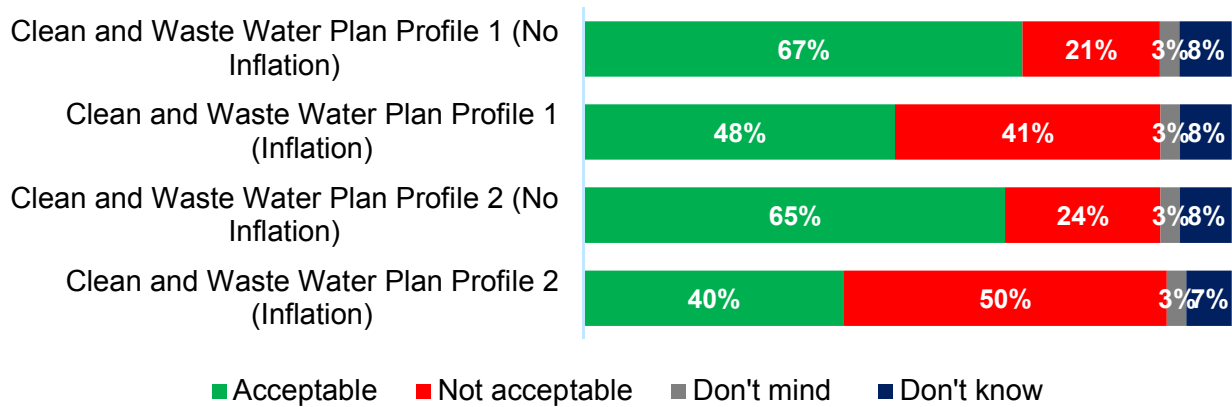
Table 36: Clean & Waste Water Plan (No Inflation) - Profile 2 Affordability

<i>Clean & Waste Water Only Plan P2 (No Inflation)</i>	<i>Very affordable</i>	<i>Fairly affordable</i>	<i>Not very affordable</i>	<i>Not affordable at all</i>	<i>Don't mind</i>	<i>Affordable (NET)</i>
<i>Total</i>	19%	40%	18%	10%	3%	59%
<i>Male</i>	19%	48%	14%	11%	3%	67%
<i>Female</i>	19%	33%	23%	10%	3%	52%
<i>Aged 16-34</i>	22%	36%	21%	9%	2%	58%
<i>Aged 35-54</i>	16%	43%	17%	11%	4%	59%
<i>Aged 55+</i>	18%	41%	17%	10%	3%	60%
<i>ABC1</i>	24%	40%	19%	8%	2%	64%
<i>C2DE</i>	11%	40%	18%	14%	5%	52%
<i>Benefits</i>	17%	36%	22%	18%	2%	53%
<i>No Benefits</i>	20%	42%	18%	8%	3%	62%
<i>Have meter</i>	22%	41%	18%	9%	3%	63%
<i>No meter</i>	17%	42%	19%	12%	3%	59%
<i>Main bill payer</i>	21%	40%	17%	11%	3%	61%
<i>Joint bill payer</i>	13%	42%	22%	9%	2%	55%
<i>Colne</i>	22%	46%	11%	11%	6%	68%
<i>Lee</i>	24%	35%	22%	10%	2%	58%
<i>Pinn</i>	20%	40%	14%	12%	4%	60%
<i>Wey</i>	18%	45%	23%	3%	3%	63%

5.2 Response to Clean and Waste Water Bill Profiles with inflation

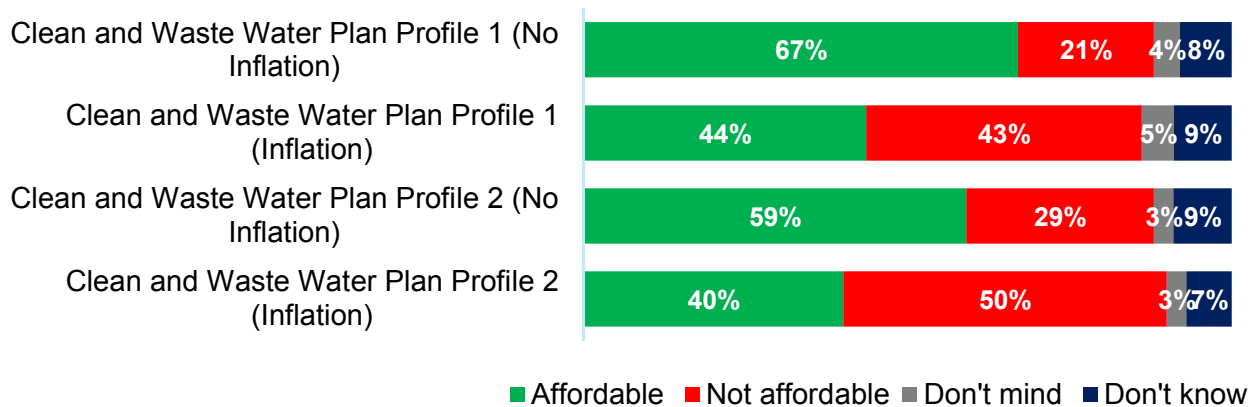
- Again, there is significant drop in stated acceptability and affordability when inflation is added for both profiles, similar decreases are seen as for the AMP7 and AMP8 clean water plans.
 - 67% rating profile 1 pre-inflation acceptable, significantly dropped to 48% acceptability (-19%).
 - 67% rating profile 1 pre-inflation affordable significantly dropped to 44% affordability (-23%).
 - 65% rating profile 2 pre-inflation acceptable significantly dropped to 40% acceptability (-25%).
 - The 59% who found profile 2 pre-inflation affordable significantly dropped to 40% affordability (-19%).

Figure 37: Clean and Waste Water (No Inflation vs Inflation) Combined Acceptability



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

Figure 38: Clean and Waste Water (No Inflation vs Inflation) Combined Affordability

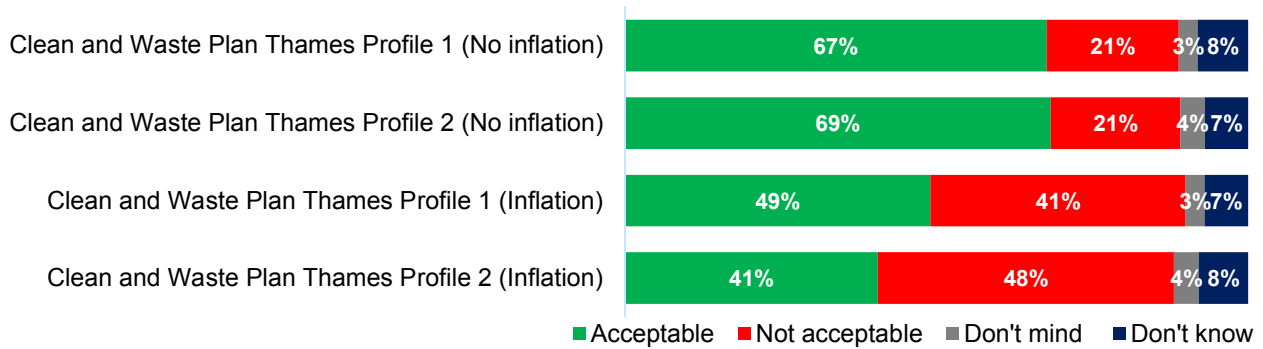


Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

- Due to low base sizes for Southern we were unable to compare results by all three waste providers. However, again, there is significant drop in stated acceptability and affordability when inflation is added for both Thames and Anglian across both profiles.
 - Acceptability
 - 67% of Thames customers feel that Profile 1 is very or fairly acceptable, significantly dropped to 49% acceptability (-18%).
 - 69% of Thames customers feel that Profile 2 is very or fairly acceptable, significantly dropped to 41% acceptability (-28%).
 - 68% of Anglian customers feel that Profile 1 is very or fairly acceptable, significantly dropped to 40% acceptability (-28%).
 - 51% of Anglian customers feel that Profile 2 is very or fairly acceptable, significantly dropped to 32% acceptability (-19%).
 - Affordability
 - 67% of Thames customers feel that Profile 1 is very or fairly affordable, significantly dropped to 43% affordability (-24%).
 - 62% of Thames customers feel that Profile 2 is very or fairly affordable, significantly dropped to 41% affordability (-21%).

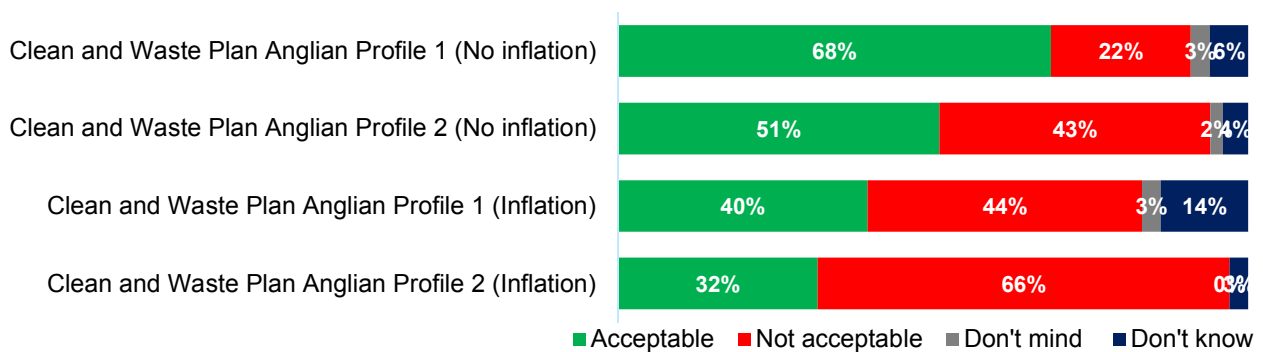
- 71% of Anglian customers feel that Profile 1 is very or fairly affordable, significantly dropped to 45% affordability (-26%).
- 45% of Anglian customers feel that Profile 2 is very or fairly affordable, significantly dropped to 35% affordability (-10%).

Figure 39: Clean and Waste Water Plans (No Inflation vs Inflation) – Acceptability Thames



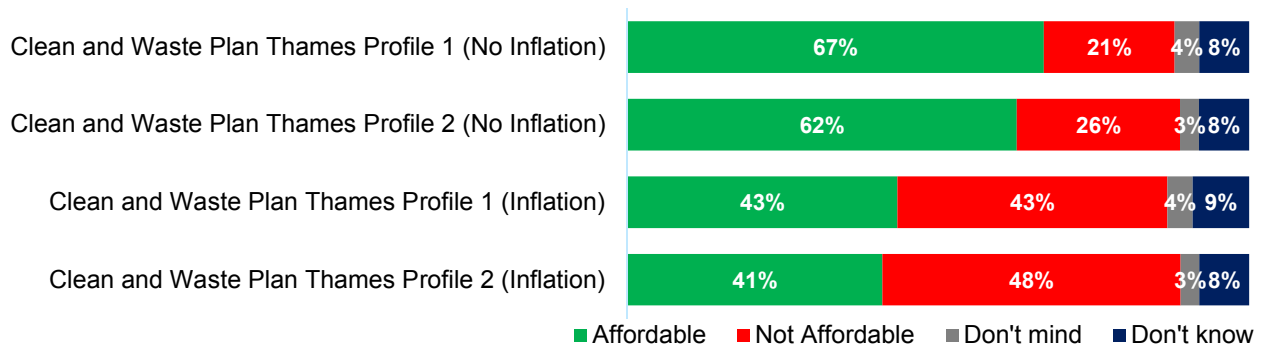
Base: Thames P1 381 /1000, Thames P2 385/1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

Figure 40: Clean and Waste Water Plans (No Inflation vs Inflation) – Acceptability Anglian



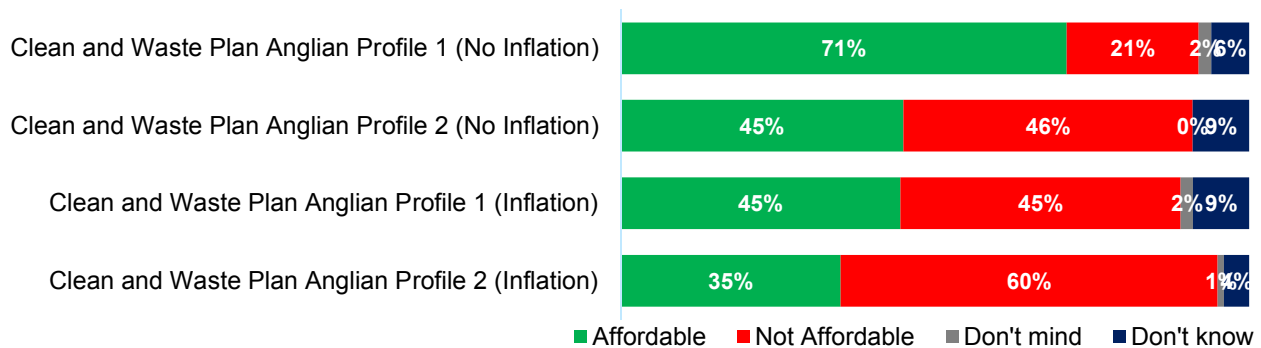
Base: Anglian P1 67/1000, Anglian P2 64/1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

Figure 41: Clean and Waste Water Plans (No Inflation vs Inflation) – Affordability Thames



Base: Thames P1 381 /1000, Thames P2 385/1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

Figure 42: Clean and Waste Water Plans (No Inflation vs Inflation) – Affordability Anglian



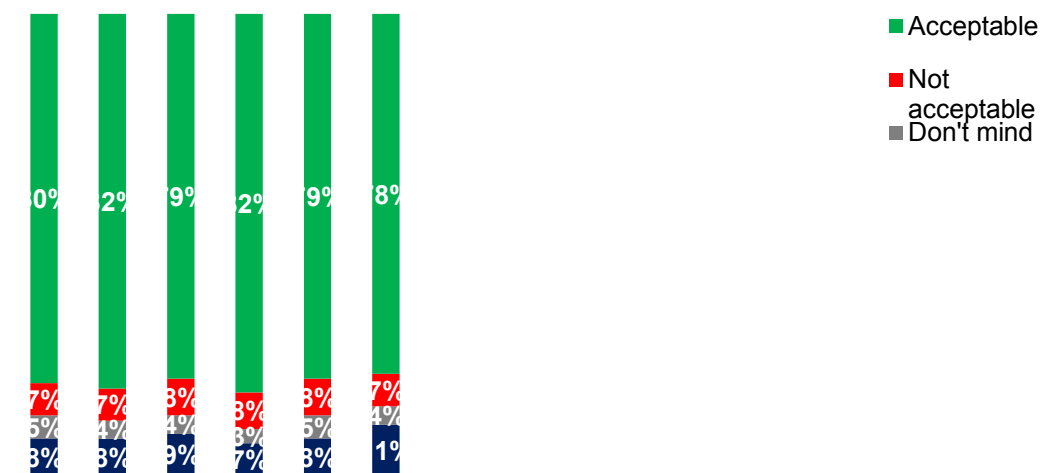
Base: Anglian P1 67/1000, Anglian P2 64/1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

6.1 Affinity Water Targets

- Six long-term targets were tested for acceptability in the survey:
 - Providing a fair and inclusive service that is available, usable and accessible to all customers equally regardless of personal circumstances (“**BSI certification for Inclusive Services**”).
 - Committing to providing **additional support and special assistance** through Affinity Water’s Priority Service Register to those who require extra help in the way that they receive water services, regardless of age, health, disability or lack of disability (e.g. providing bills and other literature in accessible formats, delivering water to customers who cannot fetch water in the event of a ‘no water’ incident).
 - Ensuring that customers in vulnerable circumstances (for example, those requiring special assistance or in financially vulnerable circumstances) **are satisfied with the high quality of service** provided by Affinity Water.

- Ensuring that Affinity Water **are easy to deal with**, particularly for customers in vulnerable circumstances (for example, those requiring special assistance or in financially vulnerable circumstances).
 - Minimising disruption to customers and employees as a result of **unplanned interruptions to IT services** (including digital platforms, email, infrastructure and telephone systems etc).
 - **Strategic resource development**: Moving water between networks both within Affinity Water and across companies (e.g. reservoirs and transfers) to better ensure a continuous supply.
- All of the above long-term targets scored consistently for acceptability, with high scores ranging from 78% to 82% of customers rating each target as 'very' or 'fairly' acceptable.

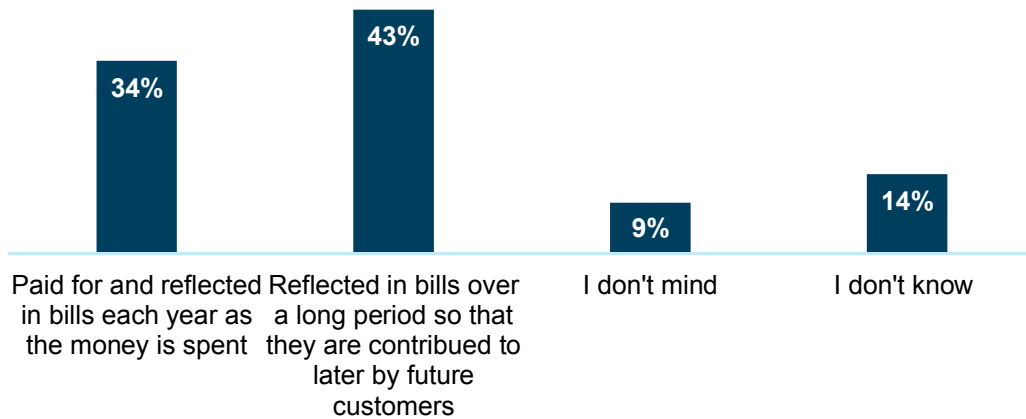
Figure 43: Affinity Water Long-Term Targets



Providing a fair and affordable water supply, Ensuring that Affinity Water is easy to deal with, Minimising disruption to customers and employees as a result of unplanned interruptions to IT services, Strategic resource development, Ensuring that Affinity Water are easy to deal with, Ensuring that Affinity Water is easy to deal with

- When asked about the investment Affinity Water makes in order for a better longer-term water supply:
 - 43% of customers would prefer that the investment is reflected in bills over a longer period so that they are contributed to later by future customers.
 - 34% of customers would prefer the investment is paid for and reflected in bills each year as the money is spent.

Figure 44: Affinity Water Bills

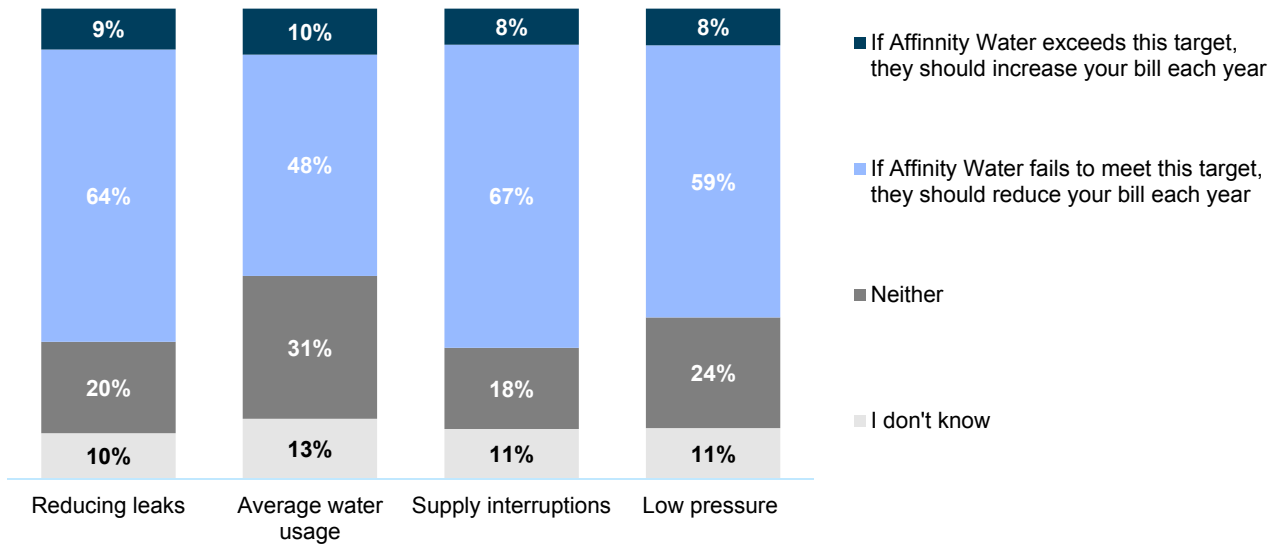


Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

6.2 Performance Commitments

- Three sets of Performance Commitments were tested from the 2020-25 Business Plan. Customers were asked to respond to possible incentives or penalties for delivering against these targets. Throughout section 6.2 please keep in mind that customers were able to select more than one answer from the following options:
 - “If Affinity Water exceeds this target they should increase your bill every year”
 - “If Affinity Water fails to meet this target they should reduce your bill every year”
- However, the majority of respondents chose to only select one option, this may be due to the set up of the questionnaire and customers assuming it was an ‘either-or’ question type.
- *PCs directly related to customer service*
 - Customers respond most strongly to ‘Supply interruptions’; 67% believe that Affinity Water should reduce the customer’s bill if failing to meet supply interruption reduction targets.
 - Just below this was the response to ‘reducing leaks’ and ‘low pressure’.
 - 64% of customers felt that Affinity Water should reduce customer’s bill if they failed to meet their ‘reducing leaks’ target.
 - 59% of customers felt that Affinity Water should reduce customer’s bill if they failed to meet their ‘low pressure’ targets.
 - Customers responded significantly less strongly to ‘average water usage’, just over half (48%) believed Affinity Water should reduce the customer’s bill if they failed to meet the average water targets.

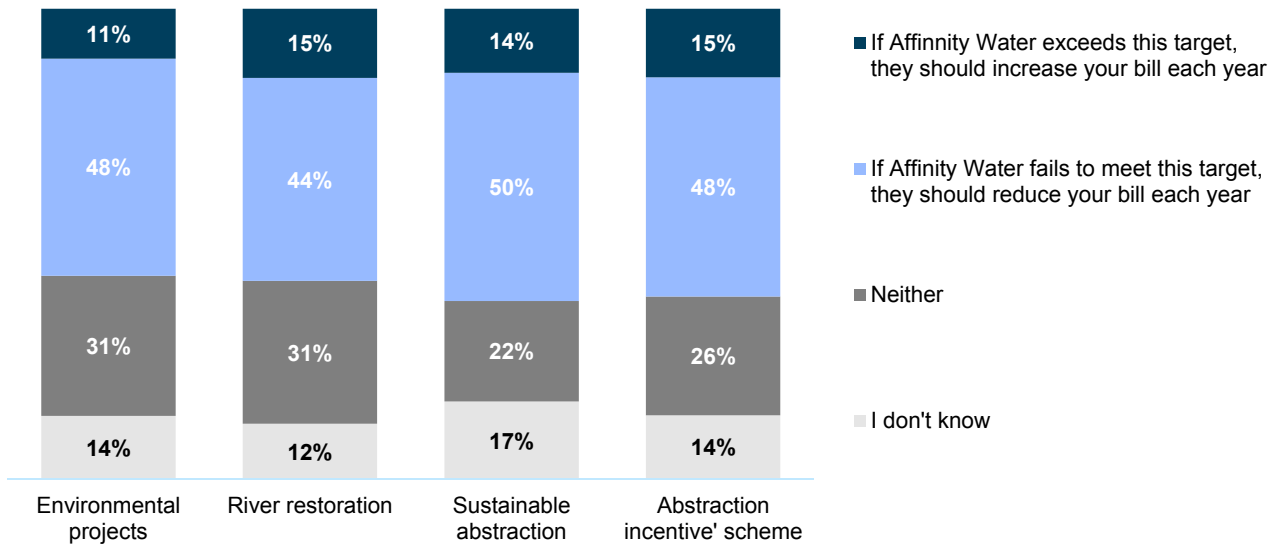
Figure 45: PCs directly related to customer service



Base: 333 adults aged 16+ from across the Affinity Water customer areas, March 2019

- PCs directly related to environment
 - Customers respond less strongly to the environment related targets, with a consistent response shown across the PCs; between 44% and 50% of customers feel that if Affinity water fail to meet each of the natural environment targets they should reduce the customer bill each year.
 - Half (50%) feel that if Affinity Water fails to meet their ‘sustainable abstraction’ targets they should reduce their customer’s bill, however, 22% did not feel this should result in a change to the customer’s bill.
 - Just under half (48%) feel that if Affinity Water fails to meet their ‘abstraction incentive scheme’ targets they should reduce their customer’s bill, however, 26% did not feel this should result in a change to the customer’s bill.
 - The same amount (48%) feel that if Affinity Water fail to meet ‘environmental projects’ targets they should reduce their customer’s bill, however, 31% did not feel this should result in a change to the customer’s bill.
 - Under half (44%) feel that if Affinity Water fail to meet ‘river restoration’ and ‘targets they should reduce their customer’s bill, however, 31% did not feel this should result in a change to the customer’s bill.
 - The data suggests that PCs directly related to environment tend to elicit less concern compared to than the customer service PCs. Around a quarter to a third of customers feel the impact of various environmental targets should not impact the customer’s bill.

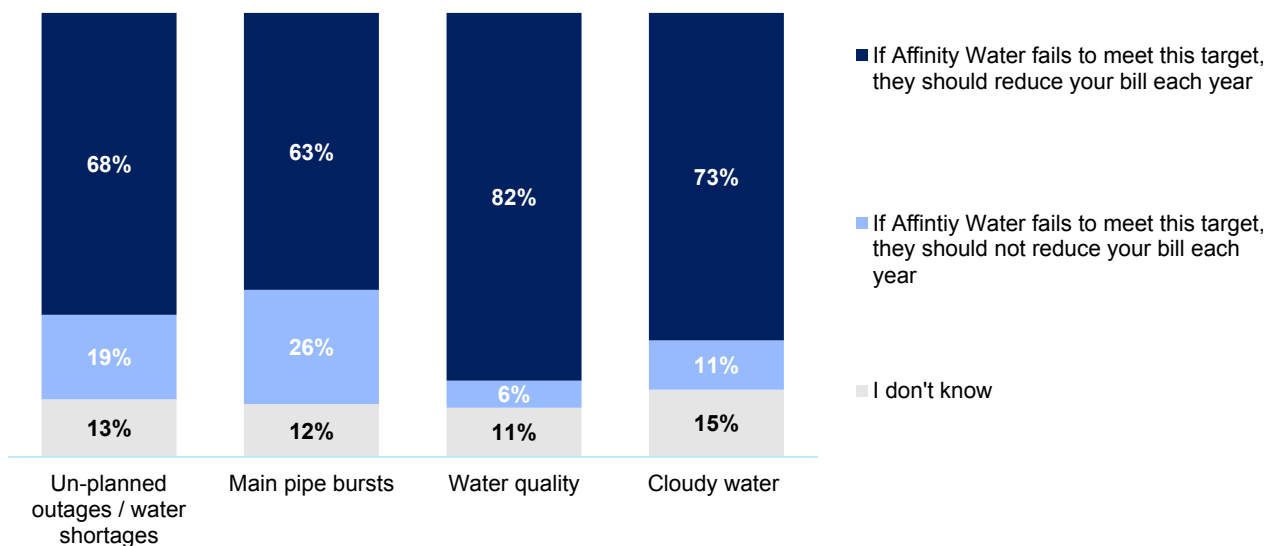
Figure 46: PCs directly related to improving the natural environment



Base: 331 adults aged 16+ from across the Affinity Water customer areas, March 2019

- **[PCs directly related to customer service where AWL would only be penalised]**
 - Customers react most strongly to the PC related to water quality;
 - 82% feel that Affinity Water should reduce the customer bill if they fail to meet water quality targets and 73% of customers felt that Affinity Water should reduce customer’s bill if they failed to meet their ‘cloudy water’ target.
 - Customers responded significantly less strongly to ‘un-planned outages/ water shortages’ and ‘mains pipe burst’ targets;
 - 68% of customers felt that Affinity Water should reduce customer’s bill if they failed to meet their ‘un-planned outages/ water shortages’ target.
 - 63% of customers felt that Affinity Water should reduce customer’s bill if they failed to meet their ‘mains pipe burst’ target.

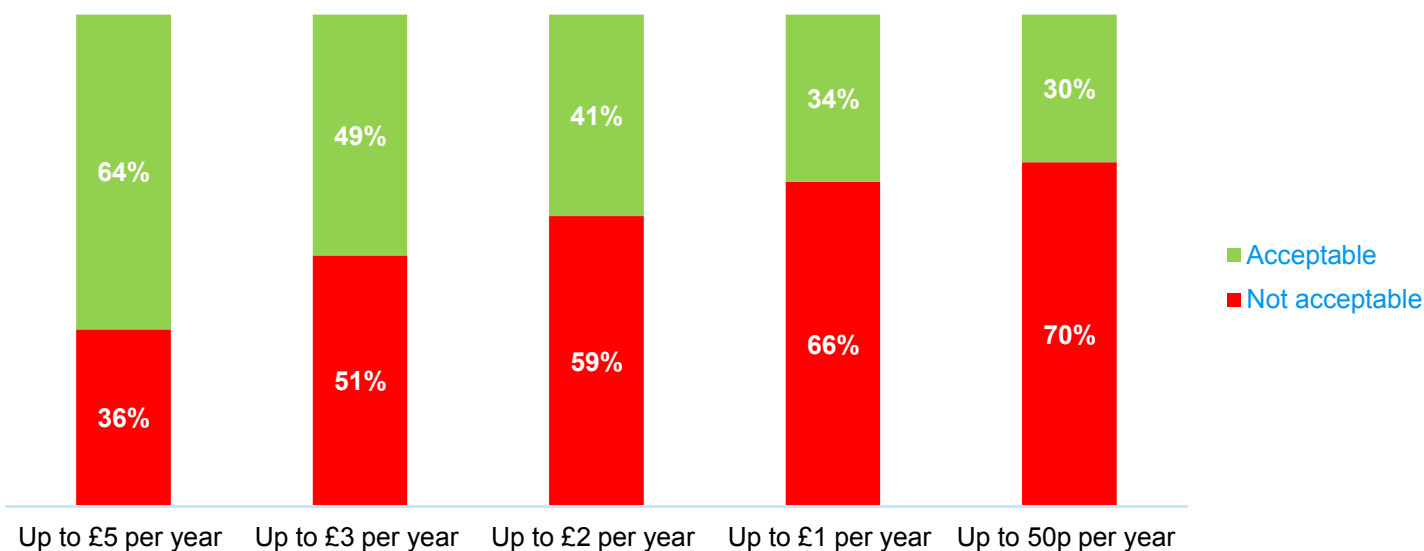
Figure 47: PCs directly related to customer service where AWL would only be penalised



Base: 333 adults aged 16+ from across the Affinity Water customer areas, March 2019

- If Affinity Water fails to meet its targets and is penalised, 64% of customers feel that a reduction of up to £5 a year is very or fairly acceptable, only around a third of customers would feel satisfied with £1 reduction.

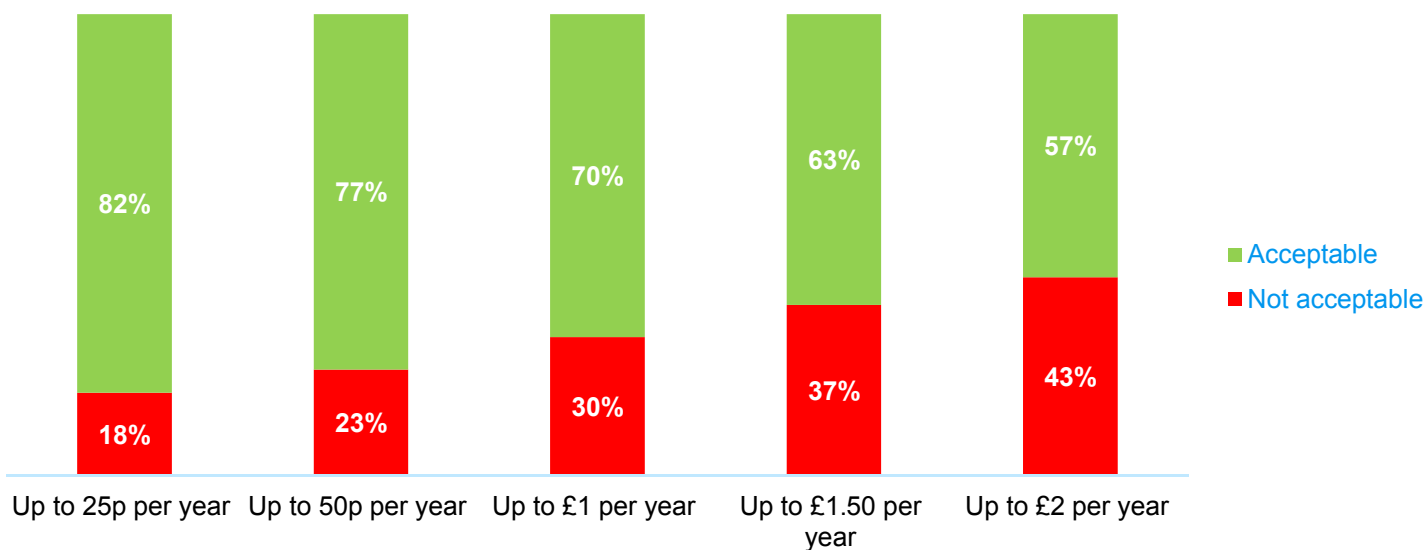
Figure 48: Yearly acceptable reduction if Affinity Water fails to meet targets



Base: 476 adults aged 16+ from across the Affinity Water customer areas, March 2019

- If Affinity Water were to exceed its targets and is rewarded, three quarters of customers feel that up anything up to £1 is acceptable as an increase to their bill.
- Once the increase steps over the £1 price mark, stated acceptability starts to fall significantly (63% for £1.50 and 57% for £2).

Figure 49: Yearly acceptable reward if Affinity Water exceeds targets



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, March 2019

Appendix.

Sample Profile

		% breakdown	Completes N=1,000	Profile 1 % breakdown N=500	Profile 2 % breakdown N=500
Community_Zone (WRZ) WATER ZONE	Misbourne	9%	90	9%	9%
	Colne	12%	120	11%	13%
	Lee	20%	200	21%	19%
	Pinn	27%	270	26%	28%
	Stort	8%	80	9%	7%
	Wey	15%	150	15%	15%
	Dour	5%	50	6%	4%
	Brett	4%	40	4%	4%

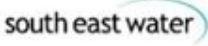
Gender [Q1]	Male	49%	490	49%	49%
	Female	51%	510	51%	51%

Age [SAGE]	16-24	6%	57	5%	6%
	25-34	25%	253	25%	25%
	35-54	36%	360	39%	33%
	55+	33%	330	31%	35%

Socio-economic group [Q5]	ABC1	60%	600	60%	60%
	C2DE	40%	400	40%	40%

Appendix AV.A1.2 Action ref AFW.AV.A1

South East Water bill profile research for comparison


PR19 Supporting Appendix 1, Engagement | 3 September 2018

3.14 Bill profile research

Table 31 – How our bill customer research influenced the plan

When	Who	How	Objective	Plan influence
June 2018	Household customers – across the customer segments	Quantitative: Postal self-completion survey – 25,000 issued and 1,792 completed (7.2% response rate); 345 responses excluded from the final data set due to completion errors.	To understand customers' views and preferences on bill profiles over 5 and 20 years (flat/stable or fluctuating/volatile).	It is important our 2020 to 2025 business plan takes into account customers' preferences for different bill profiles, both now and in the longer term.

3.14.1 Findings

Customers were asked to choose between three options for both a five year period and 20-year period.

- A bill decrease in the first year (or first five years) before an increase in the following four years (or the following 15 years)
- a bill increase in the first year (or first five years) before a decrease in the following four years (of following 15 years)
- stable bills across the five years (or 20 years).

In each scenario, we made clear that the total amount a customer would pay for their water would be no different over the five or 20-year period. The results were as follows:

Not confidential | Author: Jane Gould | Last saved: 03/09/18
File name: Appendix 1 Engagement FINAL 180831

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Table 32: Bill profile research findings

	Option A (decrease- increase)		Option B (increase- decrease)		Option C (stable)		Total	
5 years	39	3%	74	5%	1,334	92%	1,447	100%
20 years	118	8%	61	4%	1,268	88%	1,447	100%

Age group	5 year Option A	5 year Option B	5 year Option C	Age group	20 year Option A	20 year Option B	20 year Option C
16-24	0	0	5	16-24	1	1	3
25-34	2	7	106	25-34	9	7	99
35-49	5	16	264	35-49	19	12	254
50-64	11	21	388	50-64	28	24	370
65-75	8	16	343	65-75	23	14	330
75+	12	14	223	75+	39	3	207
N/A	1	0	5	N/A	1	0	5
Total	39	74	1334	Total	118	61	1268

This clearly shows that the vast majority of customers prefer stable bills – whether that’s over a five-year period (92 per cent) or a 20-year period (88 per cent).

3.15 Acceptability and affordability of our plan research

Table 33 – How our acceptability and affordability customer research influenced the plan

When	Who	How	Objective	Plan influence
June-July 2018	Household customers – across the customer segments	Qualitative: Eight customer forums Quantitative: Online panel of 1,702 customers with over half (56%) of the total sample falling into one or more of the vulnerable groups as defined by an Ofwat 2016 study	To test the level of overall acceptability of our preferred business plan – and where not acceptable, explore why To test acceptability of specific key elements of the plan e.g. outcomes, performance commitments and rewards and penalties.	Our business plan needs to meet our customers’ core needs, expectations and priorities as it is fundamental to how we deliver our water supply service.

			To test the level of affordability of the bill impact to deliver the business plan – and if not considered affordable explore why	
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3.15.1 Findings

Acceptability of the plan

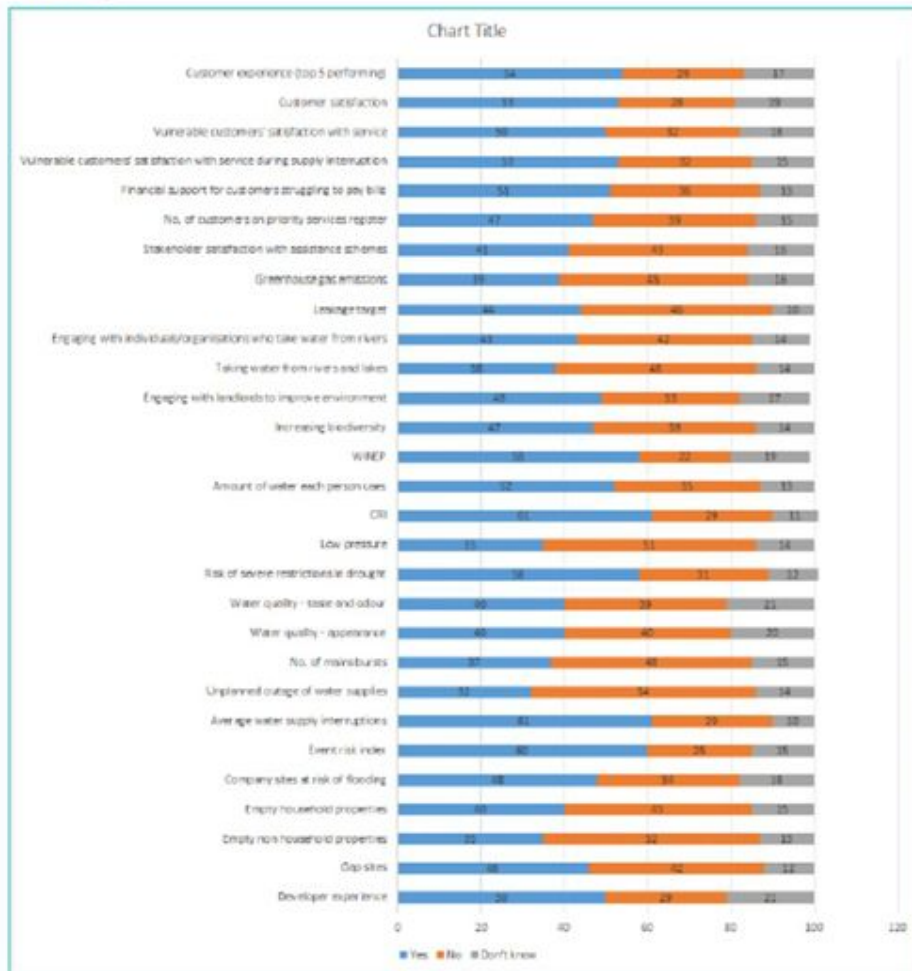
We asked customers for their initial views on how acceptable our plan was – and showing a flat bill of £204 for each year of the 2020 to 2025 period.

We asked them the acceptability question twice – first without showing them any details of our plan (so we had their uninformed view) and then again having showing them what would be delivered for that level of bill (so we could see what their informed view was). The headline results were:

- 75 per cent found the proposed plan acceptable when it was an uninformed view. This increased to 78 per cent acceptability when they were told what would be delivered for the cost of the bill
- 17 per cent found the proposed plan neither acceptable or unacceptable when it was an uninformed view; but this dropped to 16 per cent neither acceptable or unacceptable when participants had an informed view
- seven per cent found the plan unacceptable or completely unacceptable (uninformed view) but again this reduced to only four per cent still finding the plan unacceptable or completely unacceptable once they had an informed view.

We also tested the acceptability of our performance commitments and whether customers considered they were stretching enough, with the following results:

Figure 26 – Customer views on whether our performance commitments were stretching



Affordability of the plan

We asked customers to tell us how affordable our plan was, again showing a flat bill of £204 for each year of the 2020 to 2025 period.

We again asked them the affordability question twice – first without showing them any details of our plan (so we had their uninformed view) and then again having showing them what would be delivered for that level of bill, so we could see what their informed view was. The headline results were:

- When uninformed, 57 per cent found the proposed bill affordable. This affordability rating increased to 67 per cent when participants were told what would be delivered for the cost of the bill
- a further 26 per cent found the proposed plan neither affordable or unaffordable when it was an uninformed view; but this reduced to 21 per cent finding the plan neither affordable or unaffordable when it was an informed view.
- 15 per cent found the plan not very affordable or not at all affordable (uninformed view) but this reduced to 10 per cent finding the plan not very affordable or not at all affordable (informed view).

Appendix AV.A1.3

Action ref [AFW.AV.A1](#); [AFW.AV.A2](#)

Threshold of Acceptability Research prepared for CCWater



Threshold of Acceptability



Prepared for: CCWater
 Ref: J1551/RM/JM
 Date: July/2013

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Summary of Findings: Threshold

- Participants were given a brief outline of the Price Review, water company business plans and the role of acceptability research before they were asked what proportion of customers should 'accept' a business plan before CCWater could recognise on their behalf that the plan was acceptable. Most participants said 70-75%.
- 70-75% was deemed realistic because it is significantly higher than 50% but also allows room for those customers who are unlikely to accept any plan which may be presented.
- Attitudes towards suggested 82% and 90% thresholds divided into three sub-sectors of both business and domestic customers with no majority view:-
 - those in favour felt it was right to expect water companies to improve on the average acceptability score of 82% at the last Price Review in 2009
 - those against believed 90% was an unrealistic target for water companies and ultimately an unfair challenge
 - also concerns that using the 82% threshold was misleading as this related to Ofwat Draft Determinations rather than company business plans and with a very different economic landscape
 - a further group felt that 90% was possibly unrealistic but that a target could be set based on the level of acceptability that each company had achieved in 2009 (+ x%)
- **As a spontaneous response, the 70-75% is likely to be the level most closely aligned to real expectation of when CCWater should support a business plan based on customer opinion.**
 - however 82% acceptability scores or higher would be deemed an example of excellence by customers for whom the majority were pleasantly surprised by the average acceptability towards Ofwat draft determinations in 2009.

Qualitative research conducted across England and Wales

- 6 qualitative focus groups with household customers
- 8 depth interviews with business customers

The sample size for this research is small; therefore findings are only indicative of customers' views. However, findings show a good degree of consistency of views among customers



Appendix AV.A1.4

Action ref AFW.AV.A1

Supplementary report to Ofwat from the Affinity Water Customer Challenge Group (29 March 2019)



PR19 – IAP stage - CCG Report

**Supplementary report to Ofwat from the
Affinity Water Customer Challenge Group**

29 March 2019

About this report

This is a report prepared for Ofwat by the Affinity Water Customer Challenge Group (CCG) about Affinity Water Limited's (AWL) response to Ofwat's Initial Assessment of Plans (IAP). The members of the CCG at 1 April 2019 are listed at Annex A. Our Terms of Reference can be found on AWL's website.¹

The IAP is part of Ofwat's process for considering AWL's PR19 Business Plan submission for the period 2020/25. In relation to PR19 Ofwat has asked the CCG to provide:

'independent challenge to the company and independent assurance to Ofwat on the quality of the company's customer engagement for PR19, and the degree to which this is reflected in its business plan'.

The CCG submitted its primary PR19 report to Ofwat on 3 September 2018². That report explains in more detail the CCG's role in the PR19 process and the approach taken to challenging and assuring AWL's customer engagement for PR19.

In relation to the IAP stage in the PR19 process the CCG has been asked to undertake assurance of additional customer engagement AWL is carrying out between 31 January and 1 April 2019 and to provide a report to Ofwat, also by 1 April. In an email to all CCG Chairs³ Ofwat advised that they were asking:

'CCGs to submit by 1 April a short and focussed report covering any aspects of the re-submission [of the business plan] that require comment on the quality and influence of related customer engagement.'

Ofwat added that

'Documents released to companies today make clear which parts of the resubmitted business plans will require assurance from the CCG.'

The CCG's has reviewed and commented on AWL's responses to **16** action points Sections 2 and 3 of this report. Section 2 deals with the 2 action points where Ofwat asked the company to obtain assurance from the CCG. Section 3 covers the 14 action points which we have selected to review because they either a) relate to matters the CCG considered in some depth in its September 2018 report; or b) Ofwat has mentioned the CCG, but without asking that we provide assurance; or c) we are currently involved in advising and challenging AWL, e.g. the revisions to the draft Water Resources Management Plan (rdWRMP) which is completed in May 2019.

¹ <https://stakeholder.affinitywater.co.uk/docs/CCG-terms-of-reference.pdf>

² <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%202%20September-11am-Linked-Version.pdf>

³ Ofwat email to CCG Chairs 31 January 2018

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4. Action points the CCG has asked to review – (14)

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AV.A4 Performance Commitment on achieving the BSI standard

AV.A5 Performance commitment on increasing registrants on the Priority Services Register (PSR)

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OC.A11 Leakage reduction target

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OC.A32 Performance Commitment on customer satisfaction with services for customers in vulnerable circumstances

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OC.A36 Customer evidence for PC on 'environmental projects'

OC.A46 Mean Zonal Compliance – proposed retention of PC

CMI.A1 Potential strategic supply options and engagement

RR.A10 Steps taken to address CCG concerns

Annex A – List of CCG Members at end March 2019

Annex B – List of documents received and reviewed in relation to this report

Annex C – CCG PR19 test areas

Acronyms and abbreviations

AWL	Affinity Water Limited
BP	Business Plan
dBp-	draft Business Plan
CCG	Customer Challenge Group
CCW	Consumer Council for Water
IAP	Initial Assessment of Plans
KPI	Key Performance Indicator
Ofwat	Office of Water Services
ODI	Output Delivery Incentive
PC	performance commitment
PR19	Price review 2019
PSR	Priority Services Register
WRMP	Water Resources Management Plan
dWRMP	draft Water Resources Management Plan
rdWRMP	revised draft Water Resources Management Plan

1. Summary

- We have reviewed AWLs responses to **16** Ofwat IAP action points.
- We **provide positive confirmatory assurance on the action AWL has taken** on the two action points where Ofwat specifically asked AWL to obtain assurance from the CCG (**AV.A1** and **AV.A2**).
- We **note** that the company now proposes a lower level of charges for clean water (without inflation and sewerage charges). The average water bill is now projected to reduce by 1.6% between 2020 and 2025 (instead of increasing by 2.1%) and will further reduce by 2.0% between 2025 and 2030 (instead of increasing by 3.1%). The details of the proposal are set out in AWLs response to **RRA10**, which we have reviewed. The revised average bill level now proposed by AWL was effectively tested with customers in Spring 2018 as part of 'Phase 2' of AWL's customer engagement programme. We remind Ofwat of the assurance we have previously provided on that research in our September 2018 report.⁴
- We note and **welcome** that AWL has decided to improve and extend its performance commitments (PCs) to customers in several areas:
 - Increasing the level of its performance commitment on leakage reduction so that leakage is reduced by 18.5% by 2025, instead of 15% proposed in its Business Plan;
 - Adopting a new performance commitment to maintain the BSI certification 18477 for Inclusive Services between 2020-25;
 - Increasing its target performance levels for bespoke PCs concerned with satisfaction with services and experience of dealing with AWL amongst customers in vulnerable circumstances to 90%, instead of 82% proposed in September 2018;
 - Accepting the new 'Common Performance Commitment' proposed by Ofwat in relation to its Priority Services Register (PSR), and setting a target to increase the number of customers on the PSR from 2.5% in 2018 to 7.22% of customers by 2025, instead of both the increase to 6.3% of customers proposed by AWL in September 2018, and 7% proposed by Ofwat on 31 January 2018.

⁴<https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%202%20September-11am-Linked-Version.pdf>

- Retaining its present PC to undertake an annual survey of customer perceptions of 'value for money', with appropriate changes made to the methodology for this survey, seeking advice from the CCG on this;
 - Introducing a new bespoke PC on resilience relating to disruption to customers as a result of unplanned interruptions to IT systems and online services, an area where customers have experienced problems with performance in the past few years.
-
- We note that as part of the research AWL has conducted to respond to Ofwat's AV.A1 and AV.A2 action points it asked customers for their views on the acceptability of several new performance commitments that are now included in the Business Plan in response to Ofwat's IAP. These include four aspects relating to AWL's services and support for customers in vulnerable circumstances, IT system and service downtime and strategic water resource development.

1. Method and approach

1.1 Background

On 31 January Ofwat published its Initial Assessment of Plans (IAP) submitted by all water (and sewerage) companies in September 2018. These plans were required as part of Ofwat's periodic review of companies' price limits, a process which ends in December 2019 when Ofwat will have decided the prices water (and sewerage) companies can charge their customers between 2020 and 2025. This periodic review process is called 'PR19'.

Ofwat has given companies detailed assessments and 'action points', most of which require responses by 1 April 2019. Although this process is being called a 'resubmission' of the business plan companies are responding to discrete questions about their proposed plan. This includes requests for more evidence or research to be done, or for changes to be made to elements of their plan such as performance commitments or targets.

AWL has been asked to obtain assurance from the CCG of evidence of engagement with customers about the bills that were proposed by AWL in September 2018. We are asked to provide a report to Ofwat by 1 April.

Ofwat has not set out any specific requirements as to the format of responses or scope and approach that CCG reports should take. Only a few of the 'action points' they have published for companies refer specifically to CCG assurance being required, but most do not make any reference to CCGs. In an email to CCG Chairs on 31 January 2019 Ofwat said:

'We recognise that time is very limited, so expect companies and CCGs to work together constructively, effectively and pragmatically as you and they develop responses to our initial assessment of business plans.'

Below we explain the decisions we have made about the scope of our work on this task, and our approach to providing any 'assurance' requested by the company and Ofwat.

1.2 Agreeing the scope of our report

In February 2019 members of the CCG reviewed and noted Ofwat's assessment of AWL's business plan⁵ and that AWL had been given many Action Points to respond to. Only two of those action points (AV.A1 and AV.A2) require the company to obtain assurance from the CCG.

Mindful that Ofwat has used the word '*pragmatic*' in their request to us, and the limited time for this exercise we considered that beyond addressing the two action

⁵ <https://www.ofwat.gov.uk/regulated-companies/price-review/2019-price-review/initial-assessment-of-plans/>

points where Ofwat has specifically asked the company to obtain assurance from us it is a matter for us to decide what other matters we wished to, and could, review in the time available between 31 January and 1 April 2019.

We initially agreed⁶ to review AWLs responses to **10** of the Ofwat action points, including the two action points (AV.A1 and AV.A2) where Ofwat had required the company to obtain assurance from us. The other action point responses were selected by us because they related to matters the CCG considered in some depth in its September 2018 report, or Ofwat has mentioned the CCG but without asking that we provide assurance, or, as in the case of the revisions to the draft Water Resources Management Plan (rdWRMP) we are currently involved.

During March the Chair requested that the CCG could review a further **6** responses, bringing the total number of company action responses we have reviewed to **16**. These are set out below:

Ofwat Assurance requested Action points – (2)	
AV.A1	Affordability and acceptability of bill profile 2020/25
AV.A2	Affordability and acceptability of bill profile 2025/30
Action points the CCG has asked to review – (14)	
AV.A3	Social tariff cross-subsidy research
AV.A4	Performance Commitment (PC) on achieving the BSI standard
AV.A5	PC on increasing registrants on the Priority Services Register (PSR)
OC:A3	Value for Money survey performance commitment
OC.A11	Leakage reduction target
OC.A27	Water pressure performance commitment level
OC:A32	PC on customer satisfaction with services for customers in vulnerable circumstances
OC:A34	PC on customers in vulnerable circumstances experience of dealing with AWL
OC:A33	Performance level for PC on customers in vulnerable circumstances satisfaction with AWLs service
OC:A35	Performance level for PC on customers in vulnerable circumstances experience of dealing with AWL
OC.A36	Customer evidence for the PC on 'environmental projects'
OC.A46	Mean Zonal Compliance – proposed retention of PC
CMI.A1	Potential strategic supply options and engagement
RR.A10	Steps taken to address CCG concerns

⁶The CCG Chair circulated a proposed course of action and scope to CCG members and AWL on 31 January 2019. At its meeting on 13 March 2019 the CCG confirmed its agreement to the approach to the task and reviewed written responses from AWL to various Ofwat IAP action points.

The CCG's comments on **16** action points are addressed in Sections 2 and 3. Section 2 deals with the 2 action points where Ofwat asked the company to obtain assurance from the CCG. Section 3 covers the other action points which we have selected to review.

1.3 Our approach to assessment and 'assurance'

Our approach to providing any judgement, assurance or comment on the company's responses to Ofwat's action points has been to:

- confirm we have reviewed the company's response in as final form as has been possible in a parallel reporting exercise;
- confirm, if we are able, that AWL has undertaken the action requested by Ofwat in an appropriate way, having regard to their PR19 methodology;
- provide Ofwat with any relevant information or observations we have on the matter, including reference to issues we have raised with the company and relevant issues referred to in our September 2018 report.

We also agreed that if we were expected to provide a judgement about the *quality* of any new customer engagement in the company's responses we would apply and refer to the 'test areas' which we used in our report for Ofwat in September 2018.⁷ These test areas were designed to address the requirements Ofwat had set out for effective customer engagement in its policy statement on customer engagement (May 2016). The role of CCG's is primarily to comment on the effectiveness of customer engagement at this price review not to endorse company plans.

Bearing in mind the scope of the action points we agreed to review the most relevant of our PR19 test areas for this task are 5, 7, 11 and 12, set out below. The full list of all our agreed test areas for PR19 is included in Annex C for reference:

Test Area 5	Has the company presented its customers with realistic options?
Test Area 7	Has the engagement with customers been sufficiently diverse, involving the using of methods appropriate and effective for engaging with a diverse range of customers. Does this include customers in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?
Test Area 11	Is the proposed plan affordable for current customers, future customers and those struggling or at risk of struggling to pay? How well does the company understand what affordability looks like for its customers, and do customers support the approach they have taken?

⁷ See Annex C

Test Area 12	Vulnerability - Is the company's approach to vulnerability targeted, efficient and effective? CCG view on the quality of planned support for customers in vulnerable circumstances, taking into account Ofwat's February 2016 Vulnerability Focus report.
---------------------	---

In view of the discrete and informational nature of AWLs responses to Ofwat's action points we have not sought to provide 'Red', 'Amber' or 'Green' ratings as we did in our September 2018 report. Rather we have used our 'test areas' as guides to judge whether to comment on the company's responses.

1.4 Working process adopted

Our approach to this task has involved the following key stages:

31 January	Initial briefing for members after the publication of Ofwat's IAP
12 February	Outline approach to the task circulated by the Chair following meetings with AWL following up company communication of 9 February
20-22 February	4 members reviewed and commented on/challenged draft survey designs used by AWL to respond to AV1 and AV2
26 February	AWL Board agreement to the scope of the CCG review (i.e. the initial proposal from the Chair for the CCG to review 10 action points)
8 March	Drafts of some AWL responses circulated to CCG members for comment/queries
13 March	CCG meeting to review company responses to 10 action points in our initial agreed scope, queries raised and discussed with the company. AWL tabled updates on its proposed bill profile and other matters it intended to change in its business plan submission. CCG requested sight of 2 further action point responses relating to the performance levels for PCs measuring vulnerable customers' satisfaction with AWL services.
18 March	Draft CCG report circulated to members and AWL for comment by 22 March
20 March	CCG Chair requested sight of 4 additional action point responses likely to relate to matters in the CCG's September 2018 report, or relating to issues raised at the meeting on 13 March (leakage, low pressure, environmental projects and MZC)
21 March	CCG Chair attended AWL board meeting and discussed and received queries and comments on the draft report
28 March	Final versions of some action point responses received by the Chair. Revisions and redrafting

In parallel with the above some members of the CCG have been involved in a sub-group concerned with the revised draft Water Resources Management Plan

(rdWRMP) and thus those members have been able to comment on AWL's response to action point CMI.A1 which relates to that task.

1.5 Sources of information

To develop this report, we have referred to the documents and sources which are also listed in Annex B. These include:

- Ofwat's published IAP for AWL
- Ofwat's briefing for CCG Chairs on the IAP process
- Drafts of company responses circulated to CCG members on 8 March and 15 March and 'final' versions circulated to the Chair on 28 March 2019. For some responses we have seen 2 or 3 drafts as well as the final version and comments and queries have been raised at a meeting with AWL and by email.
- CCG report to Ofwat September 2018 and related evidence base, including AWLs September 2018 business plan.
- Drafts of survey designs (for the survey being used to inform AWL's responses to AV.A1 and AV.A2)
- Topline and full report from Verve⁸ presented at CCG meeting on 13 March and circulated on 15 March
- Information presented to the CCG's rdWRMP sub-group meetings.

⁸ Market research contractor for AV.A1 and AV.A2

2. Review of AWL Action Point responses where CCG assurance was required by Ofwat

AV.A1 – Affordability and acceptability to customers of AWL’s proposed bill profile 2020-25

Topic	Reference	Ofwat ‘action point’
Addressing Affordability and Vulnerability	AFW AV.A1	<i>Affinity Water proposed a higher bill than what it tested [sic] with customers and it also proposed a different bill profile for the 2020 to 2025 period. The company should provide sufficient and convincing evidence that it has engaged with its customers on affordability and acceptability of its proposed bill profile for the 2020 to 2025 period. Affinity Water should demonstrate that its customers find its proposed bill profile acceptable and affordable. This should include testing of the combined water and wastewater bill. Affinity Water should confirm that testing will be assured by its CCG and conducted in line with social research best practice.</i>

CCG response to AV.A1

The CCG have reviewed AWL’s response to AV.A1.

We can provide assurance to Ofwat that AWL has undertaken the research with customers described in its response to AV.A1. The research tested customer views on the acceptability and affordability of proposed bills and proposed profile of bill increases between 2020 and 2025. The survey included a ‘base’ proposal for the future average water bill (clean water only) without inflation that is in line with the amounts presented in the Business Plan in September 2018, being £170.90 in 2019/20 and £174.40 in 2024/25.

We also note that the survey tested a variety of proposed bills, and profiles, including with inflation and the expected level of bills for three different wastewater service providers who serve AWLs customers.

We appreciate Ofwat’s conclusion that the bill AWL proposed in its business plan had not been specifically tested with customers for its perceived affordability and acceptability. In our initial PR19 report to Ofwat⁹ we noted the range of different proposed bills that AWL had shared with us and tested with customers in 2018 and noted that the final proposed bill had not actually been tested with customers. In Annex D is an updated table for reference showing the value of bills proposed and tested with customers at different stages since Spring 2018.

Ofwat has now asked the company to show that **‘its proposed bill profile’** presented in the Business Plan is considered acceptable and affordable by its customers. Our understanding is that AWLs **‘proposed bill profile’** is that presented as ‘Profile 1’ in the latest survey (by Verve), the key findings from which

⁹ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20%20September-11am-Linked-Version.pdf>

are summarised in AWL's response to AV.A1. The final report of that research with customers indicates¹⁰ **bill Profile 1 was considered acceptable by 81% of customers and affordable by 76% of customers taking part in this survey** (when the responses to the proposed bills for clean water only and without inflation are considered). We note that levels of acceptability and affordability decline when inflation and the expected level of sewerage charges are added.

We note that AWL also commissioned research to test customer views on an alternative bill profile which did not feature in its Business Plan. This is referred to as 'Profile 2' in the research and would see the clean water only, without inflation, bill rise from £170.90 to £179.60 between 2020 and 2025. There does not appear to us to be any material difference in customer views on the acceptability of bill Profile 2, although it seems to be considered marginally less affordable by customers.

The sample size used by AWL for this additional research appears sufficient and appropriate for the size of their customer base and we note that their chosen research supplier (Verve) has provided professional comment in their final report to the effect that the sample size is sufficient. Verve have also highlighted where different responses to questions between sub-groups are and are not statistically significant. We note that the research design did not ask customers to indicate preferences *between* Bill Profile 1 and Profile 2. Instead each was tested independently with half of the sample of customers, and the results were compared.

We have considered carefully whether the research methods used by AWL in their response to AV.A1 (and AV.A2) meets Test area 7 in our PR19 test areas. Test area 7 requires us to consider whether the research methods used are appropriate to include customers in circumstances that make them vulnerable. In this case the research was conducted entirely using online methods.

Overall, taking all the considerations set out below into account we consider the use of an online only research method was sufficient on this occasion for this purpose. Below we explain the factors we have considered to arrive at this view.

First, we note the discussion of this issue in the final research report (see Verve final report, page 3). This highlights that online methods can be more inclusive for some vulnerable customers, and the present relatively high extent of digital inclusion such that an online research method might not prevent the sample from being representative.

Second, we note the analysis in the Verve final report of demographic and other social/economic characteristics, which shows that whilst the affordability of bill Profile 1 is consistent across most demographics the results suggest that the bill is

'considered significantly less affordable for customers who receive benefits; 63% agreed it was a fairly or very affordable proposal, compared with 76% overall' (see Verve Final report page 8)

¹⁰ Final report, Verve, listed as document 14 in Annex B

This would indicate there are enough numbers of customers who rely on income from welfare benefits to form a sub-set for comparative purposes, and that the sample has captured customers in receipt of benefits which the CMA has recently highlighted is a strong indicator of low income, and vulnerability.¹¹

Third, the timescale within which AWL was asked to respond to Ofwat’s action point was a very short one in which to test the acceptability and affordability of its proposed PR19 business plan bill profile with a representative sample of customers. We do not see how AWL could have realistically used a face to face in home method of research.

Fourth, we note from their response to AV.A1 that AWL is intending to undertake further research with customers in April and May to prove the acceptability and affordability of the bill profiles it has submitted in its revised BP (see below) once it has the final waste-water bills from sewerage service providers, and that this will include the use of face to face methods.

Finally, and most significantly, AWL has decided to change its proposal for the level of customer bills. Their proposal is now for their average bill (in real terms) to be £170.50 in 2019/20 reducing to £167.80 in 2024/25. This is less than most of the proposals the company has consulted its customers about since Spring 2018 (see Annex D). The company is now proposing a level and profile of bills that is in line with a proposal tested with customers as ‘Plan L’ in Phase 2 of the customer engagement programme in Spring 2018. We comment further on this in relation to RR:A10 below. As the bill level associated with ‘Plan L’ is lower than that submitted by AWL in its BP in September 2018 it might be reasonable to expect the objective levels of customer acceptability and perceived affordability to improve.

AV.A2 – Affordability and acceptability to customers of AWLs proposed bill profile 2025-30

Topic	Reference	Ofwat ‘action point’
Addressing Affordability and Vulnerability	AFW AV.A2	<i>Affinity Water has provided insufficient evidence that it has engaged with customers on bills beyond 2025. For example, although it has provided a long-term view of its forecast bills for the next three asset management plan (AMP) periods to 2040, there is insufficient evidence of engagement with its customers on these long-term bill profiles after the 2020 to 2025 period. Furthermore, there is insufficient evidence of how acceptable customers find the long-term bill profile. The company should undertake customer engagement on long-term bill profiles for the 2025-30 period and provide sufficient evidence to outline customer support for each of the profiles</i>

¹¹ **Consumer Vulnerability : challenges and potential solutions, CMA, 28 February 2019** . . The Competition and Markets Authority found a strong correlation between customer vulnerability and characteristics of low income, disability or aged over 65, (all of which are factors associated with receipt of income from welfare benefits).

	<p><i>tested. Affinity Water should confirm that testing will be assured by its CCG and conducted in line with social research best practice.</i></p>
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CCG response to AV.A2

The CCG have reviewed AWL's response to AV.A2.

We can provide assurance to Ofwat that AWL has undertaken the research with customers described in its response relating to AV.A2.

We have engaged with this action in common with our engagement on AV.A1 and these comments should be read in conjunction with our response to AV.A1 above.

We note Ofwat has simply asked the company to '*provide sufficient evidence to outline customer support for each of the profiles tested*'. This is a slightly different requirement to that Ofwat posed for AV.A1.

The company is submitting a full copy of the research report with its response which should provide sufficient evidence. The research tested customer views on the acceptability and affordability of proposed bills and the proposed profile of bill increases between 2025 and 2030. The company's response summarises the levels of customer 'support' in terms of acceptability for each of two bill profiles tested for clean water bills with and without inflation.

Our understanding is that AWLs **proposed** bill profile from its September 2018 business plan is that used as 'Profile 1' in the survey. Profile 1 was considered acceptable by 74% of customers surveyed and affordable by 73% of those surveyed. We note that Profile 2 was considered acceptable by 81% and affordable by 78% of customers surveyed. Levels of acceptability and affordability declined for both Profile 1 and Profile 2 when inflation was added.

We refer Ofwat to our response on AV.A1 for further comment relating to the use of an online survey method and the extent to which the evidence base for this research is likely to include customers who are vulnerable as a result of using the online method.

Also, as noted in our response on AV.A1 the company is now proposing a lower level of bills in the period to 2025 and beyond. This is also considered under RRA.10 below.

The various documents provided to us are listed in Annex B and the Final Report from Verve forms part of the company's response to the IAP action points.

3. Review of AWL Action Point responses which the CCG decided to review

This section comments on 14 AWL action points which the CCG decided to review. These action points were selected either because the matters concerned issues the September 2018 CCG report had examined in some depth and/or Ofwat's action referred to the CCG report in some way, without asking us to undertake assurance. Some action points were selected when it became clear that AWL was proposing some new performance commitments which had not featured in their September 2018 BP.

AV.A3 – Social tariff cross-subsidy research

Topic	Reference	Ofwat 'action point'
Addressing Affordability and Vulnerability	AFW AV.A3	<i>Affinity Water has provided insufficient evidence on social tariff cross-subsidy research – little evidence has been provided on what customers were asked, the different levels of cross-subsidy they were presented with, and the levels of support these gathered. The company should undertake customer engagement on different levels of social tariff cross-subsidies and provide sufficient evidence to outline customer support for the same.</i>

CCG response to AV.A3

The CCG have reviewed AWL's response to AV.A3.

We support the company's statement that the evidence required by Ofwat was submitted within its September 2018 Business Plan. We do not consider the company needs to undertake further customer engagement. It has already provided sufficient evidence, in our view, to outline customer support for its proposals, which is repeated in its response to AV.A3.

We also direct Ofwat to our report submitted to them on 3 September 2018 which set out clearly the work the CCG had done to advise and challenge the company on its proposed policies for supporting customers having trouble paying their bills, including through provision of a social tariff funded by higher bills for other customers (cross-subsidy). On page 42 and 43 of our September 2018 report we said:

- *'AWL has undertaken three waves of quantitative research with representative samples of customers to establish customer support for the maintenance and potential expansion of the current social tariff as proposed in the BP¹². The first survey in January 2018 established that 75% of customers supported the company providing support and assistance to customers in financial difficulty,*

¹² Ipsos MORI, January 2018, 500 Customers; Ipsos MORI May 2018 825 customers and Ipsos MORI July 2018

with 65% in favour of paying more, through their water bills, to enable the company to continue to offer a social tariff. The second survey asked a range of questions about support for customers in debt and specifically asked a question of extending the coverage of the social tariff scheme. AWL’s customers were asked if they supported adding £1.50 or £3 a year to bills to enable either 25,000 or 48,000 more customers to be assisted by the scheme. These options each only secured a minority of support, which together suggested that support for an additional £1.50 added to bills might only be 47%. Notably 39% of customers in this survey did not support an increase in bills to increase the coverage of the social tariff. The third survey, in August 2018 made it clear that bills already include £3 to cover the cost of the social tariff scheme under which 51,000 customers have capped water bills if they are on a low income. Customers were asked specifically if they supported an increase to their bill of an additional £1.50 so that AWL could assist an additional 25,000 customers by 2025, 60% of customers surveyed supported this and 6% said they did not mind.’

More generally in the introduction to our September 2018 report to Ofwat we stated:

*‘In relation to AWL’s support for customers who are vulnerable or have difficulty paying their bills the company has undertaken good analysis of need and planning for the proposed services and activities in its BP. **The company has established that customers and stakeholders support the approach they propose to take and have demonstrated effective engagement with relevant expert stakeholders and customers to design their services.** AWL’s Inclusive Services Strategy, which underpins the proposed bespoke performance commitments in the BP, will be a significant business change for AWL’*

Our report in September 2018 also outlined in full the process we had undertaken to arrive at those opinions and referred to all the documents we had reviewed, including the full results of all the research on social tariff issues the company undertook in 2018.¹³

AV.A4 – Performance Commitment on achieving the BSI standard

Topic	Reference	Ofwat ‘action point’
Addressing Affordability and Vulnerability	AFW AV.A4	<i>Affinity Water has stated that it will achieve the British Standards Institution (BSI) standard for inclusive services by 2020 but has not provided a Performance Commitment or plan on how it will do so. The company should propose a Performance Commitment on achieving the BSI standard for fair, flexible and inclusive</i>

¹³<https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20%20September-11am-Linked-Version.pdf>

		services for all and maintaining it throughout the 2020 to 2025 period
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CCG response to AV.A4

The CCG have reviewed AWL's response to AV.A4.

We note that the company has agreed to introduce a performance commitment that it will maintain the BSI accreditation 18477 for inclusive services, which it says in its response to AV.A4 was substantially achieved in February 2019.

We note Ofwat comments that the company has not provided a plan on how it would achieve the BSI standard. We direct Ofwat to our September 2018 report, which set out the work the CCG had done to advise and challenge the company on its proposed policies for supporting customers in vulnerable circumstances. That included reviewing the plan the company had developed for achieving the BSI standard. We specifically considered whether the company's approach to vulnerability was targeted, efficient and effective and what the CCG's view of the quality of planned support for customers in vulnerable circumstances was, taking into account Ofwat's February 2016 Vulnerability Focus report. We assessed the company's business plan as meeting those expectations.

Our review of the company's plan for improving its service to vulnerable customers enabled us to take the view that its proposed performance commitments to improve customer satisfaction amongst vulnerable customers involved significant business change and therefore were stretching. Ofwat's methodology indicated that a significant business change might amount to a stretching commitment and we set out our reasoning on this in our report.

Relevant extracts from our September 2018 report for Ofwat are below:

*'In relation to AWL's support for customers **who are vulnerable** or have difficulty paying their bills the company has undertaken good analysis of need and **planning** for the proposed services and activities in its BP. The company has established that customers and stakeholders support the approach they propose to take and have demonstrated effective engagement with relevant expert stakeholders and customers to design their services. **AWL's Inclusive Services Strategy, which underpins the proposed bespoke performance commitments in the BP, will be a significant business change for AWL.**¹⁴*

and

*'The company has developed and provided the CCG with adequate opportunities to challenge proposals for an **'Inclusive services strategy'** described in Chapter 7 of the BP submission. This covers support services the company will deliver for customers in vulnerable circumstances. The strategy also covers proposed support*

¹⁴ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%2020September-11am-Linked-Version.pdf>

for customers who have difficulty affording their water bills, including the provision of a ‘social tariff’ scheme which provides a significant reduction in bills for customers who have difficulty paying their bills and meet certain criteria. (see also Test area 11 above)

The Business Plan includes a proposed bespoke performance commitment based on customer satisfaction with the services provided by the Priority Services Register (PSR).

The company has made a commitment to significant business change, before 2020, by seeking and achieving independent accreditation from BSI (18477) that it meets the requirements of that standard for Inclusive Service provision.’

AV.A5 – Performance commitment on increasing registrants on the Priority Services Register (PSR)

Topic	Reference	Ofwat ‘action point’
Addressing Affordability and Vulnerability	AFW AV.A5	<p><i>Affinity Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 2.5% in 2019/20 to 6.3% of households in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has checked no PSR data over the past two years.</i></p> <p><i>We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): The company should include a Performance Commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024/25 and committing to check at least 90% of its PSR data every two years.</i></p> <p><i>For further information on the performance commitment definition, and reporting guidelines, please refer to ‘Common performance commitment outline for the Priority Service Register (“PSR”)’, published on the initial assessment of plans webpage.</i></p>

CCG response to AV.A5

The CCG have reviewed AWL’s response to AV.A5.

We note that Ofwat has decided to introduce a common performance commitment and level of expectation in terms of proportion of customers registered across all water companies in England and Wales.

We note the company has agreed to make a specific performance commitment in this area and is proposing to achieve 7.22% of its customers registering on its PSR by 2024/25.

We commented in our September 2018 report that the company was planning to significantly increase the number of customers registered on its PSR as part of a

range of initiatives aimed at improving its services for vulnerable customers. At that time Ofwat had not indicated that it expected all water companies in England and Wales to make a performance commitment to increase the number of customers registering on PSRs, or that companies should achieve at least 7% of their customers registered by 2024/25.

We specifically noted in our September 2018 report several aspects of how AWL had arrived at its business plan proposals in this area, our intention being to provide assurance that the proposal was based on analysis and consultation with customers and stakeholders:

*'AWL undertook comprehensive analysis of a range of external data (from Acorn, RNIB, Experian and government data on indices of deprivation and health inequalities) to identify the gap between the number of customers in its supply areas that might potentially benefit from its priority services, and the priority services register. They have used this analysis to set a target to significantly increase to 'circa 92,000' the number of customers on their PSR by 2025, from 25,000 in 2018¹⁵ and set out a plan of action designed to achieve that. **Achieving that level of take up represents a stretching goal, though take up is not a business plan Performance Commitment the plan commits to this goal and supporting actions.'***

We also noted that:

'AWL have been working collaboratively with other utilities, including UK Power Networks locally and the water and energy industry trade body led projects to identify how to bring about improved data sharing between utilities to maximise take up and use of individual company's PSRs

AWL consulted widely with a comprehensive range of charity and other stakeholder organisations in its area during this review. It approached discussion with those stakeholders in a very open way (we remotely observed a meeting with stakeholders at first hand as if it was a market research focus group, and it was independently facilitated).'

¹⁵ P120 V4 BP – the company had advised us in June 2018 their goal was an increase to 100,000 as shown in document 70 – Appendix 5. The figure could therefore change again in the final BP.

OC.A3 – Value for Money survey performance commitment

Topic	Reference	Ofwat 'action point'
Delivering Outcomes for Customers	AFW OC.A3	<i>The company should provide justification for discontinuing its PR14 Value for Money PC (R-A2: Value for money survey). If sufficient justification for discontinuing the PC cannot be provided, the company should continue its PR14 Value for Money PC.</i>

CCG response to OC.A3

The CCG have reviewed AWL's response to OC.A3.

We note that the company has decided to maintain its performance commitment to measure customer perception of the value for money of the service they receive from Affinity Water, in addition to the customer surveys required for the new CMEX measure. The company has undertaken in its response to work with the CCG in developing a new survey design to measure customer views of value for money in future which is fit for purpose.

Our understanding is that the company had proposed ending this performance commitment on the basis that if it maintained the **current** rolling survey of customer views, which it commissioned initially in 2015 to fulfil the performance commitment it gave in its current (AMP6) business plan, this would duplicate with elements of the new survey data being commissioned in relation to the new CMEX performance commitment monitoring arrangements Ofwat is developing for use from 2020. The CCG would only wish the company to continue with its original 'value for money' survey alongside the monitoring for CMEX if the data gathered is used and useable by the company. We would also be unhappy about expenditure on research which duplicated as this would not be good value for customers' money. We have previously commented to the company in our Annual Reports¹ that we had concerns about and had challenged the company on the usability of the chosen methodology for the value for money survey, in its present form. The value for money index is built up using customer views on a range of matters outside AWL's responsibilities which the company is not capable of influencing, e.g. energy bills. We have also queried whether the value for money index has been used by and is capable of being used to drive the business due to the chosen methodology. For example, in our Annual report for 2017/18 (page 3) we said:

'We can provide assurance that the value for money survey is undertaken by the company. However, we have not seen evidence to show that the survey is used by the company as originally intended to help it make decisions about improving delivery and service to customers.'

We have challenged the company to show how it was using the insight from this survey to develop its PR19 business plan. We are satisfied that the company has referred to the evidence from this survey, although at a relatively late stage in the development of their evidence base.'

As the company is now maintaining this performance commitment, we will challenge the company to ensure that the design of the research in future will result in a tool which is useable and used by AWL and does not duplicate with CMEX.

OC.A11 – Leakage reduction target .

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW O.:A11</i>	<i>Leakage: The company should reconsider its proposed service levels and ensure that they are stretching and meet the upper quartile values or provide compelling evidence to demonstrate why this level cannot be achieved. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are 75 litres/property/day and 5.42 m3/km of mains/day. The company should clearly set out the evidence and rationale for the revised targets.</i>

CCG response to OC.A11

We note that AWL has reconsidered its proposed service levels on leakage reduction and is now targeting an 18.5% reduction (in absolute terms) over AMP7 from 162.2 MI/d in 2019-20 to 132.2 MI/d in 2024-45, instead of its initial BP proposal of a 15% reduction target.

Throughout the customer engagement programme AWL carried out in 2017/18 on both its business plan and its dWRMP it received strong feedback from customers and stakeholders that they wished to see more action on the part of the company to reduce leakage.

We noted in our September 2018 report that notwithstanding its 14% reduction target in AMP6 Affinity Water had a fairly high level of leakage in 2017/18 in terms of litres of water per property per day (that leaks). Whilst leakage in AWL's supply area of 115 litres per property per day was below the overall industry average, it was the 5th highest, amongst 18 companies in England and Wales, and many other companies have lower levels of leakage. AWL's September BP commitment to reduce leakage by 15% over 5 years was in-line with a challenge posed by Ofwat (that companies should propose to reduce leakage by *at least* 15%). However, we observed that if all other companies made similar or greater reductions in future AWL could remain the 5th highest company for leakage even with a 15% reduction. Achieving an 18.5% reduction in leakage by 2025 could therefore improve AWL's comparative performance, depending of course on the reduction targets of other companies.

OC.A27 – Low Pressure

Topic	Reference	Ofwat ‘action point’
<i>Delivering Outcomes for Customers</i>	<i>AFW O.A27</i>	<i>Properties experiencing longer or repeated instances of low pressure: The company should either use the original DG2 and long list definition or provide further evidence to support its view that the updated definition is a better and more appropriate measure for the company, for wider stakeholders and for customers. In particular the company should refer to trend analysis which may be potentially more difficult and the poor current levels of performance in this</i>

CCG response to OC.A27

The CCG have reviewed AWLs response to OC.A27. We understand that the company has now decided to propose an additional bespoke performance commitment for low pressure using the existing definition/measure called ‘DG2’ (and that proposed PC has a financial ODI). The bespoke performance commitment for low pressure (non DG2) which was included in the Company’s Business Plan from September 2018 is retained but now has a non-financial ODI. The company’s account of this decision appears in their response to OC.A3, but we have not reviewed that response.

Our September 2018 report for Ofwat commented on the original proposal for performance commitment on low pressure. AWLs proposal was to reduce the average hours of low pressure per property per annum from 12 hours to 8.7 hours. This was prima facie a service level improvement. We had also seen evidence from analysis of operational data that the problem of low pressure was a significant feature of customer complaints, it was therefore right for AWL to make a commitment to improve its performance.

However, it was not easy for us to see how stretching or difficult the proposed performance improvement would be to achieve, in the absence any comparative information on this measure. The company showed us data that in terms of the number of properties per 10,000 properties which are below a reference level of water pressure (DG2) AWL has ‘the worst’ performance amongst the water companies in England and Wales and is an outlier. **Together with the customer complaint data this supported the case for a performance commitment to improve service to customers.** As part of the Business Planning process AWL also agreed to consider a KPI for this area which would enable it, and us, to see how many customers are affected by low pressure problems because an overall average ‘hours per annum’ can disguise extreme problems experienced by a few customers.

We have noted Ofwat’s concerns that the proposed new bespoke measure relating to properties experiencing low water pressure (instead of using the established measure called ‘DG2’) makes the PC less transparent to stakeholders and

customers, as well as making trend analysis difficult for the company and wider stakeholders. The company seems to have responded to this concern by adopting the DG2 method of definition for one of its PCs, which may also address the request the CCG had made for a KPI for the number of properties experiencing low pressure.

OC.A32 Performance Commitment on customer satisfaction with services for customers in vulnerable circumstances

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW OC.A32</i>	<i>Customers in vulnerable circumstances satisfied with our service PC: The company should split this PC into 2 PCs, one for financial and one for non-financial support scheme support. This would support more transparent measurement and reporting than the current PC proposes. In addition, the company should provide additional evidence on the sample size used in the monthly survey to determine the PC target and provide external assurance that the survey will be conducted in line with social research best practice.</i>

CCG response to OC.A32

The CCG have reviewed AWL's response to OC.A32. We have raised several queries with the company with the aim of clarifying their response.

We note that the company has agreed to split this PC into two PCs as requested by Ofwat.

We note too that the company has made an additional commitment to go beyond simply surveying PSR customers who are in contact with them by introducing a periodic proactive satisfaction survey for both groups of customers in vulnerable circumstances who have not contacted AWL within 12 months. We welcome this initiative as it will increase the quantity of feedback from customers, improve the representativeness of the survey and enable the company to identify any customers who may need assistance who have not been in contact with them recently.

OC.A34 Performance Commitment on customers in vulnerable circumstances' experience of dealing with AWL

Topic	Reference	Ofwat 'action point'
Delivering Outcomes for Customers	AFW OC.A34	<i>Customers in vulnerable circumstances who found us easy to deal with PC: The company should split this PC into 2 PCs, one for financial and one for non-financial support scheme support. This would support more transparent measurement and reporting than the current PC proposes. In addition, the company should provide additional evidence on the sample size used in the monthly survey to determine the PC target for and provide external assurance that the survey will be conducted in line with social research best practice.</i>

CCG Response to OC.A34

The CCG have reviewed AWL's response to OC.A34. We have raised several queries with the company with the aim of clarifying their response.

We note that the company has agreed to split this PC into two PCs as requested by Ofwat.

We note too that as with OC.A32 the company has made an additional commitment to go beyond simply surveying customers in vulnerable circumstances who are in contact with them by introducing a periodic proactive satisfaction survey for both groups of customers in vulnerable circumstances who have not contacted AWL within 12 months. We welcome this initiative as it will not only improve the representativeness of the survey but enable the company to identify any customers who may need assistance who have not contacted them recently.

OC.A33 Performance level for PC on customers in vulnerable circumstances satisfied with our service

Topic	Reference	Ofwat 'action point'
Outcomes for Customers	AFW OC.A33	<i>Customers in vulnerable circumstances satisfied with our service PC. The company should revise its performance level for this PC to at least meet current satisfaction levels.</i>

CCG Response to OC.A33

The CCG have reviewed AWL's response to OC.A33 and our comments are included with our comments on OC.A35 below.

OC.A35 Performance level for PC on customers in vulnerable circumstances experience of dealing with AWL

Topic	Reference	Ofwat 'action point'
Outcomes for Customers	AFW OC.A35	<i>Customers in vulnerable circumstances who found us easy to deal with PC. The company should revise its performance level for this PC so that it is more stretching and provide justification for the level of stretch as well.</i>

The CCG have reviewed AWL's responses to OC.A33 and OC.A35. Although Ofwat's action points are slightly different, and the proposed performance commitments and performance levels are concerned with slightly different questions, the substance of the AWL's responses is common to both matters.

We note that AWL is now proposing to set a higher target performance level for both these new bespoke performance commitments of 90% customer satisfaction/found us easy to deal with. **The CCG welcomes the company's proposal to improve the performance commitment level.** Below we discuss our consideration of whether the revised proposal(s) address Ofwat's expectations that the performance level at least meets current satisfaction levels/is more stretching.

AWL originally proposed target levels of 82% satisfaction/found us easy to deal with.

In its responses to OC.A33 and OC.A35 AWL has set out how it considers its revised proposal, for a performance level of 90%, is at least meeting current satisfaction levels (for OC.A33) and is more stretching (for O.A35).

We commented on the performance commitment relating to satisfaction with PSR services (OC.A33) in our September 2018 report . We observed we had seen .data which suggested the proposed performance commitment level of 82% might not have been in line with, and could even have been lower than, performance being achieved in 2018.¹⁶ This had tended to suggest to us that the proposed forward target of 82% customer satisfaction was not stretching.

However, we also noted that:

*'This is a new bespoke performance commitment measure **so there is no baseline of data available to judge if the proposed performance commitment level of 82% is stretching.***

We commented that the data we had seen was arguably not comparable and the company was also planning to significantly increase the population of customers who are on its PSR, who would form a significant proportion of the customers represented in this survey.

¹⁶ An AWL paper circulated to the CCG on 5 June 2018 suggested 82% was the performance the company was achieving on its 'Rant and Rave' customer feedback/survey for 2017/18

We note from the company's responses to OC.A33 and OC.A35 that after undertaking further analysis it now considers that its current performance on this measure/these measures would be higher than 82%, as proposed in September.

The company's comments explain how the current data it has points to a range in satisfaction ratings from customers, according to the channel used to collect feedback, ranging from 68% to 91% and 92%. We recognise that the current results may not be comparable with what AWL might expect to see when the proposed performance commitments are in place due to expected changes in the size of the group of customers surveyed, the expansion of methods used to capture customer feedback (beyond simply SMS surveys) to include letters and emails. Those changes will improve inclusivity of the company's approach to gathering customer feedback and they now commit to including pro-active contact with vulnerable customers who have infrequent contact with the company.

In selecting to adopt 90% as the performance level for both OC.A33 and OC.A35 the company has adopted a figure at the upper end of the range of its current performance measured with all customers via the one channel which is currently generating the most positive feedback. This appears to us to be a realistic approach which the company has explained in its response.

We note that AWL has also decided to change its approach to gathering customer feedback so that in future it uses a 0-10 band rating system (where 10 is good) instead of a 1-5 band system. This appears to be a simpler approach than presented in September 2018.

OC.A36 – Performance commitment on environmental projects - evidence

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW OC.A36</i>	<i>Environmental innovation - delivery of community projects PC: The company should provide further evidence of customer support for this PC. In particular, the company should provide evidence that customers were presented with choice and context related to the design of the currently proposed PC.</i>

CCG response to OC.A36

The CCG have reviewed AWL's response to OC.A36.

We recognise the company's account that the proposal for a bespoke PC to deliver a number of local environmental projects was developed following advice and challenge from members of the CCG, several whom have significant experience as practitioners in community engagement with environmental issues in AWL's supply area, including representatives from the Environment Agency.

In September 2017 the CCG agreed to AWLs request that we form a sub working group on “Resilience and Environment”, with a purpose to challenge and advise on the development of relevant PCs to help the company with developing its business plan proposals. The group considered proposals for several PCs, one of which was for AWL to undertake a number of environmental pilot projects which could be aimed at finding innovative ways to promote a reduction in water use, promote customer education on the link between water and the environment and improve the environment. The CCG suggested that pilot projects undertaken in each of AWLs 8 community areas, which relate to water resource zones, could involve partnering with other organisations such as councils or local river groups, who could help to co-create and deliver as well as support and promote the initiatives. That approach would also fit with the company’s commitment to be the leading community focussed water company¹⁷

In its response the company has set out the evidence it has of customer support for the proposed PC on environmental innovation, including how the proposal was presented to customers. The CCG have already commented on this in our September 2018 report. We:

- confirmed that this proposed performance commitment was one of 7 specifically set out to customers – in the ‘Phase 2’ Acceptability survey.
- explained that customers were asked for their views on three alternative plans with different levels of service for 7 performance commitments and price.¹⁸ Customers were asked about acceptability, affordability and to indicate preferences between the three plans.¹⁹
- noted a ‘second’ acceptability survey conducted with customers in July/August 2018 which presented a proposal for ‘investing in eight new environmental pilots to test new innovations’.
- said we considered the company had obtained appropriate quantitative evidence from two representative acceptability surveys which shows customer support for some of its proposed performance commitments (including that for environmental projects/innovation).

¹⁷ At page 34 of our September 2018 report to Ofwat we said ‘*The business plan also proposes that the company invests in 8 local environmental projects which are also ‘innovative’ working with local partners and organisations as part of the implementation. The CCG has not been involved in the identification of these projects – only the development of the proposal to have a performance commitment framed in this way, which a subgroup of the CCG met with the company to discuss in 2017/18.*’

¹⁸ See p50 CCG September 2018 report to Ofwat

¹⁹ In the ‘Phase 2’ research for the customer engagement programme customers were asked for their views on different levels of expenditure on local environmental projects being ‘£2 million’ or ‘£6 million’ depending on the plan option presented.

OC.A46 – Mean Zonal Compliance (MZC)

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW OC:A46</i>	<i>Mean Zonal Compliance (MZC): The company should remove MZC. If the company doesn't do this it should provide further evidence that customers support the provision of two very similar measures. Also see action AFW.OC.A1 as we expect the company to select the two PCs from the asset health long list that measure water quality contacts as also are reported on the Discover Water website</i>

CCG response to OC.A46

The CCG have reviewed AWLs response to OC.A46. We note the company has withdrawn the proposal for a **performance commitment** based on MZC but intends to retain the use of MZC as a 'KPI'.

We support the decision by AWL to retain MZC as a KPI. We have seen no evidence that the new DWI measure of water quality, 'CRI', has been tested with customers to demonstrate that it is understood and is capable of being understood easily by significant numbers of customers. We raised this issue with the DWI when they met with the CCG in 2018 and understood they had done no testing with customers to find out whether and how it is understood, or which measure customers would prefer (between CRI and MZC). Given the importance of water quality to AWLs customers as the most important outcome they expect the company to deliver it is important that performance can be reported in a way that makes sense to customers and is readily understandable. MZC is in our view far simpler and more accessible than CRI for use in general communications with customers.

CMI.A1 – Potential strategic supply options and engagement

Topic	Reference	Ofwat 'action point'
<i>Targeted controls markets and innovation</i>	<i>AFW CMI.A1</i>	<i>The company should ensure that the business plan sets out the potential strategic supply options that it has assessed and explain how it will engage with interested parties and other stakeholders to progress these options. We also expect the business plan to align with the revised water resources management plan.</i>

CCG response to CMI.A1

The CCG have reviewed AWL's response to CMI.A1.

We can provide assurance that we recognise the account the company has given of its engagement with stakeholders and customers concerning its revised draft Water Resources Management Plan (rdWRMP).

The company launched a consultation with customers and stakeholders about the rdWRMP on 1 March 2019 and closes the consultation on 26 April. The revised plan is due to be submitted to the Secretary of State for the Environment, Food and Rural Affairs on 31 May 2019.

As the company response to CMI.A1 indicates the CCG has formed a sub-group of members to advise and challenge the company on the consultation about the rdWRMP. The sub-group has provided advice and comment on the consultation and engagement programme, including reviewing text of collateral and engagement material and survey questions. The sub-group has also been asked to '*evaluate how customer insight is incorporated into the Plan*' and to provide a report giving its opinion to the company, so that the Board has this when it signs off the revised dWRMP in 'late May'.

Meetings of the CCG sub-group were held on 6th December and 11th February and an additional session was held prior to the CCG meeting on 19 December. In addition, a significant quantity of draft survey questions, collateral/communication material and topic guides for focus groups have been circulated to CCG members of the sub-group between meetings and members have also observed most of the customer focus group sessions held Autumn/Spring 2019, which were independently facilitated by Ipsos Mori.

AWL has taken on board advice and challenge provided by the CCG concerning the design of its customer and stakeholder engagement process by:

- Commissioning a quantitative survey with a representative sample of customers in addition to focus group sessions with customers in Autumn and Spring 2019;
- approaching the consultation and engagement materials in a way that is designed to attract attention to the key issue of water resource challenges and stimulate responses – i.e. by setting out very clearly a 'call to action' or burning platform around water resources and adopting a consistent approach to presentation of the engagement materials across different channels;
- setting targets/performance indicators for the consultation and engagement exercise designed to achieve a greater number of responses than for the first dWRMP in 2017/18;
- using email to approach customers directly to tell them about the plans and the opportunity to get involved

A further meeting of the CCG sub-group will be held in May 2019 to review the findings and feedback of AWL's consultation and engagement with customers and consider formulation of the CCG's report for the AWL board

AFW. RR.A10 – Steps taken to address CCG concerns

Topic	Reference	Ofwat 'action point'
<i>Aligning Risk and Return</i>	<i>AFW RR.A10</i>	<i>The company should set out the steps taken to address the concerns raised by the Customer Challenge Group in relation to the late addition of the final bill profile to the business plan, providing evidence that the annual bill profile set out in the business plan is consistent with customer preferences</i>

CCG response to RR.A10

The CCG have reviewed AWL's response to RR.A10.

The company has acknowledged that late changes to its AMP7 bill profile did not allow the CCG to have early sight of the final bill profile included in its September Plan. AWL has described how it has sought to improve arrangements for its revised business plan, albeit the timescale for this work has been very limited.

AWL has carried out the actions required from Ofwat (AV.A1 and AV.A2) to test the bill profile it proposed in its Business Plan with customers and the results are provided in the company responses to AV.A1 and AV.A2. The company's responses to AV.A1 and AV.A2, and our comments on those responses above, relate to the bill level, and profile, proposed in September 2018.

We understand that the company now proposes a lower level of bill for clean water (without inflation and sewerage charges) such that it will reduce by 1.6% between 2020 and 2025 and will further reduce by 2.0% between 2025 and 2030. The details of that proposal are set out in the response to RRA10.

The revised bill level now proposed by AWL is very close to a proposal which was tested with customers in Spring 2018 as part of 'Phase 2' of AWL's customer engagement programme. Details of a draft Business Plan were published for public consultation, focus group discussions were held moderated by independent market research firm Ipsos Mori and quantitative research was conducted by them with 825 customers interviewed face to face. As we noted in our September 2018 report to Ofwat:

'The Phase 2 customer acceptability survey²⁰ in particular asked customers for their views on the proposed business plan outcomes and proposals for three alternative

²⁰ dBP phase 2 customer acceptability survey (825 customers, face to face, Ipsos MORI/Arup)

business plans²¹ and average bill levels and was supported by a series of independently facilitated focus group discussions involving 70 customers in different socio-economic profile groups. The in-home face to face research methods used for the quantitative survey meant that it was able to include those of AWL's customers who are digitally excluded and would not be represented in on-line market research panels.'

In that research a proposal called 'Plan L' was presented to customers with information about key business plan components. Plan L was the only plan, of 3 presented, which included a 15% reduction in leakage together with a reduction in abstractions of 39 million litres per day and a target for personal consumption, per head, of 124 litres per day. As such it is also closest to the performance commitments given in the Business plan AWL submitted in September 2018. Customers were told that under Plan L their yearly bill would be £168 in 2019/20 and reduce to £167 in 2024/25.²² Plan L was considered acceptable by 74% of those customers surveyed.

²¹ In the public consultation document the plans were called A, B and C. In the market research and focus groups the plans were called J, K and L. The average bills presented to customers in focus groups were personalised for the relevant AWL charging zone that the customers lived in.

²² The proposals in the Phase 2 research were expressed as an average bill across all AWL's charging areas – of which there are three, were in real terms, without inflation and without including future sewerage charges.

Annex A

CCG Members at 31 March 2019

Independent members

Tina Barnard, Watford Community Housing Trust

David Cheek, Friends of the Mimram

Essex Richard Haynes, Up on the Downs

James Jenkins, University of Hertfordshire

John Ludlow, Public affairs and government relations professional

Teresa Perchard, Chair

John Rumble, Hertfordshire County Council

Gill Taylor, Groundwork East

The following members represent statutory organisations:

Karen Gibbs, Consumer Council for Water (CC Water)

Caroline Warner, CC Water – Local Consumer Advocate

Rachel Nelson, Environment Agency

Jonathan Sellars, Environment Agency (continues to be involved with the rdWRMP working group until May 2019)

Annex B**AWL CCG – Supplementary Report to Ofwat – Annex B****Documentation received by the CCG to help it prepare its Supplementary report**

	Items	Author	Status	Date circulated	Discussion forum	Record
1	Proposed CCG assured action items	AWL	final	18/02/2019	e-mail AWL approach to customer engagement	comments via e-mail
2	PR19 research brief	AWL	final	18/02/2019	e-mail - bills - additional customer engagement	comments via e-mail
3	BP survey bills presented	AWL	final			
4	Proposed CCG assured action items	AWL	final			
5	AWL draft quantitative survey	Verve	draft	20/02/2019	e-mail for review	comments via e-mail
6	Draft Test Evidence Response CMI.A1	AWL	draft	08/03/2019	Quarterly meeting 13 March 19	Minutes of meeting
7	Draft Test Evidence Response AV3-5	AWL	draft			
8	Draft Test Evidence Response OC 3	AWL	draft			
9	Draft Test Evidence Response OC 32-35	AWL	draft			
10	Test Area Evidence Addressing Affordability and Vulnerability Template v0.1 - CCG AV1-2	AWL	draft	08/03/2019	Quarterly meeting 13 March 19	Minutes of meeting
11	Quantitative survey for AV.A1 and AV.A2 draft findings	Verve	draft			
12	CMI.A1 evidence report	AWL	draft	12/03/2019	tabled at quarterly meeting 13 March 19	Minutes of meeting
13	Affinity Water_PR19 Bill profile testing	Verve	final	13/03/2019	e-mail for noting & comment	comments via e-mail

	report_110319_C final					
14	Bill Survey Results Summary	AWL	draft	14/03/2019	e-mail following quarterly meeting	comments via e-mail
15	AWL Final Bill Profile 15 March 2019 RRA10	AWL	draft	15/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
16	Test area evidence addressing affordability and vulnerability AV A1-5	AWL	draft			
17	Test Area evidence delivering outcomes for customers template OC3 32-35	AWL	draft			
18	Test area evidence targeted controls and innovation CMI.A1	AWL	draft			
19	RR.A10 draft response	AWL	draft	17/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
20	RR.A10 draft response	AWL	draft	18/03/2019		
21	AWL Delivering outcomes for customers - response OC32,35	AWL	draft	18/03/2019		
22	AWL Delivering Outcomes for customers OC32-35 18th March	AWL	draft	19/03/2019	e-mail to members for review against CCG report	comments through e-mail and CCG report
23	RR.A10 final bill profile draft response 18th March	AWL	draft			
24	Test area evidence addressing affordability and vulnerability AV A1-5	AWL	draft			

25	Test area evidence targeted controls and innovation CMI.A1	AWL	draft			
26	OC.A46 25.03.19 - response on MZC	AWL	draft	25/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
27	AWL final response on Addressing Affordability and Vulnerability v 3.1 AV A1-5	AWL	final	27/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
28	AWL final response to CMI .A1 v3					
29	AWL final response to OC.A32-36					
30	AWL final response to OC.A2 and OC.A3					
31	AWL final response to OC.A11					
32	AWL final response to OC.A46 - MZC					
33	AWL final response to RR.A10					

Documentation Shared with CCG relating to the revised dWRMP

Ref	Items	Author	Status	Date circulated	Discussion forum	Record
1	Draft Water Resources Management Plan 2019 - Statement of Response	AWL	final	15/10/2018	Quarterly meeting Oct 18	minutes of meeting
2	Revised dWRMP – approach to further consultation	AWL	final			
3	rdWRMP 2018_Pre Consultation Method Statement_V4	Ipsos Mori	draft	14/11/2018	sub group meeting 20th Nov 18	minutes of meeting and rdWRMP table of collated comments
4	rdWRMP consultation paper v final	AWL	final			
5	rdWRMP sub group meeting schedule	AWL	draft			

						and responses
6	revised rdWRMP Awareness campaign plan 4 Dec 18 v2	AWL	draft	05/12/2018	sub group meeting 6th Dec 18	minutes of meeting
7	rdWRMP non tech summary v30.11.18	AWL	draft	05/12/2018		
8	rdWRMP timeline Dec 18	AWL	draft	05/12/2018		
9	Revised draft ToR CCG WRMP working group	AWL	draft	15/01/2019	e-mail for review	comments via e-mail
10	rdWRMP Consultation and Timeline Summary Jan 19	AWL	draft	15/01/2019	e-mail for review - updates following Board meeting	comments via e-mail
11	rdWRMP technical plan(board item 2.1)	AWL	final			
12	rdWRMP consultation video storyboard 01	AWL/Campaign Works	draft	25/01/2019	sub group e-mail for review	rdWRMP table of collated comments and responses
13	rdWRMP - Method statement for the on-line customer survey	Ipsos Mori	final	29/01/2019	sub group e-mail for review	rdWRMP table of collated comments and responses
14	1. rdWRMP WG minutes 6-12-18 v final	AWL	final	06/02/2019	sub group meeting 11th Feb 19	minutes of sub group meeting & rdWRMP table of collated comments and responses
15	2. CCG WG ToR Jan 19 tracked changes 2	AWL	draft			
16	4. WRMP Timeline_Jan 2019	AWL	final			
17	5i. Stakeholder engagement	AWL	draft			
18	5ii. rdWRMP pre consultation customer focus Groups 2 - Report	Ipsos Mori	final			
19	5iii. 2019-02-05 rdWRMP Triangulation report	Arup	final			
20	6i. rdWRMP Further consultation campaign 6 Feb 2019	AWL	draft			

21	6ii. Video Storyboard	AWL/Campaign Works	draft			
22	6iii. rdWRMP consultation leaflet A5	AWL	draft			
23	6iv. Non Tech summary content version draft 3	AWL	draft			
24	6vi. Further consultation questions v8	AWL	draft			
25	6v. draft customer survey	Ipsos Mori	draft	08/02/2019	sub group meeting 11th Feb 19	minutes of sub group meeting & rdWRMP table of collated comments and responses
26	Further consultation questions v13	AWL	draft	15/02/2019	e-mail to sub group for review	rdWRMP table of collated comments and responses
27	rdWRMP customer online survey_V13	Ipsos Mori	draft	25/02/2019	e-mail to sub group for review	rdWRMP table of collated comments and responses
28	rdWRMP further consultation Stakeholder Engagement timetable	AWL	final	06/03/2019	e-mail to sub group to note	comments via e-mail
29	WRMP update (for all members)	AWL		08/03/2019	Quarterly meeting 13 March 19	minutes of meeting

Annex C

Overview of AWL CCG PR19 Test areas

1.	Has AWL developed a genuine understanding of customers priorities, needs and requirements, drawing on a robust, balanced and proportionate evidence base
2.	Has AWL engaged with customers on the issues that matter to them?
3.	Has evidence from customers genuinely driven and informed the development of the business plan?
4.	Has the company used multiple data sources and triangulated those effectively to develop its proposals, and carry out customer engagement?
5.	Has the company presented its customers with realistic options?
	Has the customer engagement process been ongoing two way and transparent with the company informing customers as well as soliciting feedback from them?
7.	Has the engagement with customers been sufficiently diverse, involving the using of methods appropriate and effective for engaging with a diverse range of customers. Does this include customers in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?
8.	Has the company engaged effectively with customers on future and long-term issues, including trade-offs and risks, in a way customers could be expected to understand?
9.	Where appropriate, has the company considered how customers could help co-create and co-deliver solutions to underlying challenges?
10.	Has the company effectively informed and engaged customers about its current performance and how this compares with other companies in a way customers could be expected to understand?
11.	Is the proposed plan affordable for current customers, future customers and those struggling or at risk of struggling to pay? How well does the company understand what affordability looks like for its customers, and do customers support the approach they have taken?
12.	Vulnerability - Is the company's approach to vulnerability targeted, efficient and effective? CCG view on the quality of planned support for customers in vulnerable circumstances, taking into account Ofwat's February 2016 Vulnerability Focus report.
13.	Performance commitment framework – including Outcomes and ODIs – how have we reviewed and challenged
14.	Opinion on proposed outcomes, performance commitments – both common and bespoke - and outcome delivery incentive in terms of level of stretch, customer engagement and support
15.	AIM – has Affinity engaged with local stakeholders to propose its AIM incentives? Has it identified suitable sites in liaison with the Environment Agency? (Aim is also a PC see Q14 above)
16.	Leakage – has Affinity taken customer views into account in its proposed five year PC levels? (see also response to Q14 above Green)
17.	Transparency – are company plans for reporting on performance 2020 – 25 suitable
18.	Resilience – has the company's assessment of resilience been informed by engagement with customers so as to understand their expectations on levels of service, their appetite for risk and how customer behaviour might influence resilience
19.	Cost efficiency – if there are cost adjustment claims is there evidence that customers support the project? Does the proposal deliver outcomes that reflect customers' priorities identified from customer engagement? Has the company taken account of customers' views and is there evidence that the proposed solution represents best value for customers in the long term, including evidence from customer engagement

Annex D

Reference table showing the values of bills AWL has proposed and those tested with customers Spring 2018 to September 2018

Document	2019/20 average bill	2024/25 average bill
Our Future Plans April 2018 (and Phase 2 Acceptability Survey - Mori)	£165 (on page 5) £170 (on pp 17/18/19) £168 (p11 Mori final rpt)	Plan A/J - £158 Plan B/K - £161 Plan C/L - £168
18 July 2018 briefing for the CCG (slides tabled at meeting).	£170	Various numbers quoted according to what changes to the plan were proposed. Main proposals were: £172.40 inc CRI at 2.8 and abstractions at 33 M/ld And £175.90 inc 'additional resilience' various costs
Phase 3 Acceptability Survey – Ipsos MORI/Arup	£168.77 (fig 3.1 report)	£172.40 (fig 3.1 report)
Phase 3 Additional Resilience Investment – Blue Marble	£175 (draft of Q9 circulated to CCG – no year for this bill level stated)	Seems to have been expressed as £1-£2 extra per annum Or £3-£5 extra per annum Presumably on the '£175' in Q9.
V4 BP	£172.40	£175.90
Email 1/9/2018	£170.90	£174.41
BP submission 3/9/2018	£170.90	£174.44
IAP response – RRA10	£170.50	£167.80

Appendix AV.A3.1

Action ref AFW.AV.A3

Reference of evidence submitted in September Submission

Our response

During 2018 we undertook 3 market research campaigns conducted by Ipsos Mori and Arup. The findings of the research were in the September Plan on pages 33 and 34 and in Appendix 3: Listening to Customer and Stakeholders.

Reference	Page	Section
Engagement Programme	12	Listening and Learning, Testing and Valuing & Revisiting and assuring
Summary of activities	38	Market Research
Key themes emerging from phase 1	41	Engagement
Phase 3	49	Summary of activities & general findings
Customers and Stakeholders	61	Corroboration
Summary of Customer Engagement. Performance Commitments	16	Customer satisfaction
PR19 Summary of engagement Phase 3	148	Section 11 – customer satisfaction
Phase 1 Activities & Methods	49	Vulnerability
Annex 4 Phase 1, listening and learning	1-19	PH1.4 Social Tariffs
Phase 1, Activities & Methods	49-52	Vulnerability
Annex 5 Phase 2 Testing	18-23	4.1 Social Tariff
Annex 6 Phase 3 Acceptability Survey	22-26	4.1 Social Tariff

Appendix AV.A3.2

Action ref AFW.AV.A3

Ipsos Mori & Arup Phase 1 Social Tariff Survey



Ipsos MORI
Social Research Institute

ARUP

March 2018

Social Tariff Survey

Survey report

Ben Marshall, Michael Clemence and Kelly Finnerty

Contents

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Executive Summary

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Executive Summary

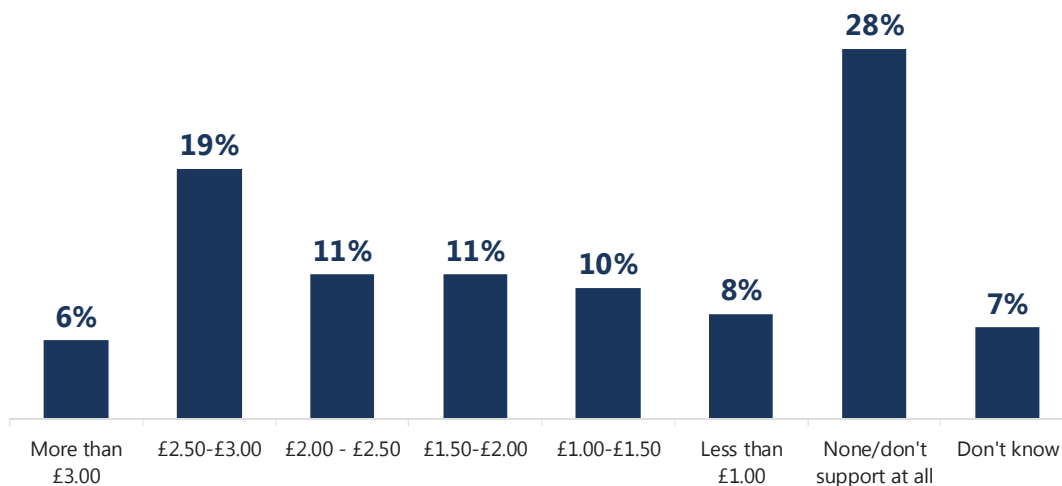
- As part of Phase 1 of the Market Research programme being delivered by Ipsos MORI and Arup to support PR19, Ipsos MORI surveyed 500 Affinity Water customers to understand their preferences on the future of the Social Tariff offered by Affinity Water to customers who have difficulty paying their water bills.
- Interviews were conducted online between 23rd and 30th January 2018 with respondents sourced from Ipsos MORI's online panel. Recruitment and quotas targeted a representative sample of adults aged 18-75 resident in Affinity Water's service areas. The data is weighted to match the profile of the population living in Affinity Water areas by age and Water Resource Zone (WRZ). (Where percentages do not sum to 100, this is due to rounding of figures.)
- The survey allowed us to understand customer attitudes towards different options for the Social Tariff and, through a deliberative approach, to test the impact of providing more information on customer opinion. Open-ended questions provide insights into the reasons why customers hold the views they do.
- Customers are supportive of Affinity Water providing support to those who have financial difficulty paying for their water.
- Support increases further when basic information is provided about the nature of support provided by Affinity Water.
- However, support cools sharply when the idea of customers funding support for those facing financial difficulty is introduced (without any quantification of the impact on customer bills), and at this point opposition exceeds support.
- Customer opinion then swings back towards support when the Social Tariff is explained in terms of the requirement to demonstrate customer support for the Tariff, and with information about the eligibility criteria and Affinity Water not making profit on the amounts raised.
- Then, a slim majority of customers support annual increases of £2.50-£3.00 in their annual bill to fund the Social Tariff; 52% support this compared to 31% opposition.
- Propositions involving lower levels of funding – £2.00-£2.50, £1.50-£2.00 and £1.00-£1.50 increases on top of households' annual bills – also receive majority support from customers. There are slightly higher levels of support, and lower opposition, for smaller increases.

Table 1: Summary of questions (full question text shown in the Appendices)

Question – support/oppose...	% support	% oppose
Q1 - "...providing support to customers who have financial difficulty paying for their water"	63	6
Q2 - "...providing support like this to customers"	75	6
Q3 - "...providing this support to customers if it means an increase in water bills paid by all other customers"	29	44
Q4 - "...continuing to offer a Social Tariff?"	48	31
Q5 - "...if it meant an extra £2.50-£3.00...?"	52	31
Q7 - "...if it meant an extra £2.00-£2.50...?"	53	31
Q9 - "...if it meant an extra £1.50-£2.00...?"	55	26
Q11 - "...if it meant an extra £1.00-£1.50...?"	56	25

- While comparison with a similar survey undertaken to support PR14 can only be indicative (given differences in questions, sample profile and weighting), the PR19 survey finds that customers are, largely, as supportive of the Social Tariff in principle as they were 5 years ago, but are more inclined to support contributing to it financially.
- Different customer groups have much in common attitudinally; levels of support and opposition are consistent across different age groups, geographies and among metered/non-metered households. There are a few exceptions; for example, customers aged 35-54 are more likely than other age groups to support paying an additional £2.50-£3.00, with older age groups (55+) more likely to support the smaller, £1.00-£1.50 extra.
- A new question – shown in Figure 1 below – asked customers to choose the level of investment in the Social Tariff they would favour, allowing them to choose lower or higher amounts, or to reject any funding at all. This presented all of the four price increase options together rather than in isolation (through Q5, Q7, Q9 and Q11, shown above). At this question, more than six in ten (65%) say they would support some sort of bill increase. The most popular option, £2.50-£3.00, is chosen by two in ten (19%).

Figure 1: Please indicate how much, if anything, you would support Affinity Water adding to your own household’s water bill each year to continue to offer a Social Tariff.



Base: 500 adults aged 16-75 from across the Affinity Water customer areas

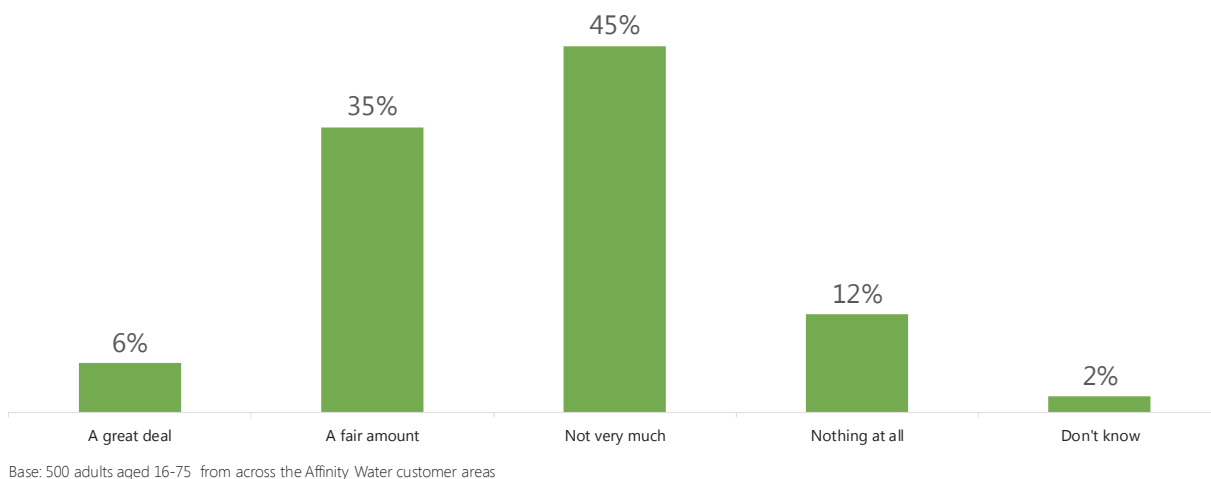
- Customers **supporting** funding increases to support the Social Tariff say they like it as a concept, consider it a small and affordable expense over the year, and see it their responsibility to help others less fortunate than themselves if they are able to do so.
- Customers **opposed** to funding increases to the Social Tariff say they do so for various reasons including a feeling that they are already paying enough for their own water bill, and rejecting the idea that they are responsible for helping others. Instead, they feel it should be paid for by Affinity Water or its shareholders rather than customers.

Findings

Context

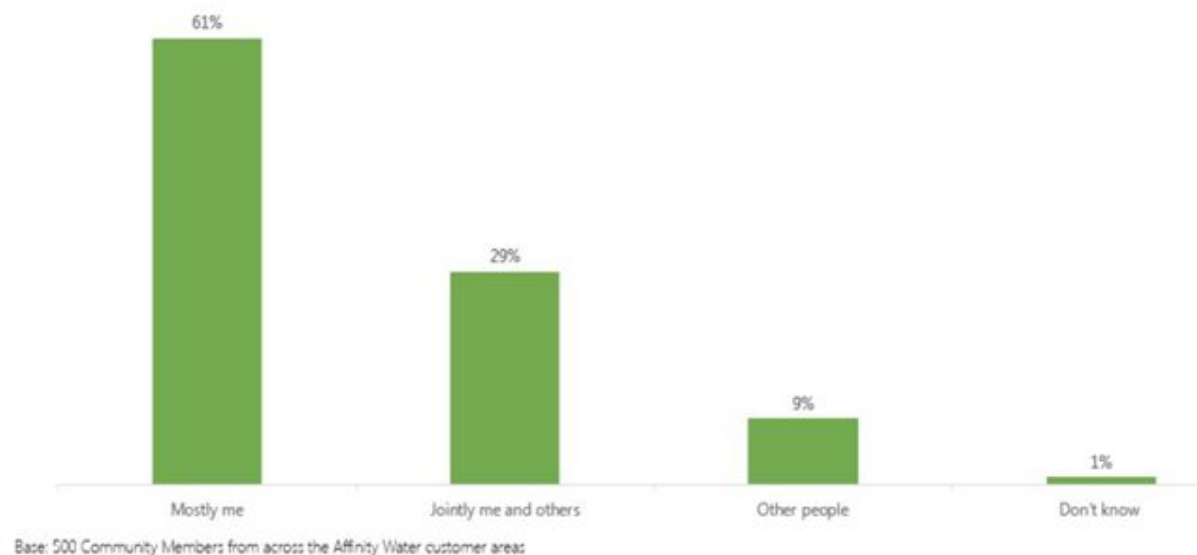
Overall, customers do not know very much about Affinity Water. Nearly six in ten (57%) say they know little about the water company; 45% know not very much and a further 12% say they know nothing at all. Just over a third (35%) say they know a fair amount about Affinity Water, and 6% profess to know a great deal.

Figure 2: How much, if anything, would you say you know about Affinity Water?



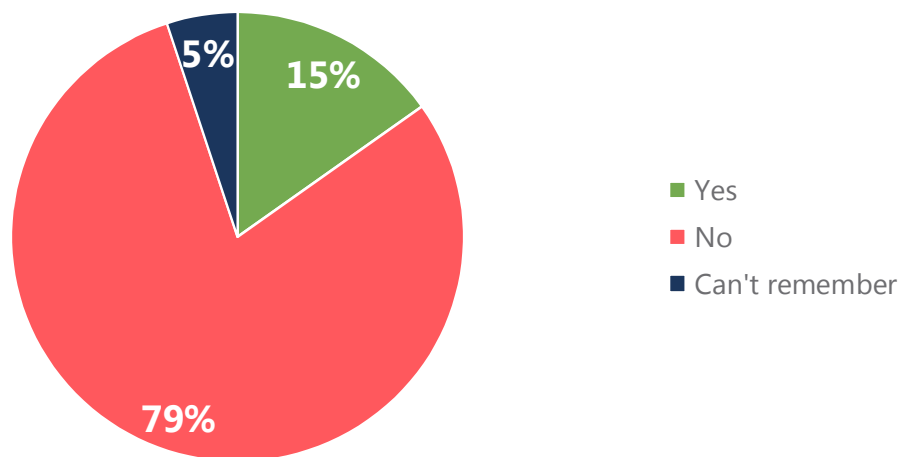
Six in ten customers we surveyed (61%) are mostly responsible for filling in forms and paying household bills while three in ten (29%) share responsibility with other people. Nine per cent say that forms and bills are somebody else’s responsibility (among those aged 16-34, 22% have no responsibility).

Figure 3: In general, who in your household is mostly responsible for filling in forms and paying household bills?



Relatively few customers have contacted Affinity Water recently – eight in ten (79%) have not contacted Affinity Water for any reason in the last 12 months. Those with water meters are slightly more likely to have contacted Affinity Water – 22%, compared with 15% overall – but, overall, contact with Affinity Water is limited.

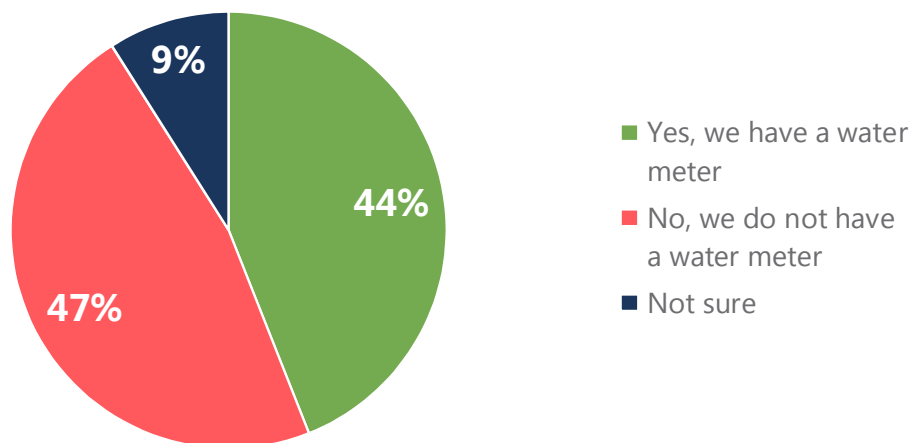
Figure 4: Have you contacted Affinity Water for any reason in the last 12 months?



Base: 500 adults aged 16-75 from across the Affinity Water customer areas

There is a fairly even split between metered and unmetered properties; 44% say they have a meter and 47% say they do not. A reasonably high proportion – nine per cent – are unsure, and this figure is higher among those who rent their property (13%) and younger customers (12%).

Figure 5: Do you have a water meter?

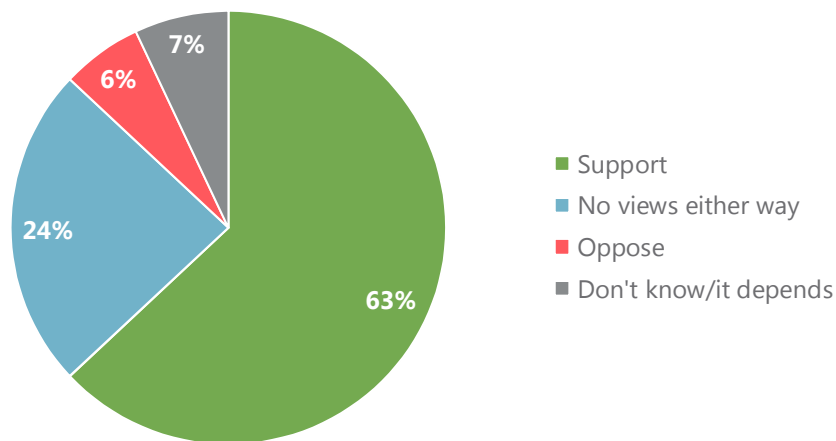


Base: 500 adults aged 16-75 from across the Affinity Water customer areas

Supporting vulnerable customers

A majority of Affinity Water customers support the principle of helping those who have financial difficulty paying for their water. Almost two in three (63%) say they support Affinity Water providing such support, evenly split between those who support this *strongly* (32%) and those with less emphatic views who *tend* to support this (31%). Very few are opposed to the principle of supporting those in difficulty (6%).

Figure 6: To what extent do you support or oppose Affinity Water providing support to customers who have financial difficulty paying for their water?



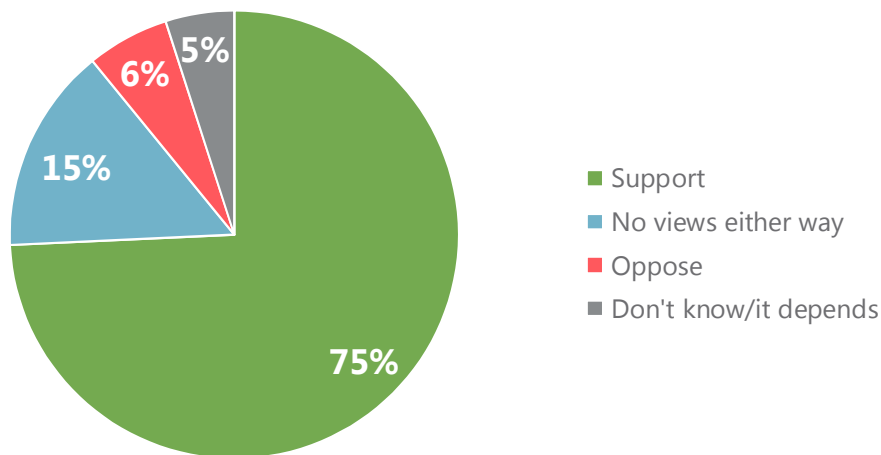
Base: 500 adults aged 16-75 from across the Affinity Water customer areas

Customers were then given more information about the type of support Affinity Water offers to financially vulnerable customers:

Affinity Water currently provides support to customers who have, or might have, financial difficulty paying for their water. Support includes reductions in bills, advice about water use and managing bills, and offering flexibility in terms of when and how to pay.

Three-quarters of Affinity Water customers support this type of assistance being given (75%), with four in ten *strongly* in favour (41%). As with the previous question, 6% oppose providing this support and 15% have no views either way. A further 5% say they do not know or that it depends.

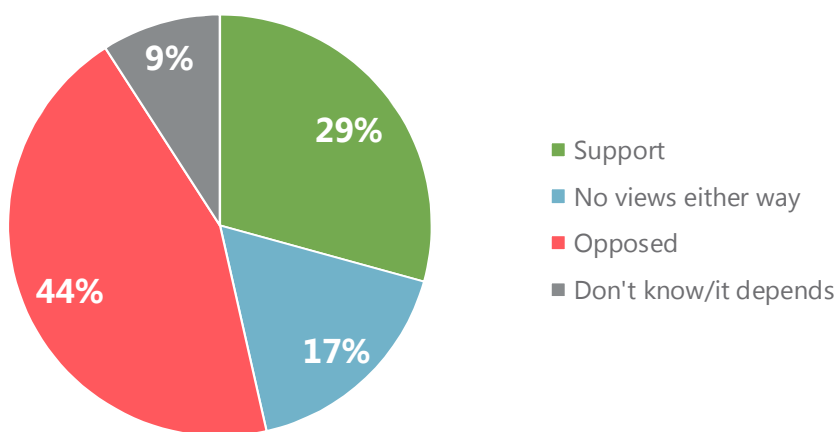
Figure 7: To what extent do you support or oppose Affinity Water providing support like this to customers?



Base: 500 adults aged 16-75 from across the Affinity Water customer areas

The final question in this section introduced the prospect that providing support to financially vulnerable customers would entail a cost to all water users. At this stage the cost was not specified. There was a notable impact on customers’ views – 44% are opposed to providing support if it leads to an (unspecified) increase in all customers bills, with three in ten (29%) supporting this.

Figure 8: And to what extent do you support or oppose Affinity Water providing this support to customers if it means an increase in water bills paid by all other customers?



Base: 500 adults aged 16-75 from across the Affinity Water customer areas

The Social Tariff

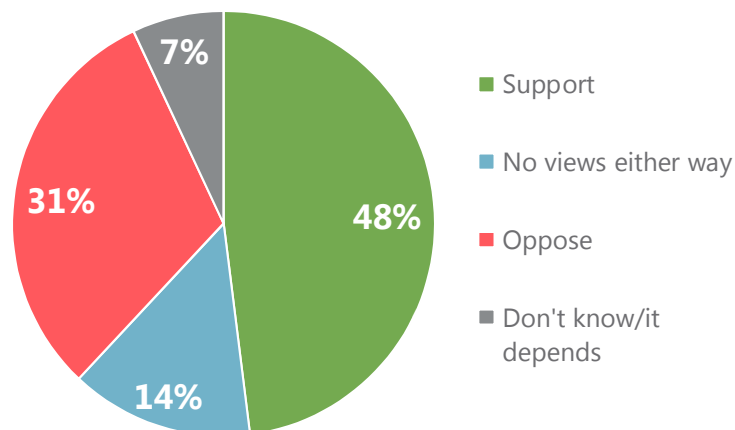
Customers were given background information on the Social Tariff before the next section of the survey:

Water companies have the Government's permission to introduce Social Tariffs in order to reduce the water bill of those customers finding it difficult to pay. This is subject to guidance and water companies need to show that they have the support of other customers.

In practice, this means that customers who live in a household with an income of less than £16,105 per annum are eligible to have their water bill reduced. This is funded by an increase in other customers' bills. The monies raised fund the Social Tariff at cost i.e. Affinity Water makes no profit on this. The Tariff doesn't apply to the sewerage part of the bill.

Just under half of Affinity Water customers support the continuation of the Social Tariff (48%), and a minority oppose it (31%).

Figure 9: In principle to what extent do you support or oppose Affinity Water continuing to offer a Social Tariff?



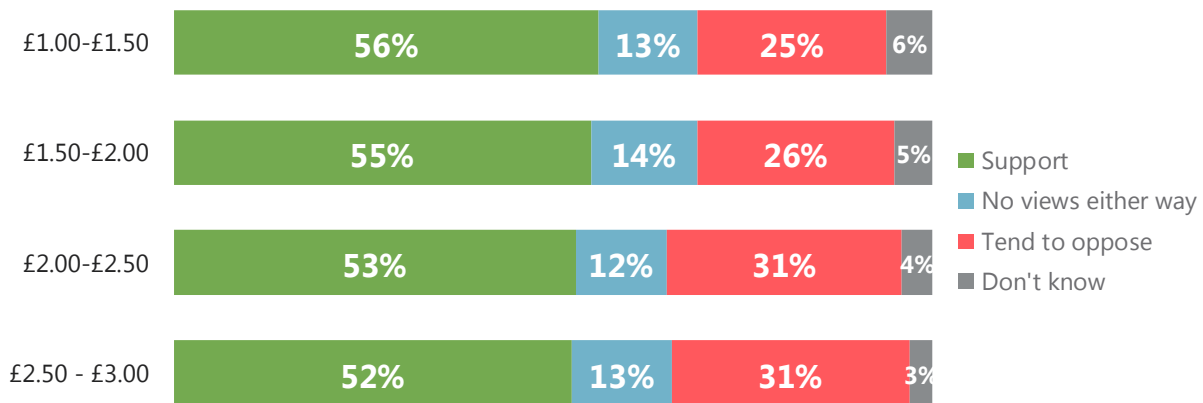
Base: 500 adults aged 16-75 from across the Affinity Water customer areas

Support increases further when customers are given example amounts by which an annual water bill might increase to fund the Social Tariff. Four different amounts were included in the survey – annual increases of £2.50-£3.00, £2.00-£2.50, £1.50-£2.00 and £1.00-£1.50 – starting with the largest increase and working down to the smallest.

A majority (52%) of Affinity Water customers say that they would support Affinity Water continuing to offer a Social Tariff if it means an **additional £2.50-£3.00** on their annual household water bill each year, more than the three in ten (31%) who oppose this. A similar proportion feel *strongly* about this in favour and against; 21% are strongly supportive compared to 16% strongly opposed.

As shown in Figure 10, there is majority support for all four amounts. Support is strongest for the smallest available increase (between £1 and £1.50 per year), however the difference between levels of support for the four amounts is not statistically significant, suggesting that they are seen as similar by most customers.

Figure 10: To what extent would you support or oppose Affinity Water continuing to offer a Social Tariff if it meant an extra few pounds on your household’s water bill each year?



Base: 500 adults aged 16-75 from across the Affinity Water customer areas

Reasons for support and opposition

For each amount, customers were asked the main reasons they support or oppose the Social Tariff. They were not shown a list of possible reasons.

Support for the Social Tariff

The reasons customers give for supporting the Social Tariff are broadly similar for each amount that would be added to the annual bill. Supportive customers generally like the concept and thought the amounts were a reasonable expense to be added on to their yearly household water bill. They were also likely to say that they were able to afford this extra amount:

“Those with the ability to pay more should do so to enable those without the ability to achieve life’s basic necessities, water being one of them.”

“Even though my household’s income is low, £2.50-£3.00 per year is easily affordable for me and I would support it being used to help customers who are unable to afford their bills.”

“[It is] not too much extra per year”

“If it is only a small amount I would support.”

“[I] like the sound of the social tariff and this amount is a reasonable amount to pay.”

Another reason given by customers for supporting the Social Tariff based on an extra £2.50 - £3.00 on an annual household bill is that it would help the most vulnerable in society access water which is considered a basic human right. Some customers feel it is their responsibility to help others less fortunate than themselves if they are in a financial position to do so:

“Clean water is a human right so all people need access to it. The amount is not enormous on an annual bill.”

“Everybody has a responsibility to the most vulnerable in society.”

In general, these customers are happy and willing to help others who were in financial need, or more vulnerable customers.

“[It is] In everyone’s interest to help people in need”

“To help those less fortunate.”

Opposition to the Social Tariff

The reasons given for opposing the Social Tariff are also similar across the differing increase amounts. Some customers feel that the Social Tariff is a good idea in theory, but that it should not be implemented at a cost to other customers.

“Social Tariff is a good idea but not at the cost of other people.”

“Other people’s water bills should not be affected.”

Generally, these customers say they do not want to contribute to other customers’ bills and do not see why the Social Tariff should be funded by customers. Reasons given include a preference for not contributing to others’ bills or not being able to afford to do so. Some say they can could “barely” afford their own water bill and are reluctant to contribute towards the bills of others.

“Many people will be just above the limit set and will be struggling to pay bills and could well do without paying extra for water”

“We can’t afford bill increases; we’re barely hanging on as it is.”

“I can’t afford to pay more so why should I subsidise others.”

Some customers say they budget carefully themselves in order to pay their bills and do not feel they have enough money left over to contribute towards others’ bills. They do not see it as their responsibility to contribute towards the bills of those with less money than themselves.

“Why should I, who budget carefully in order to pay my bills, have to subsidise other people?”

“Why should people who are earning more pay for the people who can’t afford to.”

Some feel that only those who could really afford it should contribute towards paying for the Social Tariff – not those who are barely above the threshold themselves. It is also deemed unfair, by some, to the majority of hardworking people who pay their bills. There is a sense that people should learn to live within their means and that people should be able to afford their water bill if they have an annual income of £16,000.

“I think it’s unfair that people like myself, who may not be earning as little as others but are still ‘just about managing’ to pay their bills every month have to pay extra to cover others. I support the idea that people who are on low income should get help, but surely there should be an upper tier for this - people who really can afford to cover the extra costs.”

“It is not fair on the majority.”

“Why should some people pay more while others pay less. I’m on benefits as I’m disabled and I don’t get any discounts.”

“I work hard and paying for someone else that’s not fair.”

“People nowadays have completely forgotten how to live within their means.”

Other customers feel that they should not be required to help others as they themselves did not receive help paying their bills in the past, or are sceptical about whether they would receive help even though they may feel they need it:

“I have always worked hard and have in the past myself had to make ends meet with no support. I have saved with my pension and pay my bills. Everyone else should do the same.”

“I have paid my bills in full for 35 years so don’t see why I should subsidise anyone else as I wouldn’t get help if I needed it. I have taken my own steps to reduce my bills by having a water meter installed. This has saved me a lot over the past few years. The only people I wouldn’t mind subsidising are those that need the water for medical purposes.”

“I’m paying enough as it is. There should be another way of helping vulnerable and others in difficulty. I’m a pensioner on limited income and shouldn’t be paying anymore to help others.”

Others feel that the beneficiaries of the Social Tariff would not deserve it and it may encourage people to exploit the benefit and be more wasteful with their water usage.

“The beneficiaries don’t deserve it. It will only encourage people to exploit the benefit. And they are going to be more wasteful with their water usage.”

“Why is it that those in employment and paying their own way, have to pay for those who don’t or won’t work.”

As a result, some customers expressed an interest in having a say in who the money was assisting and who was eligible to receive it. They say they are more willing to subsidise elderly or sick customers as opposed to the unemployed or low paid customers.

"I would want to have some say in who the money was assisting."

"People shouldn't have to pay more because other people can't afford it. This will mean harder working families with earn more will have to pay more for the lower income who work less or don't work at all!"

"Why should we pay for those who are unemployed. Understandable for the elderly or sick."

Some customers agree with the idea in principle but disagree with how the Social Tariff is financed by other customers. Their view is that Affinity Water should pay for this from their profits or from shareholders and not by penalising regular paying customers.

"I am not a charity."

"Profits must be sufficient for the company to pay - why do they always pass it on to those who pay regularly?"

"Reducing water charges to poorer people and families is an idea of which I approve. However, utility companies already make excessive profits at the expense of consumers. Some of these profits should be put to an appropriate social purpose at no further cost to any consumers."

"If the company wants to do charity, and I totally agree with it, then it shouldn't be paid by the other customers."

"Shareholders should have to pay for this through reduced dividends."

Trends PR14-PR19

A similar survey in 2013 (for PR14) found similar levels of support among customers for Affinity Water providing additional support to customers who have financial difficulty paying for their water. However, comparison with the previous survey can only be indicative given differences in questions, sample profile and weighting.

At PR14 62% of customers supported the Social Tariff in principle, similar to the 63% supporting it now. Comparing the two surveys, there is noticeable difference in opposition however, with 14% of customers opposed at that point in 2013, compared with 6% now.

The level of support for contributing financially towards the Social Tariff has increased since 2013. For example, at PR14 31% of customers said they supported a £2.50-£3.00 increase in their annual bill to

fund the Social Tariff, with 43% opposed. The figures this time are 52% and 31% respectively.

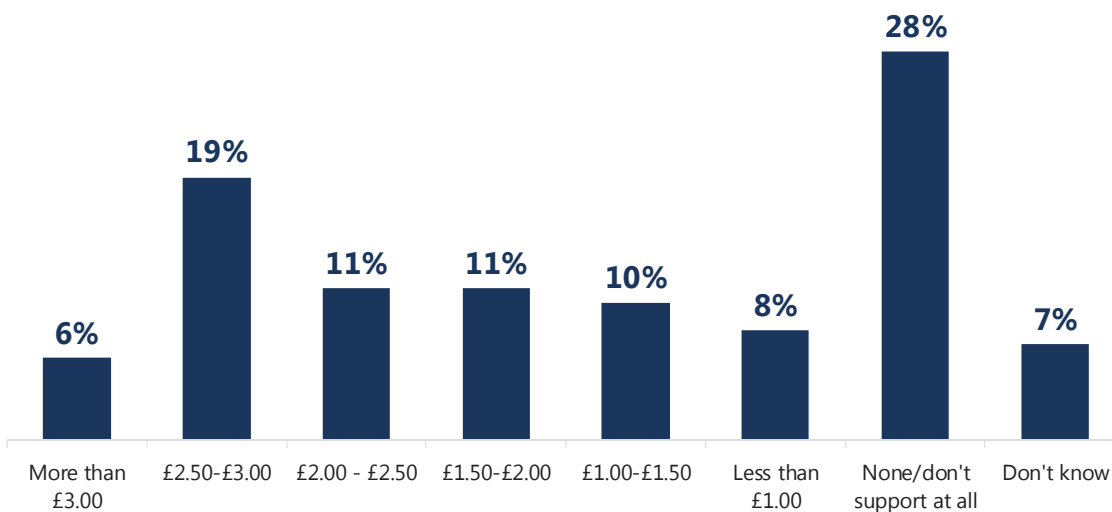
Comparison of social tariff price increases

After being asked about all four potential price increases in isolation, and in a question not asked at PR14, customers were presented with all of the four price increase options together and asked to choose the level of investment in the Social Tariff they would favour. This question also allowed them to choose lower or higher amounts, and to reject any funding at all. At this stage they were given some extra information regarding eligibility for the Social Tariff:

Currently, 47,709 customers have capped water bills, about 3.6% of all Affinity Water customers.

More than six in ten (65%) are in favour of paying some amount to support the social tariff, with an amount between £2.50 and £3.00 being the most frequently mentioned value (19%). However, the largest single group are those who do not want to contribute to the Social Tariff at all – 28% would not support having any amount added to their bill.

Figure 11: Please indicate how much, if anything, you would support Affinity Water adding to your own household’s water bill each year to continue to offer a Social Tariff.



Base: 500 adults aged 16-75 from across the Affinity Water customer areas

Appendix

Sample profile

		Unweighted	Weighted
Age	Aged 16 - 34	21%	31%
	Aged 35 - 54	41%	36%
	Aged 55 - 75	38%	33%
Gender	Male	49%	49%
	Female	51%	51%
Tenure	Home owner	67%	65%
	Rented/other	33%	35%
Meter status	Yes	44%	44%
	No	46%	46%
Ethnicity	White	83%	83%
	BME	17%	17%
Main bill payer	Yes	64%	61%
	No	36%	39%
Water Resource Zone	WRZ 1 – Misbourne	8%	9%
	WRZ 2 – Colne	15%	12%
	WRZ 3 – Lee	21%	20%
	WRZ 4 – Pinn	28%	27%
	WRZ 5 - Stour	6%	8%
	WRZ 6 – Wey	16%	15%
	WRZ 7 – Dour	4%	5%
	WRZ 8 - Brett	1%	4%

Survey questionnaire

Affinity Water - Vulnerability and Social Tariff questionnaire

INTRODUCTORY TEXT: **Thanks for taking part in our survey!**

Affinity Water provides clean water services to people across some parts of the South of England.

In this survey we want to ask you about what Affinity Water should or should not do to support customers who may find it difficult to pay for their water. You do not need to know anything about this subject to take part and we are interested in your views.

Please click below to get started...

Qa. We'd like to ask a few questions first to ensure we are talking to a wide range of people. To begin with, which of these best describes your ethnic group?

ASK ALL. SINGLE CODE ONLY. RECRUIT TO ETHNICITY QUOTA (1-4 = White; 5-18 = BME).

WHITE

1. White – English / Welsh / Scottish / Northern Irish / British
2. White – Irish
3. White – Gypsy or Irish Traveller
4. Any other White background

MIXED

5. Mixed White and Black Caribbean
6. Mixed White and Black African
7. Mixed White and Asian
8. Any other mixed background

ASIAN

9. Asian or Asian British – Indian
10. Asian or Asian British – Pakistani
11. Asian or Asian British – Bangladeshi
12. Asian or Asian British – Chinese
13. Any other Asian/Asian British background

BLACK

14. Black or Black British – Caribbean
15. Black or Black British – African
16. Any other Black/Black British background

OTHER ETHNIC GROUP

17. Arab
18. Any other ethnic group
19. Prefer not to say

Qb. And which of the following best describes your home?

ASK ALL. SINGLE CODE. RANDOMISE CODES. RECRUIT TO TENURE QUOTA (1-2 = owner/occupier; 3-6 = renter/other)

1. Being bought on a mortgage
2. Owned outright by household
3. Rented from Local Authority
4. Rented from Housing Association / Trust
5. Rented from private landlord
6. Other
7. Don't know

Qc. How much, if anything, would you say you know about Affinity Water?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-4.

1. A great deal
2. A fair amount
3. Not very much
4. Nothing at all
5. Don't know

Q1. To what extent do you support or oppose Affinity Water providing support to customers who have financial difficulty paying for their water?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Somewhat support
- 3) No views either way
- 4) Somewhat oppose
- 5) Strongly oppose
- 6) Don't know

Q2. Affinity Water currently provides support to customers who have, or might have, financial difficulty paying for their water. Support includes reductions in bills, advice about water use and managing bills, and offering flexibility in terms of when and how to pay.**To what extent do you support or oppose Affinity Water providing support like this to customers?**

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Somewhat support
- 3) No views either way
- 4) Somewhat oppose
- 5) Strongly oppose
- 6) Don't know/it depends

Q3. And to what extent do you support or oppose Affinity Water providing this support to customers if it means an increase in the water bills paid by all other customers?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Somewhat support
- 3) No views either way
- 4) Somewhat oppose
- 5) Strongly oppose
- 6) Don't know/it depends

Q4. Water companies have the Government's permission to introduce Social Tariffs in order to reduce the water bill of those customers finding it difficult to pay. This is subject to guidance and water companies need to show that they have the support of customers.

Customers who live in a household with an income less than £16,105 per annum are eligible to have their water bill reduced. This is funded by an increase in other customers' bills. The monies raised fund the Social Tariff at cost i.e. Affinity Water makes no profit on this. The Tariff doesn't apply to the sewerage part of the bill.

In principle, to what extent do you support or oppose Affinity Water continuing to offer a Social Tariff?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Tend to support
- 3) No views either way
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know/it depends

As part of developing a Business Plan for 2020-2025, Affinity Water is considering what to do next with its Social Tariff.

These next questions are about whether you would support or oppose different increases in your household's annual water bill to fund the Social Tariff.

Q5. Looking ahead, to what extent would you support or oppose Affinity water continuing to offer a Social Tariff if it meant an extra £2.50 - £3.00 on your household's water bill each year?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Tend to support
- 3) No views either way
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know

Q6a. What are the main reasons you support the Social Tariff if it means an extra £2.50 - £3.00 on your household's water bill each year?

ASK IF Q5= 1 OR 2. OPEN ENDED TEXT BOX.

Q6b. What are the main reasons you oppose the Social Tariff if it means an extra £2.50 - £3.00 on your household's water bill each year?

ASK IF Q5= 4 OR 5. OPEN ENDED TEXT BOX.

Q7. To what extent would you support or oppose the Social Tariff if it meant an extra £2.00 - £2.50 on your household's water bill each year?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Tend to support
- 3) No views either way
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know

Q8a. What are the main reasons you support the Social Tariff if it means an extra £2.00 - £2.50 on your household's water bill each year?

ASK IF Q7= 1 OR 2. OPEN ENDED TEXT BOX.

Q8b. What are the main reasons you oppose the Social Tariff if it means an extra £2.00 - £2.50 on your household's water bill each year?

ASK IF Q7= 4 OR 5. OPEN ENDED TEXT BOX.

Q9. To what extent would you support or oppose the Social Tariff if it meant an extra £1.50 - £2.00 on your household's water bill each year?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Tend to support
- 3) No views either way
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know

Q10a. What are the main reasons you support the Social Tariff if it means an extra £1.50 - £2.00 on your household's water bill each year?

ASK IF Q9= 1 OR 2. OPEN ENDED TEXT BOX.

Q10b. What are the main reasons you oppose the Social Tariff if it means an extra £1.50 - £2.00 on your household's water bill each year?

ASK IF Q9= 4 OR 5. OPEN ENDED TEXT BOX.

Q11. To what extent would you support or oppose the Social Tariff if it meant an extra £1.00 - £1.50 on your household's water your water bill each year?

ASK ALL. SINGLE CODE. ROTATE ANSWER CODES 1-5.

- 1) Strongly support
- 2) Tend to support
- 3) No views either way
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know

Q12a. What are the main reasons you support the Social Tariff if it means an extra £1.00 - £1.50 on your household's water bill each year?

ASK IF Q11= 1 OR 2. OPEN ENDED TEXT BOX.

Q12b. What are the main reasons you oppose the Social Tariff if it means an extra £1.00 - £1.50 on your household's water bill each year?

ASK IF Q11= 4 OR 5. OPEN ENDED TEXT BOX.

Q13. As mentioned earlier, the current Social Tariff caps the water bill for eligible customers who have been defined as those who have a household income less than £16,105 per annum. Currently, 47,709 customers have capped water bills, about 3.6% of all Affinity Water customers.

As part of developing a Business Plan for 2020-2025, Affinity Water is considering what to do next with its Social Tariff. Please indicate how much, if anything, you would support Affinity Water adding to your own household's water bill each year to continue to offer a Social Tariff.

ASK ALL. SINGLE CODE.

- 1) Option A – an amount greater than £3.00
- 2) Option B – £2.50 - £3.00
- 3) Option C – £2.00 - £2.50
- 4) Option D – £1.50 - £2.00
- 5) Option E – £1.00 - £1.50
- 6) Option F – an amount less than £1.00
- 7) None/don't support at all
- 8) Don't know

Q14. Finally, Affinity Water are considering different ways to support people who might need help through the Social Tariff or other ways. If you have any ideas or suggestions, please write them in the box below.

ASK ALL. OPEN ENDED TEXT BOX.

- 1) None
- 2) Don't know

Thank you for taking part. Before we finish we have a few additional questions we'd like to ask about you...

Q15. In general, who in your household is mostly responsible for filling in forms and paying household bills?

ASK ALL. SINGLE CODE. RANDOMISE CODES 1-3.

1. Mostly me
2. Jointly me and others
3. Other people
4. Don't know

Q16. Have you contacted Affinity Water for any reason in the last 12 months?

ASK ALL. SINGLE CODE ONLY. ROTATE CODES 1-2.

1. Yes
2. No
3. Can't remember

Q17. Do you have a water meter?

Properties with a water meter pay for the water they use, and those that do not pay the same amount regardless of water usage

ASK ALL. SINGLE CODE. ROTATE CODES 1-2.

1. Yes, we have a water meter
2. No, we do not have a water meter
3. Not sure

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About Ipsos MORI's Social Research Institute

The Social Research Institute works closely with national governments, local public services and the not-for-profit sector. Its c.200 research staff focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methods and communications expertise, helps ensure that our research makes a difference for decision makers and communities.

Appendix AV.A3.3

Action ref AFW.AV.A3

Ipsos Mori & Arup Phase 2 Affinity Business Plan Acceptability Survey



Ipsos MORI
Social Research Institute



June 2018

Affinity Water

Business Plan Acceptability Survey

Research report

Ben Marshall, Michael Clemence and Teodros Gebrekal

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Executive Summary

- This report summarises findings from a survey of Affinity Water customers conducted by Ipsos MORI on behalf of Affinity Water. The survey forms part of a market research programme undertaken to provide Affinity Water with insight into the views and priorities of customers to support PR19 business planning.
- Three main areas were assessed – views of Affinity Water’s performance, the acceptability of three possible business plans for 2020-2025, and attitudes towards potential changes in the provision of the Social Tariff.
- 825 Affinity Water customers were interviewed face-to-face, in-home between 4 April and 24 May 2018 across the eight water resource zones (WRZs). Data was then weighted by age, gender and tenure.

Attitudes towards water

- **Close to three quarters of Affinity Water customers are satisfied with the service they receive, and customers agree strongly on the importance of Affinity Water’s four key outcomes.** Seventy-four per cent are either very or fairly satisfied with the service they receive from Affinity Water, and at least eight in ten rate “making sure customers, communities and the environment”, “supplying high quality water you can trust”, minimising disruption to you and your community” and “providing a great service that you value” as having high importance (8 to 10 out of 10).
- **Half of customers have experienced issues with their supply over the past five years.** The most common problem selected by customers were issues around the taste, smell, colour and hardness of tap water (24%), followed by frequent low water pressure (20%).
- **Almost nine in ten customers report no difficulties in paying their overall water bill** (87%), seven per cent report finding it difficult but not missing payments, and five per cent find it hard and are also late in paying their bills. The largest proportion of Affinity Water customers – 57% - feel their water bill offers similar value for money to other utilities, while three in ten (29%) feel it provides better value for money,

Business Plan acceptability

- **All three business plans tested are considered acceptable by around three quarters of Affinity Water customers.** Plans J and K are acceptable to 78%, while the more expensive plan L is acceptable for 74%. Acceptability for all plans is broadly similar across different demographic groups, and those with less experience of paying water bills – younger people (aged 16-34) and those who are not the principal bill payer in their household – show slightly higher levels of acceptance across the plans.
- **Plan K is the plan most preferred by customers.** A third chose plan K as the best plan of the three (34%), compared with three in ten who selected plan L (31%) and less than a quarter who chose plan J (22%). Preference for plan J (the least expensive plan) is higher among those from black and minority ethnic backgrounds and those who have had issues paying bills in the past, although even among these groups plan K is more popular. Stronger preference for plan L (the costliest) is found among those from social grades ABC1 and those who see their water bill as better value for money than other utilities.

Social Tariff

- **Just under two thirds of Affinity Water customers are in support of Affinity Water spending more on the Social Tariff to support more customers** (63%). Support is higher still among those in households that receive Benefits (72%) and among customers who feel water bills are better value for money (76%). Increasing spending on the social tariff to deal with bad debt (money owed to Affinity Water that will never be repaid) was a less popular option – less than half (42%) support extra spending here, and a third (34%) oppose this step.
- **Half support varying the Social Tariff dependent on circumstance**, with those in larger households or with lower incomes receiving more assistance (50%). A third (34%) prefer the current model where the discount is the same among all eligible households. The former option is more popular among almost all demographic groups; those from black and minority ethnic backgrounds are an exception as their support for the current fixed model is similar to the level who prefer a variable Social Tariff (42% compared with 40%).
- **The largest proportion of customers – 39% – do not want to raise bills to extend Social Tariff support to more people.** However, the proportion in favour of some level of increase is larger: 25% would add £3 a year to support an additional 48,000 people and 22% would commit £1.50 per year to cover 25,000 more, meaning 47% are in favour of increased billing overall. Groups who are more in favour of keeping the level of support the same and not adding to customers' bills include those from black and minority ethnic backgrounds (49%), as well as those in receipt of benefits (48%).

Conclusions

Reflecting the qualitative research, the survey shows that the three potential Plans are acceptable to customers, suggesting that Affinity Water ought to expect backing for whichever one, or combination of these, is chosen. The survey highlights that different groups of customers – when we look at demographics and regions – have more in common than points of difference.

On the whole, customers are satisfied with the services they receive and are positive about their value and affordability. This is despite many having experienced issues relating to water supply in the past five years, and - on the evidence of other research - with most saying they know little or nothing about Affinity Water and the services it provides.

The discussion groups - which lasted 2 hours and involved briefing and deliberation - explored the reasons for the popularity of plans J, K and L. Importantly, the groups found participants struggling to fully comprehend the data presented in summaries of the three potential plans, providing important context for interpretation of survey findings.

The groups and the survey seem to point to an opportunity to pursue a Business Plan more ambitious than J, and one with leakage reduction at its core. At the same time however, findings from our survey questions about the Social Tariff indicate that customer sentiment can be swayed by the detail of proposals. Some are likely to be sensitive to additional spending, who will benefit, and why.

This means that it will be important to communicate the rationale and detail of the chosen plan to customers in clear, tangible and impactful ways, as well as delivering on key commitments.

1 Introduction

1.1 Background

Ipsos MORI was commissioned by Affinity Water to undertake survey research study as part of a series of work being undertaken to support the development of their Business Plan for the period 2020-2025.

The aim of the study was to measure 'acceptability' among customers for three potential Business Plans, to gauge customer priorities and opinions on the Social Tariff. This research was conducted alongside a programme qualitative focus group discussions which also examined public views towards the plans – reported separately – as well as a formal consultation.

1.2 Methodology

Ipsos MORI conducted a face-to-face, in-home survey involving 825 Affinity Water customers across the eight water resource zones (WRZs), or communities, served by Affinity Water.

The survey used a "random locale" selection methodology: sample points (based on Census double Output Areas) from across the eight areas were randomly selected in proportion to the population in each WRZ. Quotas for interviews within these sample points were set by age, gender and tenure.

The survey was designed to provide a representative sample of customers across all areas served by Affinity Water, rather than within each of the individual WRZs. Consequently, the number of participants within each WRZ is proportional to the size of the population within each area, ranging from 45 participants in the Brett WRZ to 257 in Pinn. As many of the regions have base sizes of under 100, they are not used for analysing the results of the survey. The analysis also shows that factors such as tenure, gender and ethnicity have more power than region in explaining differences observed in the sample.

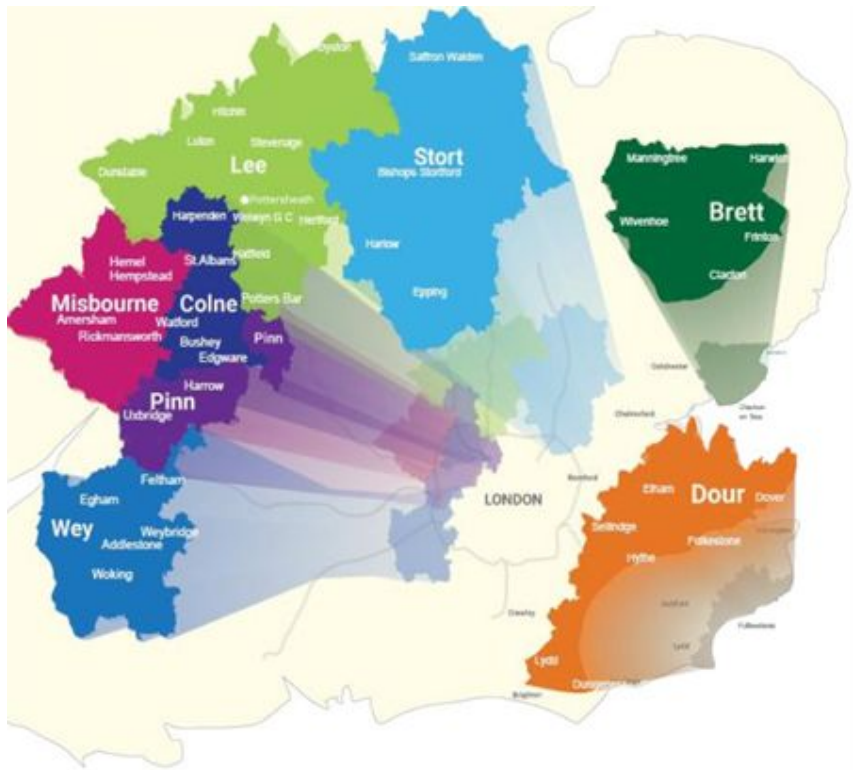


Figure 1 - Affinity Water supply areas

1.3 Interpretation of data

Quantitative research

The data in this survey is based on a sample, rather than the entire population, of Affinity Water customers. This means that results are subject to sampling tolerances and statistical confidence intervals, which are detailed in the appendices. Unless specified, any subgroup differences highlighted in this report are statistically significant.

Survey data has been weighted to match the profile of the population living in Affinity Water areas by age, tenure, work status and WRZ, based on 2011 Census data.

Where percentages do not sum to 100 per cent, this may be due to computer rounding, or when questions allow multiple answers. An asterisk (*) denotes any value less than half of one per cent but greater than zero. For some questions, we refer to "net" figures. These represent the balance of opinion on a particular statement, e.g. the proportion agreeing minus the proportion disagreeing.

Social Grade definitions

In the report we sometimes refer to "social grade". This is an employment-based classification of participants that is used in all surveys carried out by Ipsos MORI. Social grade is assigned based on the occupation of the head of household or chief income earner:

- A** Professionals such as doctors, surgeons, solicitors or dentists; chartered people like architects; fully qualified people with a large degree of responsibility such as senior editors, senior civil servants, town clerks, senior business executives and managers, and high ranking grades of the Services.
- B** People with very responsible jobs such as university lecturers, hospital matrons, heads of local government departments, middle management in business, qualified scientists, bank managers, police inspectors, and upper grades of the Armed Services.
- C1** All others doing non-manual jobs; nurses, technicians, pharmacists, salesmen, publicans, people in clerical positions, police sergeants/constables, and middle ranks of the Armed Services.
- C2** Skilled manual workers/craftsmen who have served apprenticeships; foremen, manual workers with special qualifications such as long distance lorry drivers, security officers, and lower grades of Armed Services.
- D** Semi-skilled and unskilled manual workers, including labourers and mates of occupations in the C2 grade and people serving apprenticeships; machine minders, farm labourers, bus and railway conductors, laboratory assistants, postmen, door-to-door and van salesmen.
- E** Those on lowest levels of subsistence including pensioners, casual workers, and others with minimum levels of income.

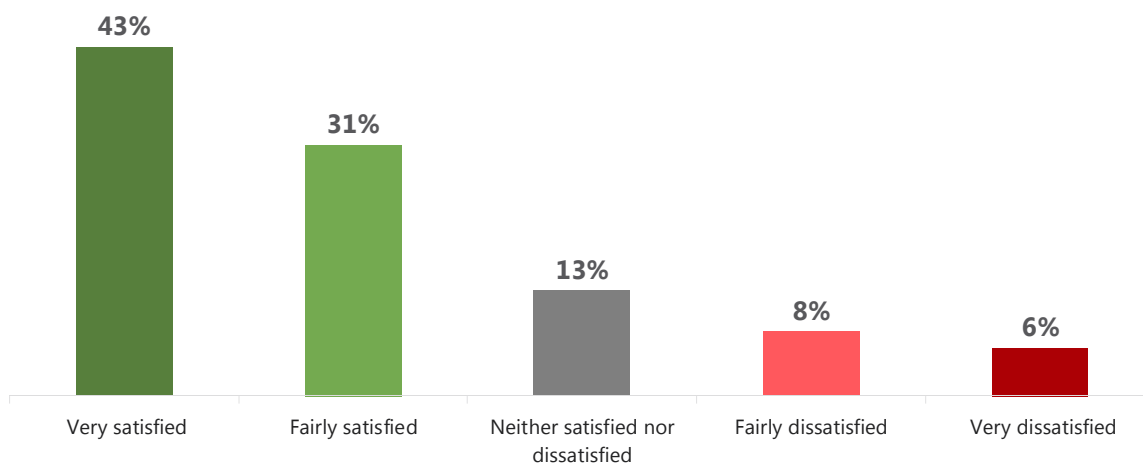
2 Customer attitudes towards water

In addition to asking about public views on Affinity Water’s draft business plans, the survey covered a wide range of key indicators to provide a clear image of the views of Affinity Water customers as context. These included satisfaction with Affinity Water, experience of water service issues, and views on the affordability of water bills.

2.1 Affinity Water’s performance

Close to three quarters of Affinity Water customers are satisfied with the service they receive (74%). The largest single group (43%) say they are *very* satisfied with Affinity Water’s performance. By contrast, one in seven say they are dissatisfied with Affinity Water, including six per cent who are very dissatisfied. A similar proportion say they are neither satisfied nor dissatisfied.

Figure 2.1: Overall, how satisfied or dissatisfied are you with the service you receive from Affinity Water?

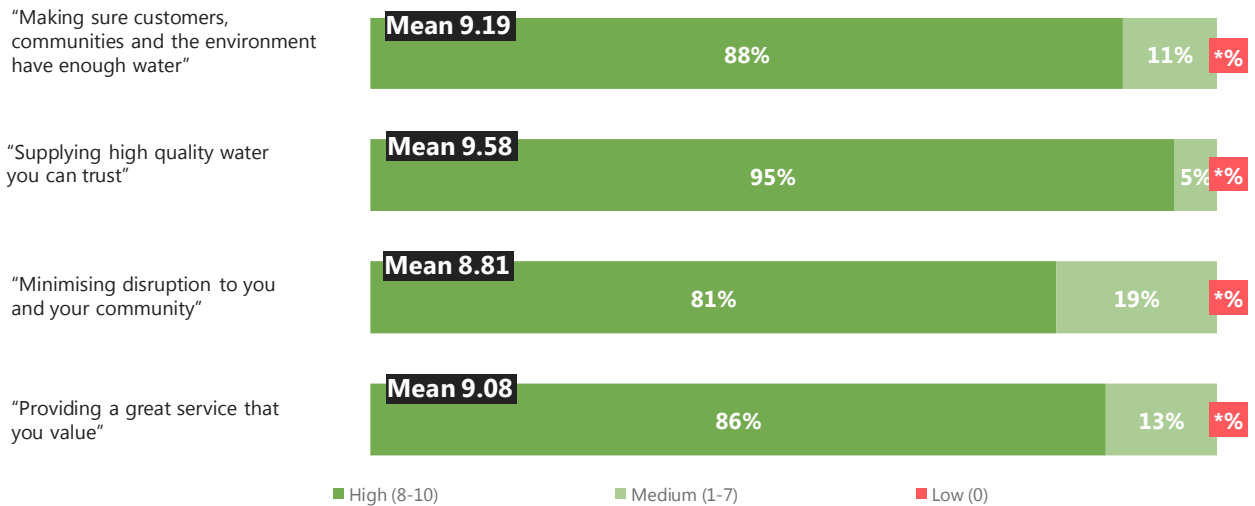


Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Dissatisfaction is higher among some subgroups of the Affinity Water customer base. Those from black and minority ethnic backgrounds are more likely to express dissatisfaction, with one in five dissatisfied (19%) compared with twelve per cent of those from white backgrounds. Those with experience of water supply issues in the past five years are also more dissatisfied (17%) than those with no recent issues (11%). By contrast, those aged 18-34, or without direct responsibility for paying water bills, are more satisfied than average (with 82% and 81% satisfaction respectively).

Customers strongly agree on the importance of Affinity Water’s four key outcomes. The strongest agreement is on “supplying high quality water you can trust”; 95% of customers rate the importance of this between eight and ten out of ten (a mean score of 9.58). However, the importance of all four commitments is rated between eight and ten out of ten by at least 80% of customers – less than a half of one per cent assign any of them “low” importance.

Figure 2.2: How important do you think each of these areas are for Affinity Water’s future plans, on a scale of 0 to 10 where 0 is not at all important and 10 is extremely important?

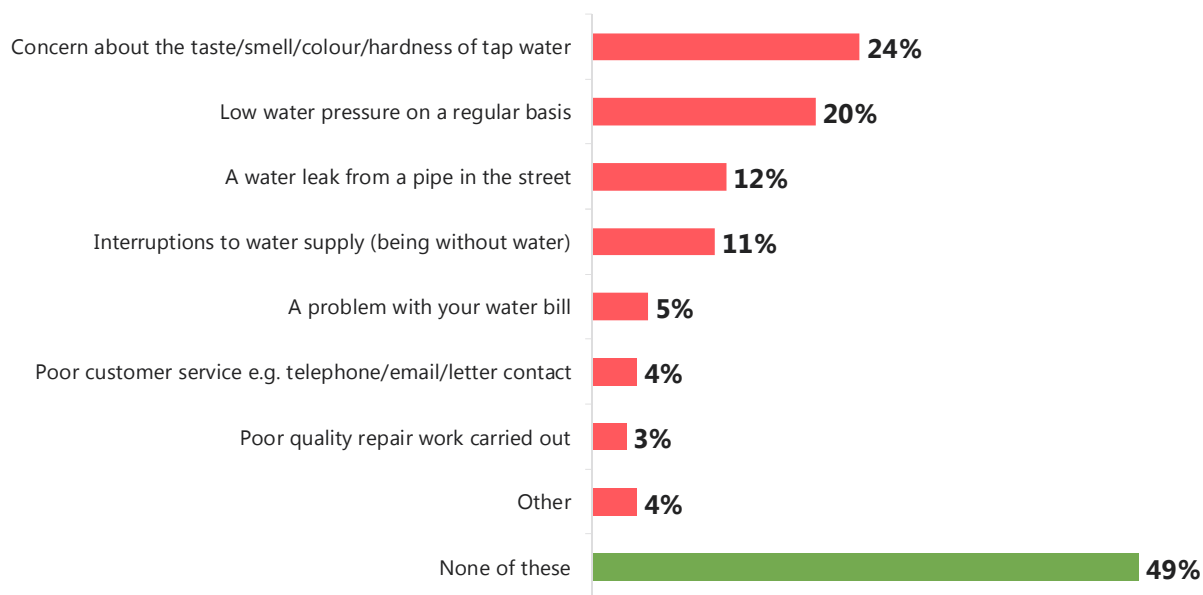


Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Different groups of Affinity Water customers are generally in agreement on the high level of importance assigned to each outcome. Men are more likely than women to consider “providing a great service that you value” a medium-level commitment (16% compared with 10%), and there are also minor differences in emphasis by social grade. Those from social grades ABC1 are slightly more likely than those in the C2DE grades to consider three of the commitments to be of high importance – these are making sure communities and the environment have enough water (91% to 82%), supplying high quality water you can trust (97% to 92%), and providing a great service you value (88% to 83%).

Half of Affinity Water customers have experienced no water service issues in the past five years (49%). Among the half who have experienced an issue the most common is concern about the taste, smell, colour or hardness of water – this has been an issue for a quarter of customers (24%).

Figure 2.3: Which, if any, of the following have you experienced in the past five years?



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

The groups most likely to have experienced issues with the taste, smell, colour and hardness of tap water include women and those from black and minority ethnic backgrounds (26% and 30% reported this sort of problem in the past five years). Those who hold negative views of Affinity Water are also more likely to have reported problems: just a third of those who are dissatisfied with Affinity Water’s performance reported no problems (34%), compared with half of those who are satisfied (54%). Similarly, just a quarter of those who think water bills are worse value for money than other utilities claim to have had *no* recent water supply issues in the past five years (26%).

2.2 Affordability and value for money

Close to nine in ten Affinity Water customers report no difficulties in paying their overall water bill including sewerage (87%), and a further seven per cent experience difficulties in paying, but always pay on time. One in twenty have greater issues with paying their bills, meaning that they miss payment deadlines either sometimes or all of the time (three per cent and two per cent respectively).

Table 2.1: How easy or difficult do you find it to pay your current water bill?

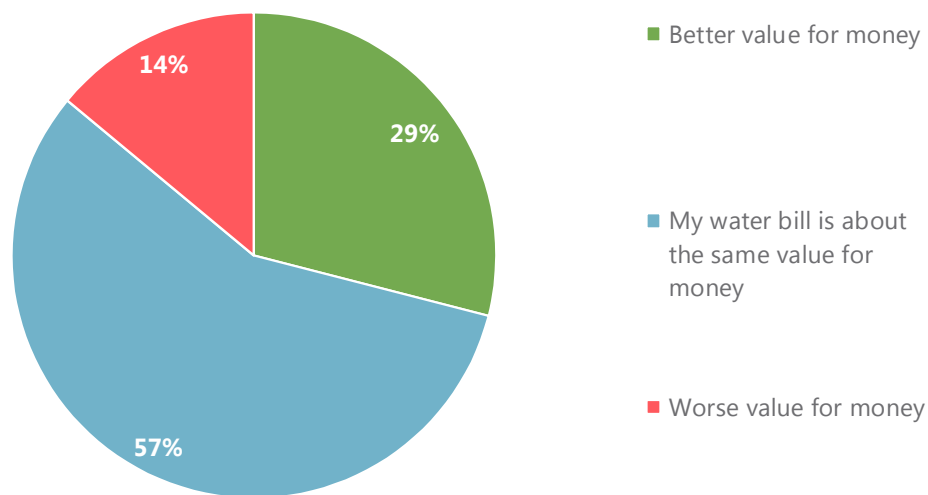
I do not have problems paying my water bill	It is difficult to pay my bill but I always pay it on time	It is difficult to pay my bill and I sometimes pay it late	It is difficult to pay my bill and I never pay it on time	Don't know
87%	7%	3%	2%	1%

Base: 825 adults aged 16+ living in Affinity Water supply areas, interviewed April-May 2018

Those who favour business plan L (the plan that projects the biggest increase in annual bills), were more likely than average to say they have no problems paying their current bills (91%). Tenure is also related to customers' ability to pay bills, with one in ten social and private renters unable to pay their water bill on time at least some of the time (11% and 9% respectively), compared with three per cent of owner-occupiers.

Three in ten customers think their water bill represents better value for money than other utilities (29%). However, the largest proportion – almost six in ten (57%) – think water bills offer the same value for money as gas, electricity or telecoms bills.

Figure 2.4: Would you say that your water bill represents better or worse value for money than other utilities, or is it about the same?



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Views on value for money appear to be strongly related to satisfaction with Affinity Water: three in ten those who are dissatisfied with Affinity water consider their bill to be worse value for money than other utilities (28%), compared with one in ten for those who are satisfied (9%). Those from black and minority ethnic backgrounds, as well as those renting in the private sector, are also more likely to see their water bill as worse value for money (23% and 22% respectively). Metering does not appear to have an effect on perceptions of value for money; satisfaction with value for money is the same across customers in both metered and unmetered properties (28% and 31%).

Three in ten customers (31%) are unsure how much their water bill is. Those who are more financially pressed are less likely to say they are unaware of their bill amount, including those in receipt of state benefits (19%), who have difficulties paying their water bill (13%) and those who see their water bill as worse value for money than other utilities (16%). As with perceptions of value for money, metering does not have an impact on bill awareness – similar proportions of those with and without meters are unaware of their bill amount (33% and 29% respectively).

3 Business Plan acceptability

Mirroring the options available in the public consultation and the qualitative research exercise for Affinity Water, survey participants were given information covering three potential business plans for 2020-2025. They were asked whether or not they considered each to be an acceptable plan for Affinity Water, and then which of the three would be their preferred option.

This chapter examines the public acceptability of each of the proposed plans, as well as what was considered the preferred plan.

3.1 Summary of business plans

The three plans were assigned random letters (J, K and L) to avoid any bias that might be caused by using A, B, and C or 1, 2 and 3. The order of plans was randomised to avoid ordering effects – a third were shown plan J first, another third saw Plan K, and the final third received plan L ahead of the others. Before being shown the plans, customers were given information on show cards about the current situation, including the average household water bill in their area and information explaining key terms that would be discussed in the plans, including repairing leaks, severe water restrictions and per capita consumption.

As each plan was presented, participants were given a showcard detailing the impacts of the plan on seven priority areas as well as the headline cost. The showcards were varied by supply area, to account for the different average bill amounts that exist in the central (WRZs 1-6), eastern (WRZ 7), and south eastern (WRZ 8) regions.

Participants were given as much time as they needed to review the information on the showcards, before being asked if they consider this an acceptable plan. Once they had reviewed all three plans, a further showcard providing a comparison across the plans was provided and participants were asked to choose their preferred plan. Participants were also able to say that they did not know which they preferred, and to say that they preferred none of the plans they had seen (full question text is detailed in the questionnaire included in the Appendices).

The full showcards are also available in an appendix to this report. For ease of reference, the topline cost impact of each plan is also presented in the table below:

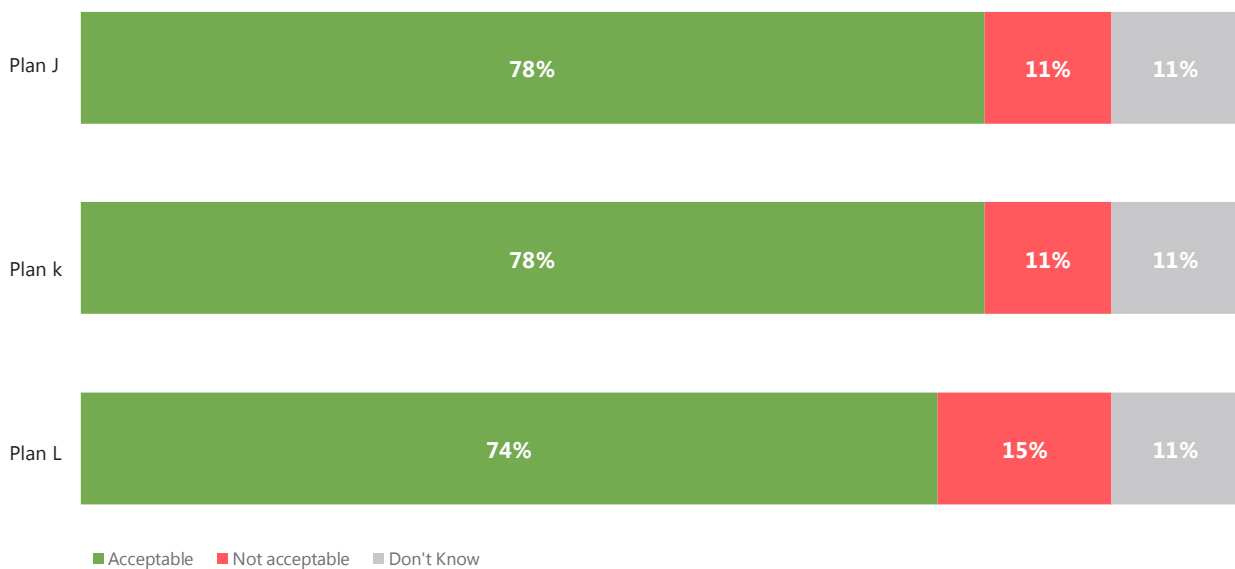
Table 3.1: Business plan information

Business Plan	Headline bill amount
J	Under this plan, your yearly bill would be £168 in 2019/20, and £157 in 2024/25
K	Under this plan, your yearly bill would be £168 in 2019/20, and £159 in 2024/25
L	Under this plan, your yearly bill would be £168 in 2019/20, and £167 in 2024/25

3.2 Customer acceptability

All three plans were, broadly, seen as acceptable by Affinity Water customers. Between 74% and 78% considered all three plans to be either very or fairly acceptable. The plan that was considered most unacceptable was plan L – however, even here, just 15% felt it was an unacceptable plan.

Figure 3.1: Taking all things into account how acceptable or unacceptable do you think this plan is?



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

While around three-quarters of Affinity Water customers consider each of the plans to be acceptable, the balance of acceptability among demographic subgroups differs between the three plans. A key pattern across the plans is that those less likely to have bill-paying responsibilities are more likely to be positive about the acceptability of the plans than those with greater responsibility – those aged 18-34 and participants who are partly or not at all responsible for paying water bills stand out in particular. Conversely, participants aged 55 and above, and those who own their home outright (who tend to be older), are relatively less accepting across all three plans. However, across all three plans a clear majority of all demographic groups feel they are acceptable.

3.2.2 Plan J

As the plan that offers the largest reduction in bills, Plan J is most strongly acceptable to customers from subgroups associated with lower incomes: a quarter of those in receipt of benefits and those who have had difficulties in paying water bills think it is “very acceptable” (both 26%) – although the overall level of acceptability for these groups is in line with the average.

Table 3.2: Business Plan J – Detailed acceptability

Plan J:	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't know	Acceptable (NET)
Total	18%	60%	9%	2%	11%	78%
Male	17%	60%	11%	2%	10%	77%
Female	20%	59%	8%	2%	11%	79%
Aged 16-34	18%	65%	5%	2%	10%	<u>83%</u>
Aged 35-54	17%	60%	11%	2%	9%	78%
Aged 55-75	20%	53%	11%	2%	13%	73%
Have Meter	20%	58%	9%	1%	11%	79%
No meter	16%	61%	9%	3%	11%	77%
White	<u>20%</u>	58%	9%	1%	11%	78%
BME	13%	64%	9%	5%	10%	77%
Main bill payer	20%	54%	13%	3%	11%	73%
Not the main bill payer	17%	65%	6%	*	10%	83%
1 – Misbourne*	27%	65%	4%	2%	3%	92%
2 – Colne*	12%	65%	10%	6%	6%	77%
3 – Lee	30%	55%	6%	1%	7%	<u>85%</u>
4 – Pinn	16%	55%	11%	3%	16%	71%
5 – Stour*	18%	61%	9%	1%	12%	78%
6 – Wey	8%	66%	10%	*	16%	74%
Is 7 – Dour*	28%	52%	7%	2%	11%	79%
8 – Brett*	7%	67%	26%	*	*	74%

Figures that are significantly different to the overall population are underlined. Categories with asterisks are too small to be considered statistically robust.

3.2.3 Plan K

Plan K is similarly acceptable to Plan J – 78% of customers rate this as either very or fairly acceptable. Compared with Plan J, the acceptability of Plan K is more uniform across different demographic groups, which may be part of the reason that Plan K emerged as the most preferred plan overall.

Table 3.3: Business Plan K – Detailed acceptability

Plan K:	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't know	Acceptable (NET)
Total	19%	59%	9%	2%	11%	78%
Male	20%	57%	9%	2%	11%	77%
Female	17%	61%	8%	2%	12%	78%
Aged 16-34	18%	<u>65%</u>	5%	*	11%	<u>83%</u>
Aged 35-54	18%	61%	10%	3%	8%	79%
Aged 55-75	20%	52%	11%	3%	15%	72%
Have Meter	18%	58%	10%	1%	12%	76%
No meter	19%	61%	7%	3%	10%	80%
White	<u>20%</u>	58%	8%	2%	12%	78%
BME	13%	64%	9%	3%	11%	77%
Main bill payer	22%	53%	11%	3%	12%	75%
Not the main bill payer	16%	66%	7%	1%	10%	81%
1 – Misbourne*	28%	59%	8%	2%	3%	87%
2 – Colne*	12%	68%	8%	6%	6%	80%
3 – Lee	26%	63%	1%	2%	8%	<u>89%</u>
4 – Pinn	16%	55%	10%	3%	16%	71%
5 – Stour*	17%	60%	11%	1%	10%	77%
6 – Wey	12%	58%	10%	*	20%	70%
7 – Dour*	26%	51%	9%	*	13%	78%
8 – Brett*	16%	56%	28%	*	*	72%

Figures that are significantly different to the overall population are underlined. Categories with asterisks are too small to be considered statistically robust.

3.2.4 Plan L

Plan L is marginally less acceptable overall – 74% of customers consider it an acceptable plan, against 78% for plans K and J. This slightly lower level of acceptability may be because it is the only plan that does not offer a cut in annual bills over 2020-2025. Acceptability is broadly in line with this overall figure across different groups, although those who have experienced water service issues recently are less likely to see it as acceptable; 69% of this group feel it is acceptable, and 21% see it as unacceptable.

Table 3.4: Business Plan L – Detailed acceptability

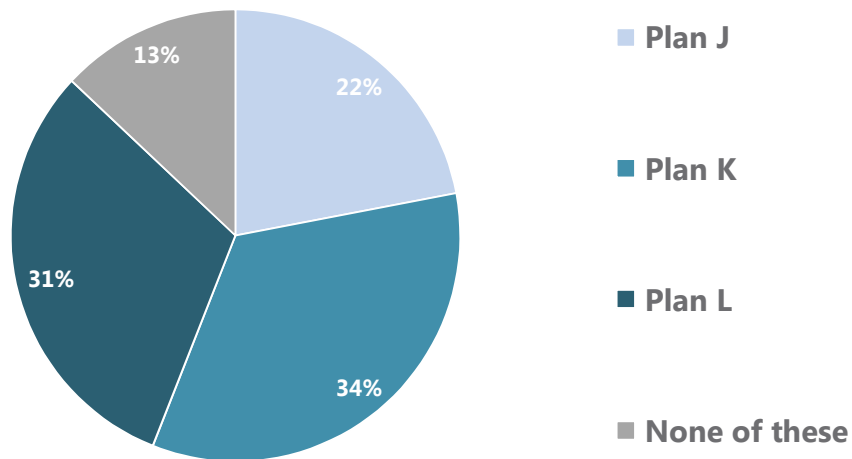
Plan L:	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't know	Acceptable (NET)
Total	19%	55%	12%	3%	11%	74%
Male	19%	56%	11%	3%	11%	75%
Female	19%	54%	13%	3%	11%	73%
Aged 16-34	17%	<u>63%</u>	8%	1%	11%	<u>80%</u>
Aged 35-54	21%	53%	14%	3%	9%	74%
Aged 55-75	18%	49%	14%	5%	14%	67%
Have Meter	18%	54%	12%	3%	12%	73%
No meter	19%	56%	12%	3%	11%	75%
White	20%	54%	12%	3%	11%	74%
BME	16%	57%	11%	4%	11%	73%
Main bill payer	19%	50%	15%	4%	11%	69%
Not the main bill payer	19%	59%	10%	2%	11%	78%
1 – Misbourne*	33%	53%	8%	4%	3%	85%
2 – Colne*	11%	66%	11%	6%	6%	77%
3 – Lee	27%	58%	6%	2%	7%	<u>84%</u>
4 – Pinn	16%	49%	12%	5%	18%	65%
5 – Stour*	15%	46%	24%	1%	13%	61%
6 – Wey	16%	60%	9%	*	15%	76%
7 – Dour*	23%	55%	9%	2%	11%	77%
8 – Brett*	3%	52%	43%	2%	*	55%

Figures that are significantly different to the overall population are underlined. Categories with asterisks are too small to be considered statistically robust.

3.3 Customers' preferred plan

Plan K was the most popular plan overall; a third (34%) of Affinity Water customers say this is their preferred option, although a similar proportion selected Plan L (31%). Plan J is the least popular, chosen by 22%.

Figure 3.2: Taking into account everything you have read, which would you prefer Affinity Water chooses as their plan for 2020-2025?



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Although Plan K is generally the most popular plan overall, this is not the case for all types of Affinity Water customer. Plan J was more popular than average among those from black and minority ethnic backgrounds (29%), customers who have experienced problems paying their water bill (32%), and those from social grades C2DE (28%), although plan K remained the most popular choice among all three groups overall. Plan L was the most popular plan for those in single person households (39%), and was joint-preferred with Plan K among those from social grades ABC1 (34%), as well as with customers who see their water bill as better value for money than other utilities (36%). Those who are dissatisfied with Affinity Water's performance are more likely to say that none of the plans is their preference; one in five of this group (20%) feel that none of the plans were their preferred option.

3.3.2 Customers' preferred business plan - detail

	<i>Plan J</i>	<i>Plan K</i>	<i>Plan L</i>	<i>None of these</i>	<i>Don't know</i>
Total	22%	34%	31%	13%	*
Male	22%	<u>33%</u>	31%	15%	*
Female	22%	<u>36%</u>	31%	11%	*
Aged 16-34	22%	<u>38%</u>	30%	9%	*
Aged 35-54	23%	<u>33%</u>	32%	13%	*
Aged 55-75	20%	<u>32%</u>	30%	17% [†]	*
Have Meter	23%	<u>34%</u>	30%	13%	*
No meter	21%	<u>35%</u>	32%	13%	*
White	20%	<u>33%</u> [†]	<u>33%</u>	13%	*
BME	29% [†]	<u>37%</u>	22%	11%	*
Main bill payer	19%	<u>36%</u>	32%	14%	*
Not the main bill payer	25% [†]	27%	<u>36%</u>	11%	1%
1 – Misbourne*	16%	<u>49%</u>	33%	2%	*
2 – Colne*	18%	32%	<u>41%</u>	9%	*
3 – Lee	25%	<u>33%</u>	25%	16%	1%
4 – Pinn	22%	<u>30%</u>	<u>30%</u>	18% [†]	*
5 – Stour	<u>36%</u>	31%	28%	5%	*
6 – Wey	9%	<u>37%</u>	36%	18%	*
7 – Dour*	<u>33%</u>	30%	27%	10%	*
8 – Brett*	36%	<u>45%</u>	16%	3%	*

Most popular plan(s) per group are underlined. Statistical significance from the overall score is denoted by "†". Categories with asterisks are too small to be considered statistically robust.

4 Social Tariff

In common with other water companies, Affinity Water provides a “Social Tariff” for households on low incomes. A Social Tariff caps the amount households have to pay for their water. As part of their business planning Affinity Water reviewed the scope and scale of the Social Tariff offered, and this survey provides a customer view on support for the principle of it, as well as the possibility of varying payment by income, plus expanding coverage in the future.

Previous research has highlighted that the public can find it challenging to understand the full context around the Social Tariff – typically, people know very little about this area meaning that it is helpful to use a deliberative questionnaire style to provide a small amount of information at each question to build understanding. Prior to each question in this section, participants were given some information to help them understand the context and provide informed responses, which also allowed more complex questions to be asked as the section progressed. In this section we will include the full question text provided since this gives important context for findings.

4.1 Views on the Social Tariff

4.1.1 Extending support

The first question covered the principle of the Social Tariff, providing background on the income threshold, the number of customers covered, and the cost of the policy. It then asked if it should be expanded to cover more customers:

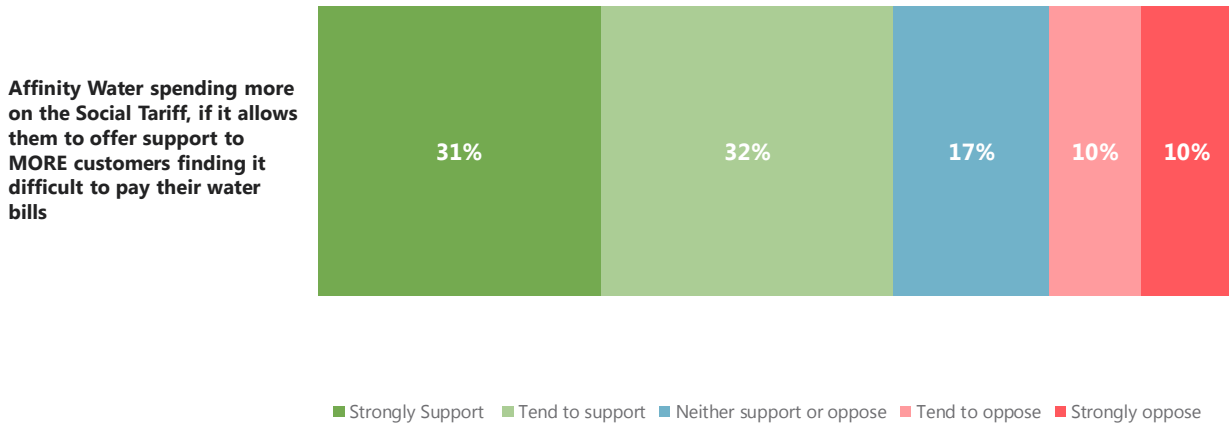
Water companies have the Government’s permission to introduce Social Tariffs in order to reduce the water bill of those customers finding it difficult to pay. This is subject to guidance and water companies need to show that they have the support of customers.

The current Social Tariff caps the water bill for households with an income below £16,105 per year. Currently, 49,000 have capped water bills, about 3.8% of all Affinity Water customers. This costs every household £3 a year.

In principle, to what extent do you support or oppose Affinity Water spending more on the Social Tariff, if it allows them to offer support to more customers finding it difficult to pay their water bills?

Just under two thirds of Affinity Water customers are in support of Affinity Water spending more on the Social Tariff if it means that more customers in difficulty can be helped (63%). One in five are opposed to Affinity Water spending more on supporting other people (20%):

Figure 4.1: In principle, to what extent do you support or oppose Affinity Water spending more on the Social Tariff, if it allows them to offer more support to customers...



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Support for extending the Social Tariff is higher among those with a more positive view of Affinity Water, as well as those with experience of the benefits system. Three quarters of those who think their water bill is better value than other utilities (76%) and two thirds of those who are satisfied with Affinity Water’s performance (66%) support spending more on the Social Tariff. Among those in receipt of state benefits, support stands at 72%.

Opposition to an increase in bills to fund a wider Social Tariff was higher among black and minority ethnic customers, a quarter of whom oppose Affinity Water spending more on it (25%). Those who are dissatisfied with Affinity Water’s performance or value for money are more opposed – three in ten of these customers oppose increasing spending on the Social Tariff (29% and 30%) – however even among these groups half support Affinity Water spending more (52% and 50%).

4.1.2 Dealing with bad debt

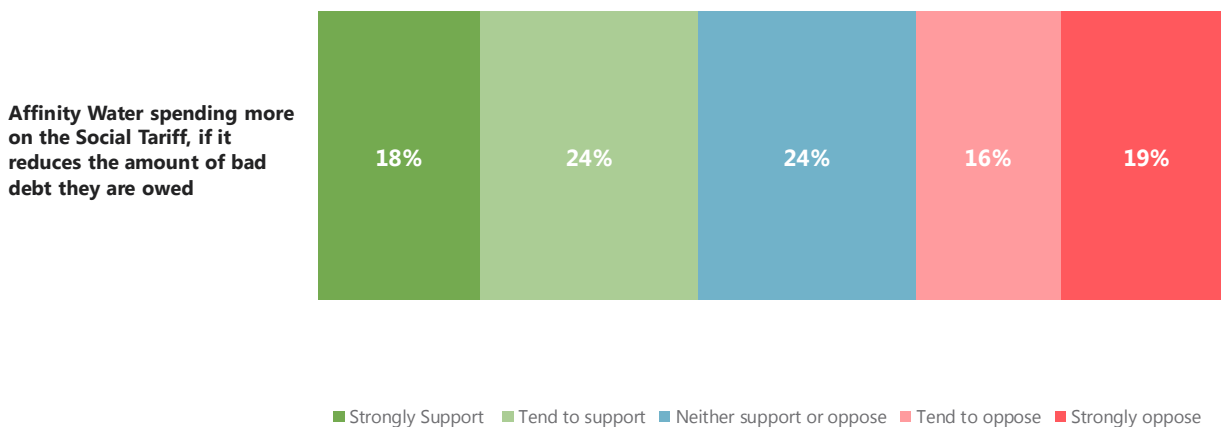
The topic of bad debt was introduced with the following background information:

Some of the money owed in bills to Affinity Water will never be repaid – this is known as “bad debt”. This cost is passed on to other customers, and is around £6 a year per household.

In principle, to what extent do you support or oppose Affinity Water spending more on the Social Tariff, if it reduces the amount of bad debt they are owed?

Support for higher spending on the Social Tariff to reduce the bad debt owed to Affinity Water is much lower. Forty-two per cent of customers would support an increase in bills to reduce bad debt, compared with 34% who would oppose such an increase. It is notable that a greater proportion – 24% - said they neither agreed nor disagreed with this proposal, suggesting perhaps that bad debt is a more challenging topic to comprehend.

Figure 4.2: In principle, to what extent do you support or oppose Affinity Water spending more on the Social Tariff, if it allows them to reduce bad debt



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Support for spending more on the Social Tariff to reduce bad debt was highest among those who rent their home from a Local Authority or Housing Association (54%), customers who receive state benefits (52%) and those whose preferred business plan was the more expensive Plan L (51%). Opposition to this proposal is fairly even across all groups, although those who feel that their bill is worse value for money than other utilities are more likely than average to oppose this idea (44%).

4.1.3 Varying the Social Tariff

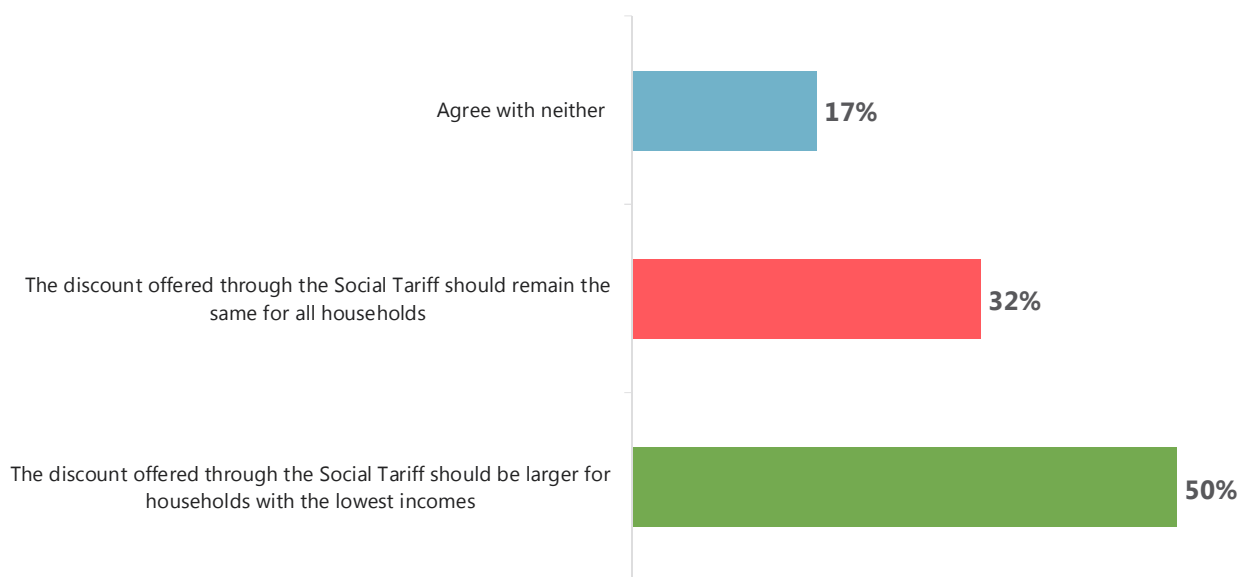
Participants were given information on the type of discount offered by the Social Tariff, and two options for how it might be applied:

Currently, the discount on water bills offered to those on the Social Tariff is the same, regardless of their income. Please consider the following options and decide which comes closest to your own opinion...

- a. The discount offered through the Social Tariff should be larger for households with the lowest incomes*
- b. The discount offered through the Social Tariff should remain the same for all households*

Half of Affinity Water customers feel that the amount offered in the Social Tariff should vary depending on household income (50%). Support for the current situation, where the discount offered is the same for all households, stands at 32%.

Figure 4.3: Please consider the following options and decide which comes closest to your own opinion...



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Support for a Social Tariff model where those with larger households or lower incomes get more support is higher than support for the current system of a flat tariff among almost all demographic subgroups. Those from black and minority ethnic backgrounds stand out here however; slightly more are in favour of the current fixed model than a variable Social Tariff (42% compared with 40%).

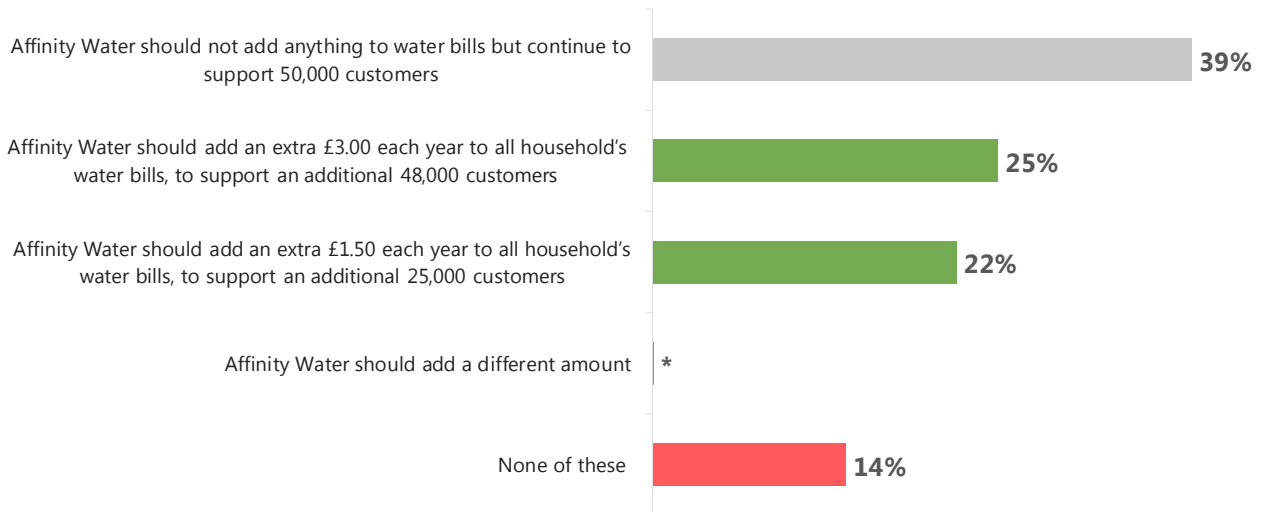
4.1.4 Extending the Social Tariff

Ahead of a question on extending the Social Tariff, participants were given information about the projected coverage at the start of the business planning period:

By 2020, Affinity Water will be supporting 50,000 customers through its Social Tariff. They are considering whether or not to extend this to include more customers for the period between 2020 and 2025.

A plurality of customers think that the Social Tariff should not be expanded to cover more households. Four in ten (39%) would rather keep coverage the same and incur no further costs to customers’ bills. However, in total, almost half (47%) think that coverage should be expanded – just over a fifth (22%) would add £1.50 to support a further 25,000 customers, and a quarter (25%) support adding £3 to annual bills to support 48,000 more.

Figure 4.4: By 2020, Affinity Water will be supporting 50,000 customers through its Social Tariff. They are considering whether or not to extend this to include more customers for the period between 2020 and 2025. Which of the following statements do you agree with most?



Base: 825 adults aged 16+ from across the Affinity Water customer areas, April-May 2018

Those most in favour of keeping the level of support the same and not adding to customers' bills include those from black and minority ethnic backgrounds (49%), as well as those in receipt of benefits (48%). It is also the most popular approach for those with a greater focus on cost: customers who selected Plan J (which offered the greatest cost reduction) as their preferred plan (48%), or feel that their water bill is worse value for money than other utilities were also more in favour (48% and 53% respectively).

By contrast, the participants most in favour of increasing the coverage (and cost) of the Social Tariff are those who appear to be more affluent. A third of those who selected the costlier Plan L as their preferred business plan are in favour of adding £3 to bills and extending coverage to 48,000 customers (33%), while over a quarter of those who see their water bill as better value for more than other utilities would add £1.50 to bills to support an additional 25,000 customers (27%).

Some customers are more likely than average to say that they agree with *none* of the proposals. Analysis of this groups suggests that it contains more customers who reject the concept of the Social Tariff more broadly – for instance, three in ten of those opposed to Affinity Water spending more on the Social Tariff in principle say they agree with none of the suggestions here (31%).

Appendices

Appendix 1 – Show Cards

1. Central Region

SHOWCARD G **Plan comparison**

	Leaks	Sustainable sourcing	Personal usage	Risk of interruptions	Severe drought restrictions	Environmental pilots	Reliability of water pressure
Plan J: £168 per year 2019/20 £157 per year in 2024/25	11% reduction	10 million litres less	129 litres per person per day	1.5% chance (1 in 65) per year	1.7% (1 in 60) chance per year	£2 million to fund new schemes	8.7 hours low pressure per year
Plan K: £168 per year 2019/20 £159 per year in 2024/25	11% reduction	10 million litres less	129 litres per person per day	0.8% chance (1 in 130) per year	1.7% (1 in 60) chance per year	£6 million to fund new schemes	6.5 hours low pressure per year
Plan L: £168 per year 2019/20 £167 per year in 2024/25	15% reduction	39 million litres less	124 litres per person per day	1.5% chance (1 in 65) per year	0.5% (1 in 200) chance per year	£2 million to fund new schemes	8.7 hours low pressure per year

Figures are in 2018 prices and do not include inflation

Central region

SHOWCARD A

Central Region

The average household water bill in your area is

£171.72

for the year starting in April 2018



Your water bills – NOW

Households are charged bills by water companies both to provide CLEAN water and to take away WASTE water. These are itemised separately on your water bill.

Affinity Water is a CLEAN or “tap water only” provider, meaning that another company looks after taking away WASTE water from your property.

However, Affinity Water charges you on their behalf so the total amount of your water bill covers both these services.



Your water bills – FUTURE

We will ask for your views about three plans Affinity Water has for its investments, service levels and changes to customer bills. This does not include WASTE water (sewage), only CLEAN (tap) water.

We will present amounts for 2019/20, and 2024/25. These do **not** include inflation.

Central region

SHOWCARD B
Central Region



Fixing leaks

With a network of over 16,000 kilometres of pipes, leaks do happen. Affinity Water makes around 27,000 leakage repairs to its network a year.

Currently, 19% of water is lost through leakage, about 115 litres per household, which includes about 5% from customer pipes.



Reducing personal water use

The areas served by Affinity Water have some of the fastest-growing populations in Britain. Currently, Affinity Water customers use 160 litres (35 gallons) each per day, which is above the national average of 141 litres.

As water is a limited resource, it is important to help people reduce their water usage. This can be done through water meters, free water-saving devices for the home, and more communication on this topic.

Sourcing water more sustainably

Two thirds (65%) of water used by Affinity Water customers comes from local underground sources (called aquifers). Taking water from these sources could mean there is less for local rivers and the environment.



Additional funding could pay for water from other areas (e.g. water could be piped from further away).

Risk of interruptions

Unexpected interruptions to water supply can happen without warning, usually because of a burst water main in the nearby area. A water supply interruption is one that lasts more than 3 hours. In 2016/17 there were 79,000 of these types of interruptions.



Based on this figure, Affinity Water's customers can currently expect to experience a 5%, or a 1 in 20 chance, per year, of an interruption of longer than 3 hours.

Central region

SHOWCARD C
Central Region



Severe drought restrictions

Severe drought restrictions go much further than hosepipe bans e.g. water could be rationed through standpipes in the street and water companies are able to take water from sources they would not normally use.

Affinity Water's plans would reduce the likelihood of this happening, reducing the chance of needing to use these severe drought restrictions.

Environmental pilot projects

Affinity Water has earmarked money to fund new approaches to support their local environment. These would be "pilots", or experiments in small areas, with successful experiments leading to them being used on a wider scale.



The money would be used to find and fund new ideas. Examples include working in partnership with schools to help them better understand and reduce their water use and to educate pupils about water use, working with community groups, and developers to develop more water efficient homes.



Reliability of water pressure

Reducing insufficient or irregular pressure at the property boundary (below 15m) can affect service to customers and is one of the most common customer complaints. Poor pressure can be caused by one off operational incidents, high demand or network configuration.

Currently, poor pressure is experienced, on average, for 13 hours per property per year.


Affinity Water's plans will prioritise pressure improvement schemes to target those properties which currently receive the most frequent drops in mains pressure.

Central region

SHOWCARD D **Plan J:**
Central Region



Fixing leaks
11% reduction in current leakage levels

Sourcing water more sustainably
Taking 10 million litres per day less from the environment 




Reducing personal water use
129 litres per person per day, down from 160 now

Risk of interruptions
Reducing the likelihood of interruptions longer than 3 hours to a 0.8% chance (1 in 130)



Severe drought restrictions
Reducing the chance of needing to use these from 2.5% to 1.7% per year (1 in 60)

Environmental pilot projects
£2 million to fund innovation in your area 



Reliability of water pressure
Reducing periods of low pressure for some to 8.7 hours per year

Under this plan, your yearly bill would be **£168** in 2019/20, and **£157** in 2024/25


Figures are in 2018 prices and do not include inflation

Central region

SHOWCARD E **Plan K:**
Central Region



Fixing leaks
11% reduction in current leakage levels

Sourcing water more sustainably
Taking 10 million litres per day less from the environment 




Reducing personal water use
129 litres per person per day, down from 160 now

Risk of interruptions
Reducing the likelihood of interruptions longer than 3 hours to a 1.5% chance (1 in 65)



Severe drought restrictions
Reducing the chance of needing to use these from 2.5% to 1.7% per year (1 in 60)

Environmental pilot projects
£6 million to fund innovation in your area 



Reliability of water pressure
Reducing periods of low pressure for some to 6.5 hours per year

Under this plan, your yearly bill would be **£168** in 2019/20, and **£159** in 2024/25

Figures are in 2018 prices and do not include inflation

Central region

2. Eastern Region

SHOWCARD G Plan comparison

	Leaks	Sustainable sourcing	Personal usage	Risk of interruptions	Severe drought restrictions	Environmental pilots	Reliability of water pressure
Plan J: £171 per year 2019/20 £160 per year in 2024/25	11% reduction	10 million litres less	129 litres per person per day	1.5% chance (1 in 65) per year	1.7% (1 in 60) chance per year	£2 million to fund new schemes	8.7 hours low pressure per year
Plan K: £171 per year 2019/20 £162 per year in 2024/25	11% reduction	10 million litres less	129 litres per person per day	0.8% chance (1 in 130) per year	1.7% (1 in 60) chance per year	£6 million to fund new schemes	6.5 hours low pressure per year
Plan L: £171 per year 2019/20 £170 per year in 2024/25	15% reduction	39 million litres less	124 litres per person per day	1.5% chance (1 in 65) per year	0.5% (1 in 200) chance per year	£2 million to fund new schemes	8.7 hours low pressure per year

Figures are in 2018 prices and do not include inflation

Eastern region

SHOWCARD A Eastern Region

The average household water bill in your area is

£175.33

for the year starting in April 2018



Your water bills – NOW

Households are charged bills by water companies both to provide CLEAN water and to take away WASTE water. These are itemised separately on your water bill.

Affinity Water is a CLEAN or “tap water only” provider, meaning that another company looks after taking away WASTE water from your property.

However, Affinity Water charges you on their behalf so the total amount of your water bill covers both these services.



Your water bills – FUTURE

We will ask for your views about three plans Affinity Water has for its investments, service levels and changes to customer bills. This does not include WASTE water (sewage), only CLEAN (tap) water.

We will present amounts for 2019/20, and 2024/25. These do **not** include inflation.

SHOWCARD B

Eastern Region



Fixing leaks

With a network of over 16,000 kilometres of pipes, leaks do happen. Affinity Water makes around 27,000 leakage repairs to its network a year.

Currently, 19% of water is lost through leakage, about 115 litres per household, which includes about 5% from customer pipes.



Reducing personal water use

The areas served by Affinity Water have some of the fastest-growing populations in Britain. Currently, Affinity Water customers use 160 litres (35 gallons) each per day, which is above the national average of 141 litres.

As water is a limited resource, it is important to help people reduce their water usage. This can be done through water meters, free water-saving devices for the home, and more communication on this topic.

Sourcing water more sustainably

Two thirds (65%) of water used by Affinity Water customers comes from local underground sources (called aquifers). Taking water from these sources could mean there is less for local rivers and the environment.



Additional funding could pay for water from other areas (e.g. water could be piped from further away).

Risk of interruptions

Unexpected interruptions to water supply can happen without warning, usually because of a burst water main in the nearby area. A water supply interruption is one that lasts more than 3 hours. In 2016/17 there were 79,000 of these types of interruptions.



Based on this figure, Affinity Water’s customers can currently expect to experience a 5%, or a 1 in 20 chance, per year, of an interruption of longer than 3 hours.

Eastern region

SHOWCARD C

Eastern Region



Severe drought restrictions

Severe drought restrictions go much further than hosepipe bans e.g. water could be rationed through standpipes in the street and water companies are able to take water from sources they would not normally use.

Affinity Water’s plans would reduce the likelihood of this happening, reducing the chance of needing to use these severe drought restrictions.

Environmental pilot projects

Affinity Water has earmarked money to fund new approaches to support their local environment. These would be “pilots”, or experiments in small areas, with successful experiments leading to them being used on a wider scale.



The money would be used to find and fund new ideas. Examples include working in partnership with schools to help them better understand and reduce their water use and to educate pupils about water use, working with community groups, and developers to develop more water efficient homes.



Reliability of water pressure

Reducing insufficient or irregular pressure at the property boundary (below 15m) can affect service to customers and is one of the most common customer complaints. Poor pressure can be caused by one off operational incidents, high demand or network configuration.

Currently, poor pressure is experienced, on average, for 13 hours per property per year.

Affinity Water’s plans will prioritise pressure improvement schemes to target those properties which currently receive the most frequent drops in mains pressure.

Eastern region

SHOWCARD D **Plan J:**
Eastern Region



Fixing leaks

11% reduction in current leakage levels

Sourcing water more sustainably

Taking 10 million litres per day less from the environment



Reducing personal water use

129 litres per person per day, down from 160 now

Risk of interruptions
 Reducing the likelihood of interruptions longer than 3 hours to a 0.8% chance (1 in 130)



Severe drought restrictions

Reducing the chance of needing to use these from 2.5% to 1.7% per year (1 in 60)

Environmental pilot projects

£2 million to fund innovation in your area




Reliability of water pressure


Reducing periods of low pressure for some to 8.7 hours per year


Under this plan, your yearly bill would be
£171 in 2019/20, and **£160** in 2024/25


Figures are in 2018 prices and do not include inflation


SHOWCARD E **Plan K:**
Eastern Region


 **Fixing leaks**
11% reduction in current leakage levels


Sourcing water more sustainably
Taking 10 million litres per day less from the environment 

 **Reducing personal water use**
129 litres per person per day, down from 160 now

Risk of interruptions 
Reducing the likelihood of interruptions longer than 3 hours to a 1.5% chance (1 in 65)

 **Severe drought restrictions**
Reducing the chance of needing to use these from 2.5% to 1.7% per year (1 in 60)

Environmental pilot projects 
£6 million to fund innovation in your area


 **Reliability of water pressure**
Reducing periods of low pressure for some to 6.5 hours per year


Under this plan, your yearly bill would be **£171** in 2019/20, and **£162** in 2024/25


Figures are in 2018 prices and do not include inflation


Eastern region


SHOWCARD F **Plan L:**
Eastern Region


 **Fixing leaks**
15% reduction in current leakage levels


Sourcing water more sustainably
Taking 39 million litres per day less from the environment 

 **Reducing personal water use**
124 litres per person per day, down from 160 now

Risk of interruptions 
Reducing the likelihood of interruptions longer than 3 hours to a 0.8% chance (1 in 130)

 **Severe drought restrictions**
Reducing the chance of needing to use these from 2.5% to 0.5% per year (1 in 200)

Environmental pilot projects 
£2 million to fund innovation in your area

 **Reliability of water pressure**
Reducing periods of low pressure for some to 8.7 hours per year

Under this plan, your yearly bill would be **£171** in 2019/20, and **£170** in 2024/25

Figures are in 2018 prices and do not include inflation

Eastern region

3. South Eastern Region

SHOWCARD G Plan comparison

	Leaks	Sustainable sourcing	Personal usage	Risk of interruptions	Severe drought restrictions	Environmental pilots	Reliability of water pressure
Plan J: £198 per year 2019/20 £185 per year in 2024/25	11% reduction	10 million litres less	129 litres per person per day	1.5% chance (1 in 65) per year	1.7% (1 in 60) chance per year	£2 million to fund new schemes	8.7 hours low pressure per year
Plan K: £198 per year 2019/20 £188 per year in 2024/25	11% reduction	10 million litres less	129 litres per person per day	0.8% chance (1 in 130) per year	1.7% (1 in 60) chance per year	£6 million to fund new schemes	6.5 hours low pressure per year
Plan L: £198 per year 2019/20 £197 per year in 2024/25	15% reduction	39 million litres less	124 litres per person per day	1.5% chance (1 in 65) per year	0.5% (1 in 200) chance per year	£2 million to fund new schemes	8.7 hours low pressure per year

Figures are in 2018 prices and do not include inflation

South eastern region

SHOWCARD A South Eastern

The average household water bill in your area is

£203.65

for the year starting in April 2018



Your water bills – NOW

Households are charged bills by water companies both to provide CLEAN water and to take away WASTE water. These are itemised separately on your water bill.

Affinity Water is a CLEAN or “tap water only” provider, meaning that another company looks after taking away WASTE water from your property.

However, Affinity Water charges you on their behalf so the total amount of your water bill covers both these services.



Your water bills – FUTURE

We will ask for your views about three plans Affinity Water has for its investments, service levels and changes to customer bills. This does not include WASTE water (sewage), only CLEAN (tap) water.

We will present amounts for 2019/20, and 2024/25. These do **not** include inflation.

South eastern region

SHOWCARD B

South Eastern



Fixing leaks

With a network of over 16,000 kilometres of pipes, leaks do happen. Affinity Water makes around 27,000 leakage repairs to its network a year.

Currently, 19% of water is lost through leakage, about 115 litres per household, which includes about 5% from customer pipes.



Reducing personal water use

The areas served by Affinity Water have some of the fastest-growing populations in Britain. Currently, Affinity Water customers use 160 litres (35 gallons) each per day, which is above the national average of 141 litres.

As water is a limited resource, it is important to help people reduce their water usage. This can be done through water meters, free water-saving devices for the home, and more communication on this topic.

Sourcing water more sustainably

Two thirds (65%) of water used by Affinity Water customers comes from local underground sources (called aquifers). Taking water from these sources could mean there is less for local rivers and the environment.



Additional funding could pay for water from other areas (e.g. water could be piped from further away).

Risk of interruptions

Unexpected interruptions to water supply can happen without warning, usually because of a burst water main in the nearby area. A water supply interruption is one that lasts more than 3 hours. In 2016/17 there were 79,000 of these types of interruptions.



Based on this figure, Affinity Water's customers can currently expect to experience a 5%, or a 1 in 20 chance, per year.

South eastern region

SHOWCARD C

South Eastern



Severe drought restrictions

Severe drought restrictions go much further than hosepipe bans e.g. water could be rationed through standpipes in the street and water companies are able to take water from sources they would not normally use.

Affinity Water's plans would reduce the likelihood of this happening, reducing the chance of needing to use these severe drought restrictions.

Environmental pilot projects

Affinity Water has earmarked money to fund new approaches to support their local environment. These would be "pilots", or experiments in small areas, with successful experiments leading to them being used on a wider scale.



The money would be used to find and fund new ideas. Examples include working in partnership with schools to help them better understand and reduce their water use and to educate pupils about water use, working with community groups, and developers to develop more water efficient homes.



Reliability of water pressure

Reducing insufficient or irregular pressure at the property boundary (below 15m) can affect service to customers and is one of the most common customer complaints. Poor pressure can be caused by one off operational incidents, high demand or network configuration.

Currently, poor pressure is experienced, on average, for 13 hours per property per year.

Affinity Water plans will prioritise pressure improvement schemes to target those properties which currently receive the most frequent drops in mains pressure.


South eastern region

SHOWCARD D **Plan J:**
South Eastern



Fixing leaks

11% reduction in current leakage levels

Sourcing water more sustainably
Taking 10 million litres per day less from the environment 




Reducing personal water use

129 litres per person per day, down from 160 now



Severe drought restrictions

Reducing the chance of needing to use these from 2.5% to 1.7% per year (1 in 60)

Environmental pilot projects
£2 million to fund innovation in your area 



Reliability of water pressure

Reducing periods of low pressure for some to 8.7 hours per year



Risk of interruptions

Reducing the likelihood of interruptions longer than 3 hours to a 0.8% chance (1 in 130)

Under this plan, your yearly bill would be **£198** in 2019/20, and **£185** in 2024/25

Figures are in 2018 prices and do not include inflation


South eastern region

SHOWCARD E **Plan K:**
South Eastern



Fixing leaks

11% reduction in current leakage levels

Sourcing water more sustainably
Taking 10 million litres per day less from the environment 




Reducing personal water use

129 litres per person per day, down from 160 now



Severe drought restrictions

Reducing the chance of needing to use these from 2.5% to 1.7% per year (1 in 60)

Environmental pilot projects
£6 million to fund innovation in your area 



Reliability of water pressure

Reducing periods of low pressure for some to 6.5 hours per year



Risk of interruptions

Reducing the likelihood of interruptions longer than 3 hours to a 1.5% chance (1 in 65)

Under this plan, your yearly bill would be **£198** in 2019/20, and **£188** in 2024/25

Figures are in 2018 prices and do not include inflation


South eastern region

SHOWCARD F **Plan L:**
South Eastern



Fixing leaks


15% reduction in current leakage levels

Sourcing water more sustainably
Taking 39 million litres per day less from the environment 



Reducing personal water use


124 litres per person per day, down from 160 now

Risk of interruptions 
Reducing the likelihood of interruptions longer than 3 hours to a 0.8% chance (1 in 130)



Severe drought restrictions

Reducing the chance of needing to use these from 2.5% to 0.5% per year (1 in 200)

Environmental pilot projects 
£2 million to fund innovation in your area



Reliability of water pressure

Reducing periods of low pressure for some to 8.7 hours per year

Under this plan, your yearly bill would be **£198** in 2019/20, and **£197** in 2024/25

Figures are in 2018 prices and do not include inflation

Appendix 2 – Sample Profile

Sample profile – summary

N= 825		Unweighted		Weighted	
		Base	%	Base	%
Gender	Male	434	53%	404	49%
	Female	390	47%	421	51%
Age	Aged 16 - 34	208	25%	256	31%
	Aged 35 - 54	308	37%	297	36%
	Aged 55 +	309	37%	272	33%
Meter status	Yes	477	58%	466	56%
	No	348	42%	359	44%
Ethnicity	White	636	77%	630	76%
	BME	183	22%	190	23%
Water Resource Zone	WRZ 1 – Misbourne	70	8%	74	9%
	WRZ 2 – Colne	91	11%	99	12%
	WRZ 3 – Lee	163	20%	165	20%
	WRZ 4 – Pinn	231	28%	223	27%
	WRZ 5 - Stour	78	9%	66	8%
	WRZ 6 – Wey	109	13%	124	15%
	WRZ 7 – Dour	52	6%	41	5%
	WRZ 8 - Brett	31	4%	33	4%

Appendix 3 - Survey Questionnaire

Affinity Water PR19 – Business Plan Acceptability Survey questionnaire

Face-to-face, in-home survey – n800 customers, target = 20 minutes

Section A: Introduction

Hello, my name is.... And I am an interviewer working for Ipsos MORI, the independent market research organisation.

We are carrying out a survey on behalf of Affinity Water, who supply drinking water to properties in your area. They are interested in talking to local residents to understand their views about water, and to get opinions on their plans for water supply and billing over the next few years. We are looking to speak to people with a wide range of experiences – you do not need to be an expert to take part.

The survey should take about 20 minutes to complete. Would you be interested in taking part?

IF NEEDED: Your participation in this research will be confidential and anonymous – we will not tell Affinity Water who took part. Ipsos MORI is bound by the terms of the Market Research Society code of practice and the Data Protection Act/General Data Protection Regulation.

Thank you for agreeing to take part! To make sure we talk to as wide a range of people as possible, I'd like to ask a few questions about you and your household.

Q1. INTERVIEWER RECORD GENDER. OR ASK: Which of the following describes how you think of yourself? SINGLE CODE. ASK ALL. READ OUT.

1. Male
2. Female
3. In another way
4. Prefer not to say

Q2. What was your age last birthday? RECORD EXACT AGE. ASK ALL

Q3. In which of these ways does your household occupy your current home?

ASK ALL. SHOW SCREEN. RANDOMISE CODES.

1. Own outright
2. Buying on a mortgage
3. Rent from Council
4. Rent from Housing Association/Trust
5. Rent from a private landlord
6. Other

Section B: Current levels of service

First, I'd like to find out a little bit more about your views on water supply and Affinity Water.

Q4. How important do you think each of these areas are for Affinity Water's future plans, on a scale of 0 to 10 where 0 is not at all important and 10 is extremely important?

ASK ALL. SINGLE CODE PER STATEMENT. RANDOMISE STATEMENTS. SHOW SCREEN.

- a) Making sure customers, communities and the environment have enough water**
- b) Supplying high quality water you can trust**
- c) Minimising disruption to you and your community**
- d) Providing a great service that you value.**

SLIDING SCALE

- 1) 0 – Not at all important
- 2) 1
- 3) 2
- 4) 3
- 5) 4
- 6) 5
- 7) 6
- 8) 7
- 9) 8
- 10) 9
- 11) 10 – Extremely important
- 12) Don't know

Q5. Overall, how satisfied or dissatisfied are you with the service you receive from Affinity Water?

ASK ALL. SINGLE CODE. SHOW SCREEN, ROTATE CODES 1-5.

- 1. Very satisfied
- 2. Fairly satisfied
- 3. Neither satisfied nor dissatisfied
- 4. Fairly dissatisfied
- 5. Very dissatisfied
- 6. Don't know (MASKED FROM SHOW SCREEN)

Q6. Which, if any, of the following have you experienced in the last 5 years? Please read out the letters of each that applies.

ASK ALL. SHOW SCREEN. MULTICODE. RANDOMISE CODES.

1. A - Low water pressure on a regular basis
2. B - Interruptions to water supply (being without water)
3. C - A water leak from a pipe in the street
4. D - Poor quality repair work carried out
5. E - Concern about the taste/smell/colour/hardness of tap water
6. F - A problem with your water bill
7. G - Poor customer service e.g. telephone/email/letter contact
8. H – Other (SPECIFY)
9. None of these (EXCLUSIVE CODE)

Section C: Current bills

Q7. Into which of these bands does your household water bill fall into? If you don't know or are not sure, please give us your best estimate. We are interested in your TOTAL bill that is what you pay Affinity Water for CLEAN water and another supplier to take WASTE water, sewage, away. It might be that Affinity Water send you a bill for CLEAN and WASTE water before transferring this money to the other supplier.

Please just read out the letter that applies.

ASK ALL. SHOWCARD. SINGLE CODE

INTERVIEWER: IF ASKED, RESPONDENT DOES NOT NEED TO CHECK BILLS - WE ARE AFTER THEIR IMPRESSIONS AND DON'T KNOW IS ALLOWED

	TOTAL WATER		
	Per WEEK	Per MONTH	Per YEAR
A	Less than £3.50	Less than £13	Less than £150
B	£3.51 - £4.00	£13-£16	£151-£200
C	£4.01 - £5.00	£17-£20	£201-£250
D	£5.01 - £6.00	£21-£24	£251-£300
E	£6.01 - £7.00	£25-£28	£301-£350
F	£7.01 - £8.00	£29-£32	£351-£400
G	£8.01 - £9.00	£33-£37	£401-£450
H	£9.01 - £10.00	£38-£41	£451-£500
I	£10.01 - £11.00	£42-£45	£501-£550
J	£11.01 - £12.50	£46-£50	£551-£600
K	More than £12.50	More than £50	More than £600
L	Don't know	Don't know	Don't know

Q8. How easy or difficult do you find it to pay your current water bill? Again, I am interested in your TOTAL water bill overall, that is including CLEAN and WASTE water. Please just read out the letter that applies.

ASK ALL. SINGLE CODE. SHOW SCREEN. ROTATE OPTIONS 1-4.

1. A - I do not have problems paying my water bill
2. B - It is difficult to pay my bill but I always pay it on time
3. C - It is difficult to pay my bill and I sometimes pay it late
4. D - It is difficult to pay my bill and I never pay it on time
5. Don't know (MASKED FROM SHOW SCREEN)

Q9. Now thinking about all the types of utility bills you might pay – for example, gas, electricity and telephone/broadband – would you say that your water bill represents better or worse value for money than these, or is it about the same? Again, by water I mean your TOTAL water bill.

ASK ALL. SINGLE CODE. SHOW SCREEN. ROTATE OPTIONS 1-5.

1. My water bill is much better value for money
2. My water bill is slightly better value for money
3. My water bill is about the same value for money
4. My water bill is slightly worse value for money
5. My water bill is much worse value for money

6. Don't know (MASKED FROM SHOW SCREEN)

Section D: Business Plan acceptability and testing

INTERVIEWER: READ OUT

The bills that are charged to households by water companies are set every five years. They are based on an agreement between each water company and Ofwat, the Government regulator.

Affinity Water is currently consulting with its customers about what its service levels and water bills should be over the period 2020-2025. This survey is part of that consultation.

In setting future bills, Affinity Water and Ofwat aim to take into account the interests of customers and also ensure that legally required standards for water services are met. These include ensuring tap water is safe to drink.

As part of the process for setting bills for the period 2020–2025, all water companies are developing Business Plans that set out investments that are needed to maintain and improve water services from 2020 onwards.

Next I would like to ask for your views on three plans for Affinity Water. We have called these Plans J, K, and L. I am going to ask you about three plans individually first - each one is different - before asking you to look at them together in one go.

INTERVIEWER: GIVE SHOWCARDS A B and C TO PARTICIPANT. ASK THEM TO READ SHOWCARD A ONLY AND TO HAVE A, B AND C TO HAND IF THEY NEED TO REFER TO THEM.

SCRIPT: ROTATE ORDER OF Q10-Q12

Q10. SHOWCARD D

INTERVIEWER: ALLOW PARTICIPANT A MINUTE TO READ THROUGH SHOWCARD D –AND REFER THEM TO SHOWCARDS B AND C FOR THEM TO USE IF NEEDED

Here is Plan J. The showcard tells you the impacts it would have across different areas including the average household water bill in your area for CLEAN water, excluding WASTE/sewage.

Taking all things into account, how acceptable or unacceptable do you think this plan is?

I will give you a minute or so to read the card.

ASK ALL. SINGLE CODE. READ OUT.

1. Very acceptable
2. Fairly acceptable

3. Not very acceptable
4. Not acceptable at all
5. Don't know

Q11. SHOWCARD E

INTERVIEWER: TAKE SHOWCARD D FROM PARTICIPANT

INTERVIEWER: ALLOW PARTICIPANT A MINUTE TO READ THROUGH SHOWCARD E – AND REFER THEM TO SHOWCARDS B AND C FOR THEM TO USE IF NEEDED

Here is Plan K. This showcard tells you the impacts it would have across different areas including the average household water bill in your area for CLEAN water, excluding WASTE/sewage.

Taking all things into account, how acceptable or unacceptable do you think this plan is?

I will give you a minute or so to read the card.

ASK ALL. SINGLE CODE. READ OUT.

1. Very acceptable
2. Fairly acceptable
3. Not very acceptable
4. Not acceptable at all
5. Don't know

Q12. SHOWCARD F

INTERVIEWER: TAKE SHOWCARD E FROM PARTICIPANT

INTERVIEWER: ALLOW PARTICIPANT A MINUTE TO READ THROUGH SHOWCARD F – AND REFER THEM TO SHOWCARDS B AND C FOR THEM TO USE IF NEEDED

Here is Plan L. This showcard tells you the impacts it would have across different areas including the average household water bill in your area for CLEAN water, excluding WASTE/sewage.

Taking all things into account, how acceptable or unacceptable do you think this plan is?

I will give you a minute or so to read the card.

ASK ALL. SINGLE CODE. READ OUT.

1. Very acceptable
2. Fairly acceptable
3. Not very acceptable
4. Not acceptable at all
5. Don't know

<Pre-question information screen>

INTERVIEWER:

THE FOLLOWING QUESTION INCLUDES HIDDEN RESPONSES WE DON'T WANT TO PRESENT TO THE PARTICIPANT.

IF THE PARTICIPANTS ANSWER DOESN'T FIT WITH THE OPTIONS ON THE NEXT SCREEN PLEASE SELECT NEXT WITHOUT ENTERING A RESPONSE TO FIND THE HIDDEN RESPONSES.

Q13. SHOWCARD G

INTERVIEWER: TAKE SHOWCARD F FROM PARTICIPANT
ALLOW PARTICIPANT A MINUTE TO READ THROUGH SHOWCARD G – AND REFER THEM TO SHOWCARDS B AND C FOR THEM TO USE IF NEEDED

This card shows all three of the plans you have looked at. Taking into account everything you have read, which would you prefer Affinity Water chooses as their plan for 2020-2025?

Again, I will give you a minute or so to read the card.

ASK ALL. SINGLE CODE. SHOW CARD.

1. Plan J
2. Plan K
3. Plan L
4. Something else (SPECIFY) [ON SECOND SCREEN]
5. None of these
6. Don't know

INTERVIEWER: COLLECT ALL SHOWCARDS

Section E: Social Tariff

Now on a different topic...

READ OUT

Q14. Water companies have the Government's permission to introduce Social Tariffs in order to reduce the water bill of those customers finding it difficult to pay. This is subject to guidance and water companies need to show that they have the support of customers.

The current Social Tariff caps the water bill for households with an income below £16,105 per year. Currently, 49,000 have capped water bills, about 3.8% of all Affinity Water customers. This costs every household £3 a year.

In principle, to what extent do you support or oppose Affinity Water spending more on the Social Tariff, if it allows them to offer support to MORE customers finding it difficult to pay their water bills?

ASK ALL. SINGLE CODE. SHOW SCREEN. ROTATE OPTIONS 1-5.

- 1) Strongly support
- 2) Tend to support
- 3) Neither support nor oppose
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know (MASKED)

Q15. Some of the money owed in bills to Affinity Water will never be repaid – this is known as "bad debt". This cost is passed on to other customers, and is around £6 a year per household.

In principle, to what extent do you support or oppose Affinity Water spending more on the Social Tariff, if it reduces the amount of bad debt they are owed?

ASK ALL. SINGLE CODE. SHOW SCREEN. ROTATE OPTIONS 1-5.

- 1) Strongly support
- 2) Tend to support
- 3) Neither support nor oppose
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know (MASKED)

<Pre-question information screen>

INTERVIEWER:

THE FOLLOWING QUESTION INCLUDES HIDDEN RESPONSES WE DON'T WANT TO PRESENT TO THE PARTICIPANT.

IF THE PARTICIPANTS ANSWER DOESN'T FIT WITH THE OPTIONS ON THE NEXT SCREEN PLEASE SELECT NEXT WITHOUT ENTERING A RESPONSE TO FIND THE HIDDEN RESPONSES.

Q16. By 2020, Affinity Water will be supporting 50,000 customers through its Social Tariff. They are considering whether or not to extend this to include MORE customers for the period between 2020 and 2025.

Which of the following statements do you agree with most? Please just read out the letter that applies.

ASK ALL. SINGLE CODE. SHOW SCREEN.

- 1) A – Affinity Water should add an extra £1.50 each year to all household's water bills, to support an additional 25,000 customers
- 2) B – Affinity Water should add an extra £3.00 each year to all household's water bills, to support an additional 48,000 customers
- 3) C – Affinity Water should not add anything to water bills but continue to support 50,000 customers
- 4) D - None of these (ON SCREEN)
- 5) Affinity Water should add a different amount (SPECIFY, ON SECOND SCREEN)
- 6) Don't know

<Pre-question information screen>

INTERVIEWER:

THE FOLLOWING QUESTION INCLUDES HIDDEN RESPONSES WE DON'T WANT TO PRESENT TO THE PARTICIPANT.

IF THE PARTICIPANTS ANSWER DOESN'T FIT WITH THE OPTIONS ON THE NEXT SCREEN PLEASE SELECT NEXT WITHOUT ENTERING A RESPONSE TO FIND THE HIDDEN RESPONSES.

Q17. Currently, the discount on water bills offered to those on the Social Tariff is the same, regardless of their income. Please consider the following options and decide which comes closest to your own opinion...

A. The discount offered through the Social Tariff should be larger for households with the lowest incomes

B. The discount offered through the Social Tariff should remain the same for all households

Do you...?

ASK ALL. SINGLE CODE. SHOW SCREEN.

1. ... Agree more with A
2. ... Agree more with B
3. ... Agree with neither
4. It depends (ON SECOND SCREEN)
5. Don't mind (ON SECOND SCREEN)
6. Don't know

Section F: Socio-economic background/end

Before we finish, I'd like to ask a few questions about you and your household to make sure we have talked to as wide a range of people as possible.

Q18. How long have you lived at your current address?

ASK ALL. SINGLE CODE.

1. Less than one year
2. 1-2 years
3. 2-5 years
4. 5-10 years
5. 10-20 years
6. More than 20 years
7. Don't know

Q19. Including yourself, how many people usually live in your household?

IF NEEDED: Please remember to include any babies or lodgers

ASK ALL. ENTER NUMBER 1-99.

1. Don't know

Q20. Which of the following statements apply to the people you live with in your home? IF NEEDED: Please select as many as apply. Please read out the letter that applies.

ASK ALL. SHOW SCREEN. MULTI CODE. RANDOMISE OPTIONS 2-7.

1. A - I live alone SINGLE CODE (HIDE IF Q19> 1)
2. B - I live with other people who are not related to me
3. C - I live with my partner/spouse
4. D - I live with my parents
5. E - I live with my adult child(ren) (aged 18 and over)
6. F - I live with my child(ren) (aged under 0-17)
7. Don't know (MASK FROM SHOW SCREEN)

Q21. In general, who in your household is mostly responsible paying water bills? This is probably the person(s) whose name is on the bill.

ASK ALL. SINGLE CODE. CODE TO LIST.

1. Mostly me
2. Jointly me and others
3. Other people
4. Don't know (MASK FROM SHOW SCREEN)

CODE SOCIAL GRADE (Standard questions)

Q22. Which of the following is the highest educational or professional qualification that you currently hold?

ASK ALL. SINGLE CODE. SHOW SCREEN.

1. None of these
2. GCSE/O Level/CSE
3. Vocational qualifications, equivalent to NVQ 1+2
4. A Level or equivalent, such as NVQ 3
5. Bachelor's Degree or equivalent, such as NVQ 4
6. Masters/PhD or equivalent
7. Other
8. Still studying
9. Don't Know (MASK FROM SHOW SCREEN)

Q23. Do you, or anyone in your household, currently receive any Government benefits? These include things like Universal Credit, Job Seekers Allowance, Income Support, Housing Benefit and Tax Credits.

ASK ALL. SINGLE CODE.

1. Yes
2. No
3. Don't Know/Prefer not to say

Q24. Into which of the following bands does your annual household income fall, before tax and other deductions? Please just read out the letter that applies.

ASK ALL. SINGLE CODE. SHOW SCREEN.

	Per MONTH	Per YEAR
A	£541 or less	£6,499 or less
B	£542 to £791	£6,500 to £9,499
C	£792 to £1,342	£9,500 to £16,105
D	£1,343 to £2,083	£16,106 to £24,999
E	£2,084 to £3,333	£25,000 to £39,999
F	£3,334 to £4,999	£40,000 to £59,999
G	£5,000 to £6,249	£60,000 to £74,999
H	£6,250 and over	£75,000 and over
	Don't know (MASKED)	Don't know (MASKED)
	Refused (MASKED)	Refused (MASKED)

Q25. Which of these best describes your ethnic group? Please just read out the letter that applies.

ASK ALL. SHOW SCREEN. SINGLE CODE.

WHITE

1. A. White – English / Welsh / Scottish / Northern Irish / British
2. B. White – Irish
3. C. White – Gypsy or Irish Traveller
4. D. Any other White background

MIXED

5. E. Mixed White and Black Caribbean
6. F. Mixed White and Black African
7. G. Mixed White and Asian
8. H. Any other mixed background

ASIAN

9. I. Asian or Asian British – Indian
10. J. Asian or Asian British – Pakistani
11. K. Asian or Asian British – Bangladeshi
12. L. Asian or Asian British – Chinese
13. M. Any other Asian/Asian British background

BLACK

14. N. Black or Black British – Caribbean
15. O. Black or Black British – African
16. P. Any other Black/Black British background

OTHER ETHNIC GROUP

17. Q. Arab
18. R. Any other ethnic group
19. S. Prefer not to say

Thank and close.

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www.ipsos-mori.com<http://twitter.com/IpsosMORI>***About Ipsos MORI's Social Research Institute***

The Social Research Institute works closely with national governments, local public services and the not-for-profit sector. Its c.200 research staff focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methods and communications expertise, helps ensure that our research makes a difference for decision makers and communities.

Appendix AV.A3.4

Action ref AFW.AV.A3

Ipsos Mori & Arup Phase 3 Final Acceptability Survey



Ipsos MORI
Social Research Institute

ARUP

Affinity Water

Phase 3 Final Acceptability Survey

Research Report – August 2018

Ben Marshall, Michael Clemence and Teodros Gebrekal

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Executive Summary

- The Business Plan Acceptability survey conducted face-to-face during April-May 2018 found the, then, three potential Plans were considered acceptable to customers. Each plan was rated very or fairly acceptable by between 74% and 78% of customers.
- For this report, Ipsos MORI interviewed 1,000 Affinity Water customers aged 16+ through its online panel between 10 and 22 July 2018. The survey presented participants with a revised, fully costed, core plan and gauged acceptability. It included bill impacts accounting for inflation and the addition of sewerage services.
- The survey found just **over eight in ten (82%) customers considering the plan acceptable**. While this is a statistically significant improvement on acceptability compared to the most acceptable plans tested in the Spring (J and K), these findings are not directly comparable given different approaches to sampling and questioning used in the two surveys. Still, again, we have found high levels of acceptability for the clean water bill for the period 2020-2025.
- We did, though, find a significant swing away from acceptability when the bill impact including **inflation** was presented. A clear majority of customers - just over six in ten (62%) - are positive about the bill impacts of this plan but the proportion rating it as *very* acceptable halved compared with the pre-inflation plan, and a third (33%) rated it unacceptable.
- We cannot be definitive about the reason for this movement in sentiment but the qualitative research conducted during the PR19 customer engagement programme suggests that some customers react negatively to the mention of inflation. This is probably because it introduces uncertainty about forecasts, but also some scepticism about how it can be used by companies across many sectors to justify price rises.
- Acceptability figures drop further for plans including the cost of sewerage: **Thames Water** - 51% very/fairly acceptable, **Anglian Water** - 48% very/fairly acceptable, **Southern Water** - 41% very/fairly acceptable. Thames Water is by far the biggest provider across the Affinity Water area with the result that the overall level of acceptability across all areas is 50%.
- These findings should be interpreted carefully, remembering the actual increase in bills (a doubling in many cases) and the potential effects of the order of presenting the bill including sewerage after a question about a bill excluding it (rather than in isolation) and one involving inflation. Also, the samples of customers are small for Anglian and especially Southern Water.
- Six in ten (60%) Affinity Water customers say it would be acceptable to add an extra £1.50 each year to household water bills if it means assisting an additional 25,000 households via the **Social Tariff**. Just over one third (36%) consider this to be unacceptable.
- This echoes previous research during PR19. While customers support the principle of the Social Tariff, this is contingent on factors such as the number of customers supported and the cost incurred to other households. When presented with a choice of propositions, a large minority opt for the status quo. Still, across all of the

questions we have asked on the topic during PR19, a clear majority back an extension of the Social Tariff through an extra amount on household bills.

- Customers support plans to expand Affinity Water's **water treatment in Sundon** rather than oppose them by a margin of four to one (47% to 11%), but 42% say they have "no views either way" probably reflecting the lack of detail at this stage.
- They are relatively cool on the concept of **performance incentives and penalties ('ODIs')**. 39% support them, just over one in five (22%) are opposed, and the remainder don't have a view. But when presented with bill impacts, seven in ten find these acceptable; 71% for the 50p increase and 73% for the £4 reduction.

Conclusions

- Overall, this survey further demonstrates the acceptability of both Affinity Water's proposed clean water business plan and the proposed ODI system. This view is consistent across different groups of customers and geographies. We have also found majority support for the extension of the Social Tariff but some resistance to this.
- The swing towards lower levels of acceptability when clean and waste water bills are added, indicates that while water bills tend to compare favourably with other utilities (shown in other PR19 research), customers are sensitive to price rises. And the impact of inflation on customer attitudes highlights, perhaps, the ongoing need to build trust and credibility.

1 Introduction

1.1 Background

Ipsos MORI was commissioned by Affinity Water to undertake survey research as part of a series of work being undertaken to support PR19 and the development of their Business Plan for the period 2020-2025.

Following qualitative and quantitative research into the acceptability of different business plans – undertaken during April-May 2018 – Affinity Water compiled a single Business Plan. Variations of this final plan, with and without inflation and charges for sewerage, were tested in this survey.

1.2 Methodology

Ipsos MORI conducted an online survey of 1,000 Affinity Water customers aged 16+. Between 10 and 22 July 2018 customers were recruited to take part using the Ipsos MORI online survey panel. Recruitment and quotas targeted a representative sample of adults aged 16 and over resident in Affinity Water's eight service areas. The achieved sample profile and the effects of weighting are outlined in the Appendices of this report.

The survey was designed to provide a representative sample of customers across all areas served by Affinity Water, rather than a representative sample of customers of the three sewerage providers covering the Affinity Water area (Thames Water, Anglian Water and Southern Water), or of Affinity Water's eight Water Resource Zones. Consequently, the number of customers served by the three sewerage providers and within each WRZ is proportional to the size of the population within each area, ranging from 38 participants in the Brett WRZ to 268 in Pinn. As many of the regions (including the sample of Southern Water sewerage customers) have base sizes of under 100, they are not used for analysing the results of the survey.

1.3 Interpretation of data

Surveys generate estimates of the 'truth' which would only be available if a complete census of customers was undertaken. As a result, findings are subject to sampling tolerances and statistical confidence intervals, shown in the Appendices.

Survey data has been weighted to match the profile of the population living in Affinity Water areas by age and WRZ, based on 2011 Census data. Where percentages do not sum to 100, this is due to rounding of figures.

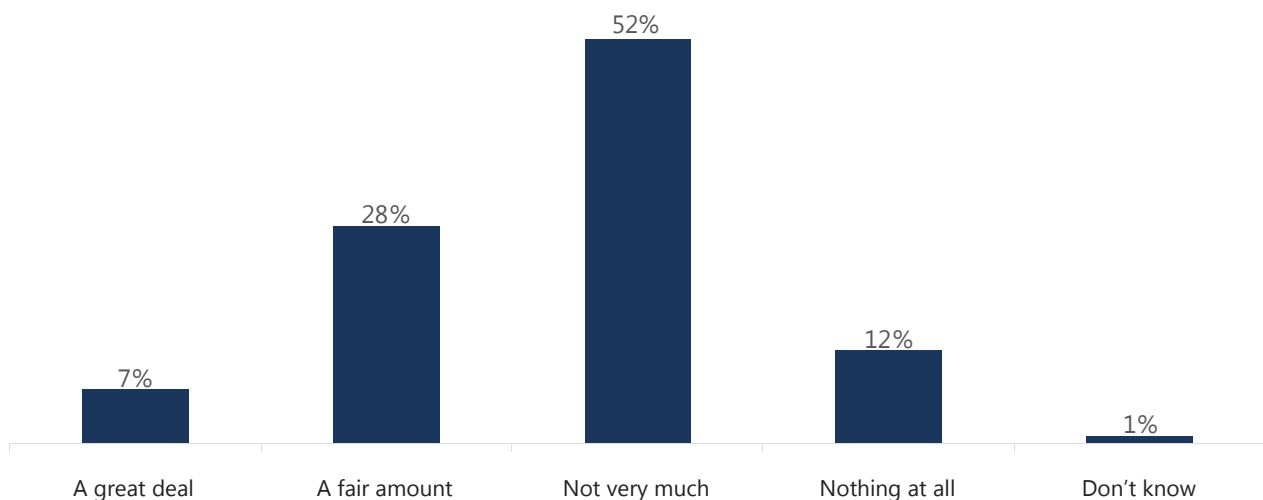
2 Context

The survey began by asking Affinity Water customers about their views of the company to provide context for analysis of subsequent questions about the acceptability of plans and also by way of an introduction to the main focus of the survey. Introduction questions included satisfaction with Affinity Water, experience of water service issues, and views on the affordability of water bills.

Knowledge of Affinity Water

Close to two-thirds (64%) say they know little or nothing about Affinity Water. While 52% say they do not know very much and a further one in eight, 12%, say they know nothing at all. Over a quarter (28%) say they know a fair amount about the company but only seven per cent feel they know a great deal.

Figure 2.1: How much, if anything, would you say you personally know about Affinity Water?



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

Older customers are more likely than average to feel less well informed about Affinity Water, with 70% of 55-75year olds saying they know either nothing at all or not very much. This compares with two thirds of 35-54 year olds (66%) and just over half of 16-24 year olds who say the same thing (54%). Familiarity is also higher among those in receipt of benefits (43% know at least a fair amount, compared with 33% of those who do not receive benefits).

These figures reflect others recorded across the research programme. In the three online surveys conducted so far, each time around half of Affinity Water customers feel they know a little about the company, a quarter feel like they know a fair amount, and fewer than one in ten feel that they know a great deal.

Table 2.1: Comparative data: Familiarity with Affinity Water

How much, if anything, would you say you personally know about Affinity Water?	July 2018 1,000 sample online	April – May 2018 1,000 sample online (dWRMP survey)	January 2018 500 sample online (Social Tariff survey)

A great deal	7%	4%	5%
A fair amount	28%	25%	35%
Not very much	52%	54%	47%
Nothing at all	12%	16%	11%
Don't know	1%	1%	2%

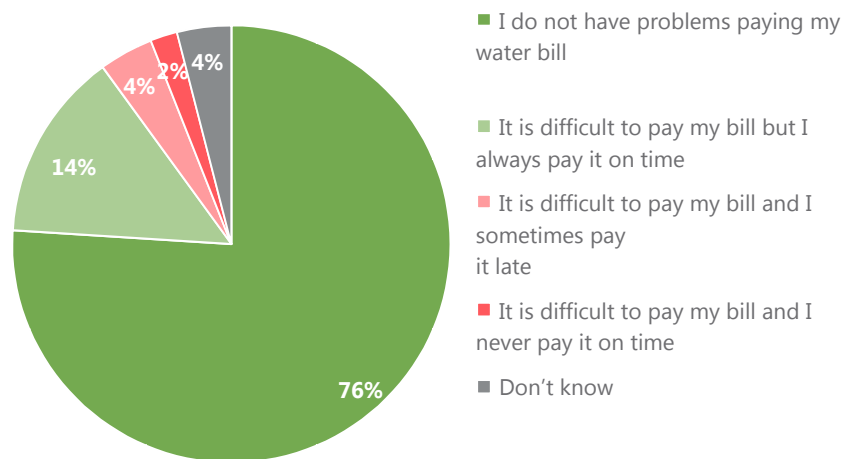
Affordability

Three-quarters (76%) of Affinity Water customers report no difficulties in paying their overall water bill:

How easy or difficult do you find it to pay your current water bill? We are interested in your TOTAL water bill overall, that is including CLEAN and WASTE (sewerage) water services.

A further 14% say they experience some difficulties in paying, but always pay on time. Six per cent of customers encounter greater problems with paying their bills, leading to overdue payments either sometimes (4%) or all the time (2%).

Figure 2.2: How easy or difficult do you find it to pay your current water bill?



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

Difficulty in paying water bills differs by tenure. Those who own their own homes (and tend to be wealthier) are the most likely to say they have no problems paying their water bill (86%), while social and private renters are more likely to experience difficulties (64% have no problems). In a similar vein, those in receipt of benefits are also more likely to find paying water bills a struggle; just over half experience no problems (55%) and close to one in five pay their bills late some or all of the time (18%).

The data in Table 2.2 below also shows that a large proportion of Affinity Water customers do not have problems with paying bills. There is some variability in these results, although this may reflect differences in the methodology

as the only point of comparison is with the face-to-face Business Plan 'acceptability' survey undertaken in April-May which used different survey quotas (including tenure and WRZ) to the online version and will have included customers who are offline.

Table 2.2: Comparative data: Affordability of bills

<i>How easy or difficult do you find it to pay your current water bill?</i>	July 2018 <i>1,000 sample online</i>	April – May 2018 <i>825 sample face-to-face (Business Plan acceptability survey)</i>
I do not have problems paying my water bill	76%	87%
It is difficult to pay my bill, but I always pay it on time	14%	7%
It is difficult to pay my bill and I sometimes pay it late	4%	3%
It is difficult to pay my bill and I never pay it on time	2%	2%
Don't know	4%	1%

3 Investment Plans: Customer acceptability

The survey presented customers with a business plan in overview including details of projected annual average household bills over the 2020-2025 five-year billing period. At first, the clean water only plan impact was presented (with and without estimates of the rate of inflation), before the projected costs from the three sewerage providers covering the Affinity Water area were included. Participants only saw the costs for the sewerage provider for their household address. At each stage, customers were asked whether or not they found the presented plan to be acceptable. This section reviews the findings of these questions.

3.1 Clean water only plans – customer acceptability

The first plan question began with a description of the business planning process, provided below:

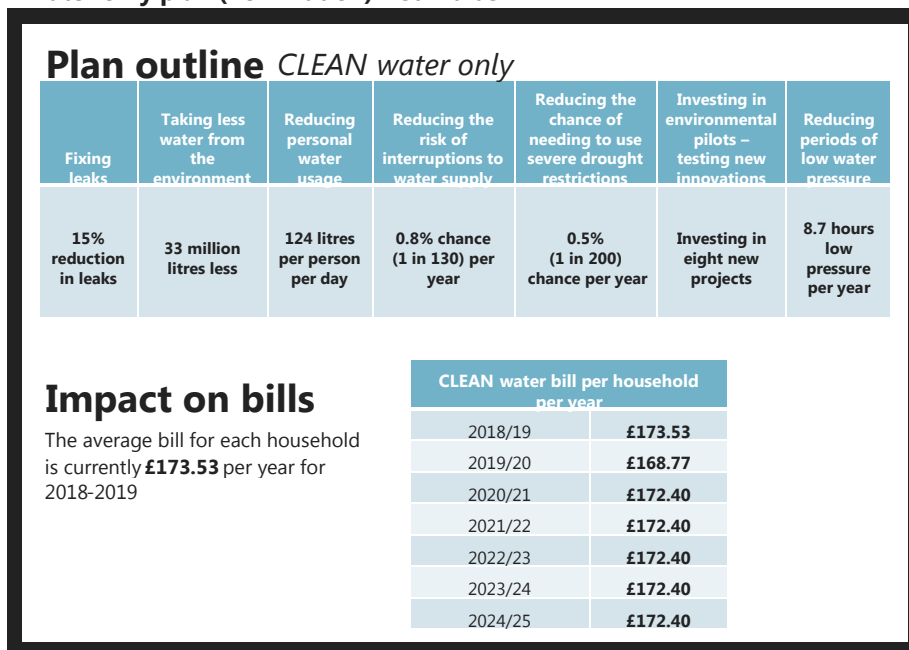
Household water bills are set every five years. They are based on an agreement between each water company and Ofwat, the Government regulator. In setting future bills, Affinity Water and the regulator Ofwat take account of the interests of customers and also ensure that legally required standards for water services are met e.g. ensuring tap water is safe to drink.

Affinity Water have developed a plan that sets out the investments that are needed to maintain and improve water services from 2020 to 2025.

Please take a minute to look at this outline of the plan and the average household water bill for CLEAN water, excluding the WASTE water (sewerage) bill.

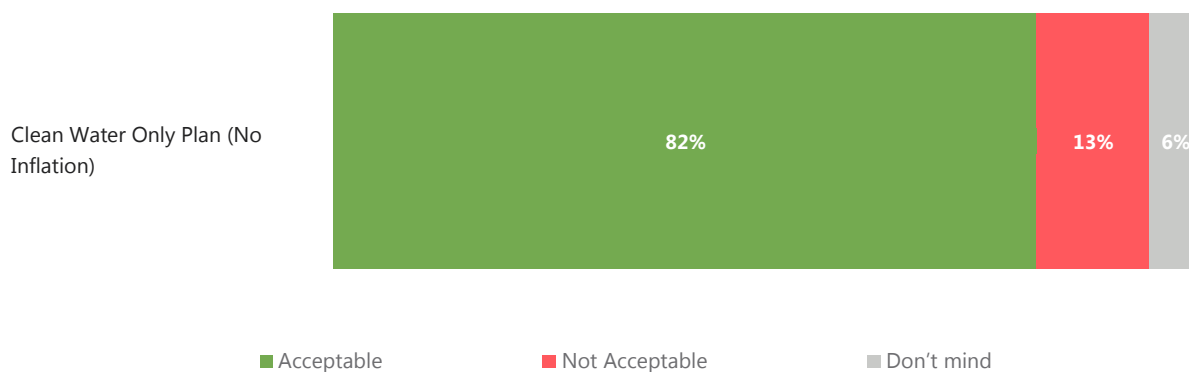
The details of the plan given to participants were as follows:

Figure 3.1: Clean water only plan (no inflation) – stimulus



Just over eight in ten customers feel this plan is acceptable (82%). One quarter (25%) say it is *very* acceptable and a further 56% consider it *fairly* acceptable. Thirteen per cent found this plan to be unacceptable (9% fairly unacceptable and 2% very unacceptable).

Figure 3.2: Taking all things into account how acceptable or unacceptable do you think this plan is?



Base: 1000 /1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

Acceptability of this plan is broadly even across most customer groups. A clear majority of customers of all ages find the plan acceptable. So too do those in receipt of benefits and those who are not, customers with water meters and those without.

Table 3.1: Clean water only plan (without inflation)

Clean water only plan (without inflation)	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
Total	26%	56%	10%	2%	5%	82%
Male	28%	53%	11%	3%	5%	81%
Female	24%	60%	9%	2%	6%	84%
Aged 16-34	23%	59%	11%	1%	6%	82%
Aged 35-54	28%	55%	9%	3%	5%	83%
Aged 55+	26%	55%	10%	3%	5%	82%
Have Meter	<u>31%</u>	55%	8%	2%	5%	85%
No meter	22%	59%	11%	3%	5%	81%
White	28%	55%	9%	2%	6%	83%

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Research, ISO 20252:2012, and with the Ipsos MORI Terms and Conditions which can be found at <http://www.ipsos-mori.com/terms>. © Ipsos MORI 2018

BME	16%	62%	<u>16%</u>	2%	4%	78%
Main bill payer	30%	53%	10%	3%	4%	83%
Not the main bill payer	20%	62%	10%	2%	7%	82%
Benefits recipient	<u>33%</u>	49%	10%	3%	5%	82%
Not a benefits recipient	24%	58%	10%	2%	5%	82%
1 – Misbourne*	30%	59%	3%	3%	5%	88%
2 – Colne*	23%	56%	13%	3%	5%	79%
3 – Lee	24%	54%	13%	2%	6%	79%
4 – Pinn	24%	59%	11%	2%	4%	83%
5 – Stort*	36%	52%	6%	*	5%	89%
6 – Wey	29%	52%	9%	2%	7%	82%
7 – Dour*	<u>16%</u>	72%	5%	2%	5%	88%
8 – Brett*	23%	50%	13%	3%	11%	73%

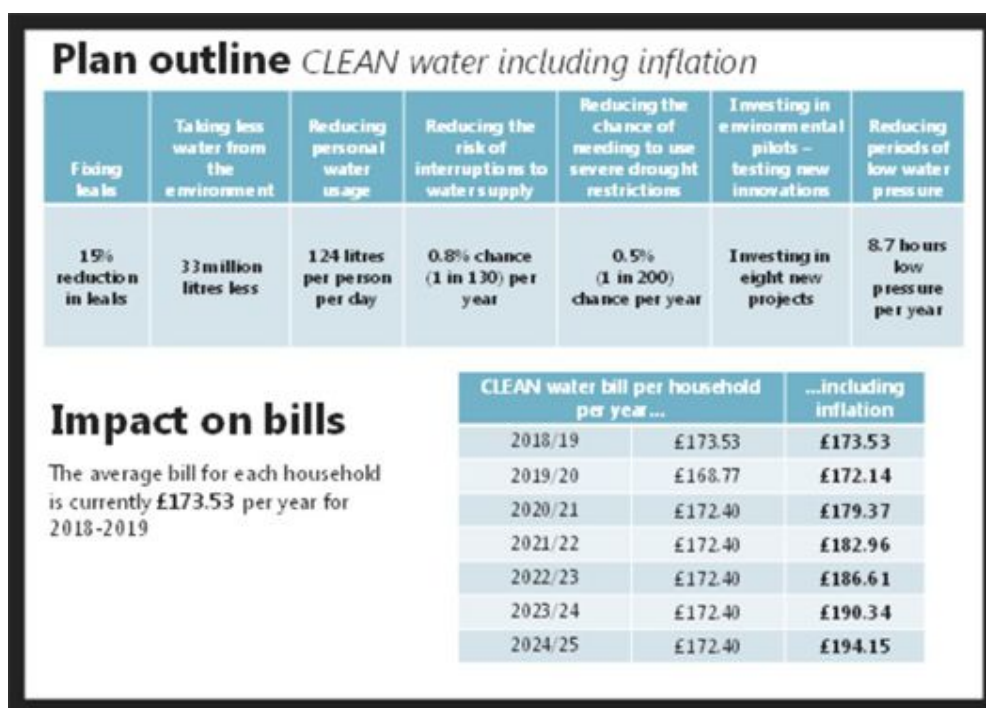
Figures that are significantly different to the overall population are underlined. Groups with * are too small to be considered statistically robust.

Acceptability was lower for the second plan which included inflation projections:

The table below shows CLEAN water bills, taking inflation into account. Inflation is the rate of increase in prices for goods and services and Affinity Water expect a 2% increase each year due to inflation. When considering the impact of inflation on bills please bear in mind that incomes and pensions can also rise in line with inflation, which can offset the increase in the cost of goods and services.

Just over six in ten (62%) of customers support this version of the plan. However, the proportion who are most positive, rating it very acceptable, halved compared with the pre-inflation plan, from 25% to 12%. A third (33%) say it is unacceptable, a twenty-percentage point increase compared with the pre-inflation plan.

Figure 3.3: Clean water only plan (with inflation) – stimulus



As with the pre-inflation plan, acceptability is relatively similar across different groups of customers (shown Table 3.2 below). One notable example is those from black and minority ethnic backgrounds, among whom just over half see the plan as acceptable (53%), compared with 64% of those from white backgrounds.

Table 3.2: Clean water only plan (with inflation)

Clean water only plan (with inflation)	Very acceptable	Fairly Acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
Total	12%	50%	25%	8%	5%	62%
Male	14%	49%	23%	10%	5%	62%
Female	10%	52%	28%	5%	6%	62%
Aged 16-34	11%	51%	28%	5%	4%	63%
Aged 35-54	12%	48%	25%	9%	5%	61%
Aged 55+	12%	51%	23%	8%	6%	63%
Have Meter	15%	50%	25%	7%	4%	64%
No meter	10%	52%	24%	9%	5%	62%
White	12%	52%	24%	7%	6%	64%
BME	12%	41%	32%	12%	3%	53%
Main bill payer	13%	50%	24%	9%	4%	63%
Not the main bill payer	10%	51%	27%	5%	7%	61%

Benefits recipient	13%	45%	26%	10%	4%	59%
Not a benefits recipient	11%	51%	25%	7%	5%	63%
1 – Misbourne*	10%	58%	17%	10%	5%	68%
2 – Colne*	12%	52%	24%	7%	5%	64%
3 – Lee	11%	48%	30%	7%	5%	59%
4 – Pinn	12%	48%	25%	9%	5%	60%
5 – Stort*	15%	51%	27%	2%	5%	65%
6 – Wey	15%	48%	26%	4%	7%	63%
7 – Dour*	10%	50%	29%	8%	3%	60%
8 – Brett*	4%	56%	15%	21%	5%	60%

Figures that are significantly different to the overall population are underlined. Groups with * are too small to be considered statistically robust.

The impact of inflation

Although both versions of the clean water only plan are acceptable to a majority of customers, there is a relative, and statistically significant, drop in acceptability between the two plans despite their only differing by small amounts per bill per household. Experience from qualitative research conducted during the PR19 customer engagement round suggests that some customers react negatively to the mention of inflation in relation to future prices. These customers tend to view inflation in sceptical terms as a way to promise lower prices in the short term, then use inflation as an excuse to raise them in the future:

“It doesn’t include inflation... Well of course, it’s their get-out clause – who can forecast inflation?”
Affinity Water Customer, Watford – Business Plan comparison focus groups

Other data on public attitudes to inflation shows that the public expectation is higher than the two per cent assumed by Affinity Water in their calculations; the most recent wave of the Bank of England’s Inflation Attitudes Survey showed the median public expectation for inflation over the next five years is an increase of 3.6% - while four in ten have no idea what the level of inflation will be over that period.¹

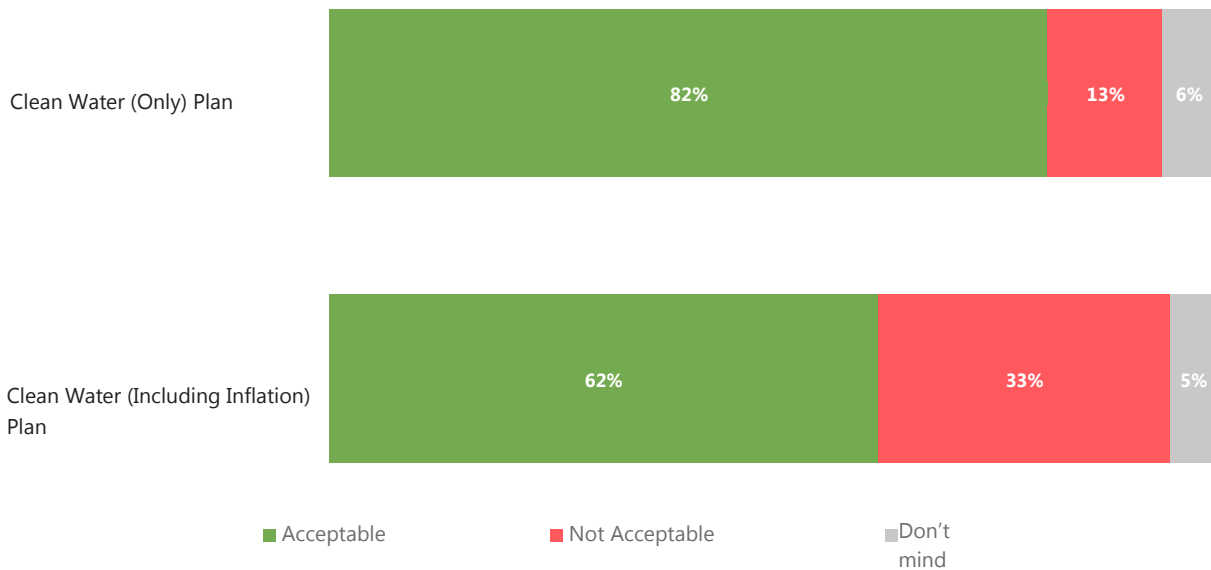
Against this backdrop, the term “inflation” may be having an impact on public acceptability. The mention of inflation, and the potential increase in incomes (a point disputed by many in the open text questions, described below), could possibly suggest an element of uncertainty in the estimates that are being provided, and seems to move some customers to a more sceptical, less favourable position.

¹ <https://www.bankofengland.co.uk/inflation-attitudes-survey/2018/may-2018>

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Figure 3.4: Acceptability with and without inflation



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

Reasons for finding the plans unacceptable

Those customers who found the clean water plan with inflation unacceptable were asked an open-ended question to understand more about their decision.

Cost was the principal reason for rejecting the plan, although this single factor was multifaceted, with customers giving a variety of reasons related to cost:

- For some, the cost of the plan itself was too much. While this was commonly because participants were worried about making ends meet, others look at clean water as a right rather than a commodity and are opposed to being billed for it by a private company.
- Another reason given was the lack of reciprocity with the cost increase – some said that prices should not be rising while people are reducing their water usage. Others noted that their salaries (or pensions) were not going up by two per cent, meaning that bills are increasing relative to their earnings
- The perception that the increase would be handed straight on to shareholders rather than invested also featured.
- The inflationary rise was also a cost-based reason for rejecting the plan. As noted above, some did not believe the two per cent rate quoted in the stimulus, while others disagreed with the notion of water being treated like other products and subject to inflation.
- Some were dissatisfied with Affinity Water’s performance and gave this as their reason for opposing the plan. This was a strategic objection – the 15% leakage reduction rate was considered too low and Affinity Water should not be able to charge more unless it is raised – while others cited specific and local examples or leaks or poor customer service.

Customers rejecting plans

From the analysis of these two questions, there are two key groups of interest – those who found the initial plan acceptable but changed their mind when inflation was added, and those who found both plans unacceptable. Both groups are detailed below:

Inflation rejectors – 21% of the sample changed their mind when the same plan was presented with inflation added. Three main groups stand out within this subsection of Affinity Water customers:

- Customers in this group are more likely to be **female** than the overall sample – 57% of those who changed their mind due to inflation are women, compared with a figure of 53% of all Affinity Water customers.
- Customers from **black and minority ethnic backgrounds** are similarly over-represented with 22% of this group coming from these backgrounds, against 17% of all customers.
- Those with **lower household incomes** are also more likely to reject the plan with inflation added. Twentytwo per cent of those in this group come from households with incomes below the Social Tariff threshold (£16,105 per year), compared with 18% of all customers.

Serial rejectors – 11% of Affinity Water customers found both plans – with and without inflation – unacceptable. Two key groups are more likely to be serial rejectors than the average:

- **Men** are more likely than women to feature in this group – 54% are male and 46% are female, compared to the overall customer profile of 47% and 53%.
- Those from **black and minority ethnic backgrounds** were again more likely to be rejectors. A quarter of the serial rejector group come from non-white backgrounds (24%), above the 17% figure for all customers.

3.2 Clean and waste water plans – customer acceptability

After reviewing the acceptability of Affinity Water’s plans for clean water billing, participants were asked for their views on the acceptability of impact of the plans on overall household water bills for 2020-2025 including sewerage charges.

Three sewerage firms serve Affinity Water’s customers: the large majority receive waste water services from Thames Water, a smaller proportion (in the Stort, Lee and Brett Water Resource Zones) are served by Anglian Water, and the smallest number, those living in the Dour Water Resource Zone around Folkestone, are customers of Southern Water.

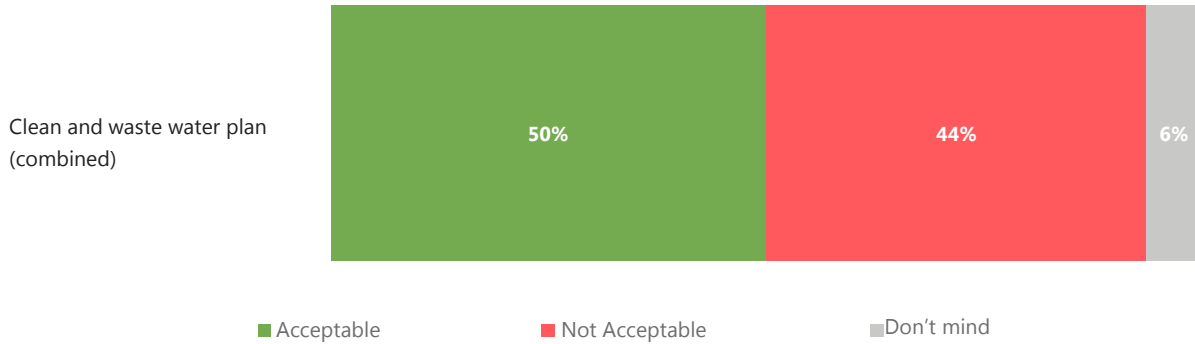
Figures from customers of all three sewerage companies are presented below, but it should be noted that small base sizes – especially for Southern Water – mean that in some cases the figures should be seen as illustrative; they are not representative of the wider customer base and have wide confidence intervals.

Table 3.3: Sewerage customers – base sizes

	Thames Water	Anglian water	Southern Water
<i>Base size</i>	838	105	57

Across all three customer groups, acceptance of the combined plans stands at 50%. Forty-four per cent of all Affinity Water customers consider the plans unacceptable, and the remaining six per cent say they do not mind.

Figure 3.5: Clean and waste water plans – combined acceptability



Base: 1,000 adults aged 16+ from across the Affinity Water customer areas, July 2018

This overall figure breaks down to different levels of acceptability depending on which sewerage provider costs are included. The headline acceptability figures for the three plans are listed below:

- **Thames Water:** 51% very/ fairly acceptable
- **Anglian Water:** 48% very/ fairly acceptable □ **Southern Water:** 41%

very/ fairly acceptable These are explored in further detail below.

Clean and waste water plans (Thames Water) – customer acceptability

Affinity Water customers receiving sewerage services from Thames Water were shown their projected combined household water bill over the 2020-2025 period – the full detail provided to participants is below:

Figure 3.6: Complete water bill information – Thames Water

CLEAN and WASTE water Plan outline including inflation

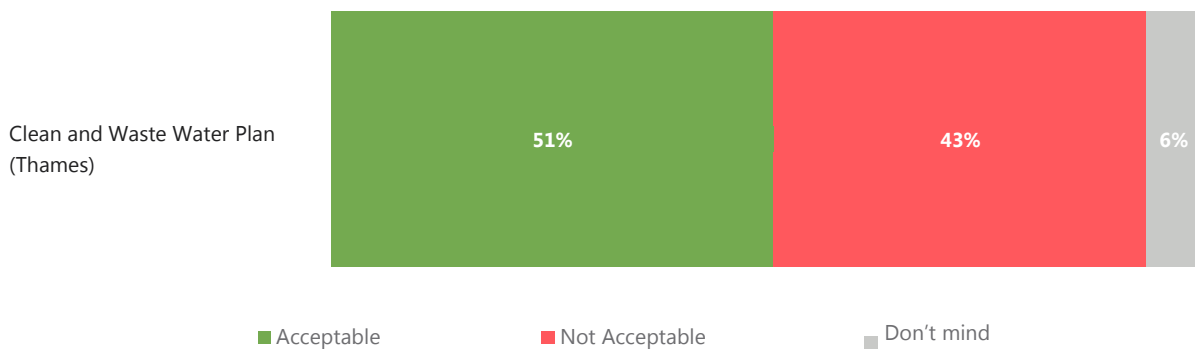
Impact on bills

The average bill for each household is currently **£353.46** per year for 2018-2019

	CLEAN water bill per household per year including inflation	WASTE water bill (Thames Water)	TOTAL water bill
2018/19	£173.53	£179.93	£353.46
2019/20	£172.14	£186.02	£358.16
2020/21	£179.37	£185.18	£364.55
2021/22	£182.96	£187.26	£370.22
2022/23	£186.61	£189.46	£376.07
2023/24	£190.34	£191.22	£381.56
2024/25	£194.15	£193.32	£387.47

Half of these customers considered this plan to be acceptable (51%) and six per cent said they did not have a view on whether the bill was acceptable or not. A substantial minority – 43% of customers – found this bill unacceptable.

Figure 3.7: Customer acceptability – complete water bill (Thames Water)



838 Affinity Water and Thames Water customers aged 16+, July 2018

Levels of acceptability are uniform across all customer subgroups, with roughly half of both homeowners and renters (51% each), men and women (52%, 50%) and people of all ages (16-34: 55%; 35-54: 48%; 55+: 51%) saying the plan’s impact on bills is acceptable to them.

Clean and waste water plans (Anglian Water) – customer acceptability

The 105 participants who live in Affinity Water areas served by Anglian Water were given different stimulus providing detail of their projected bill amounts when charges from Anglian were included:

Figure 3.8: Complete water bill information – Anglian Water

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CLEAN and WASTE water *Plan outline including inflation*

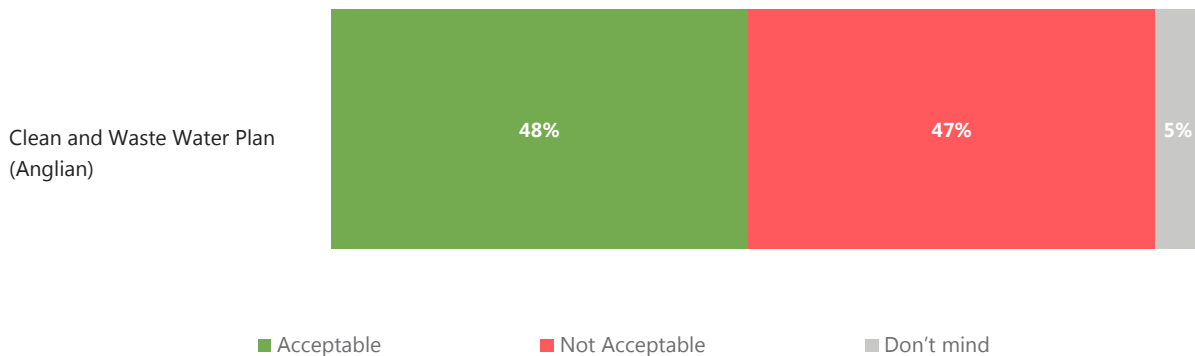
Impact on bills

The average bill for each household is currently **£415.53** per year for 2018-2019

	CLEAN water bill per household per year including inflation	WASTE water bill (Anglian Water)	TOTAL water bill
2018/19	£173.53	£242.00	£415.53
2019/20	£172.14	£241.51	£413.65
2020/21	£179.37	£247.41	£426.78
2021/22	£182.96	£253.44	£436.40
2022/23	£186.61	£259.62	£446.23
2023/24	£190.34	£267.08	£457.42
2024/25	£194.15	£273.57	£467.72

As with Thames Water customers, around half of Affinity Water customers who received sewerage services from Anglian Water find the proposed bill impact to be acceptable (48%). However the same proportion say that the proposed plan is unacceptable (47%).

Figure 3.9: Customer acceptability – complete water bill (Anglian Water)

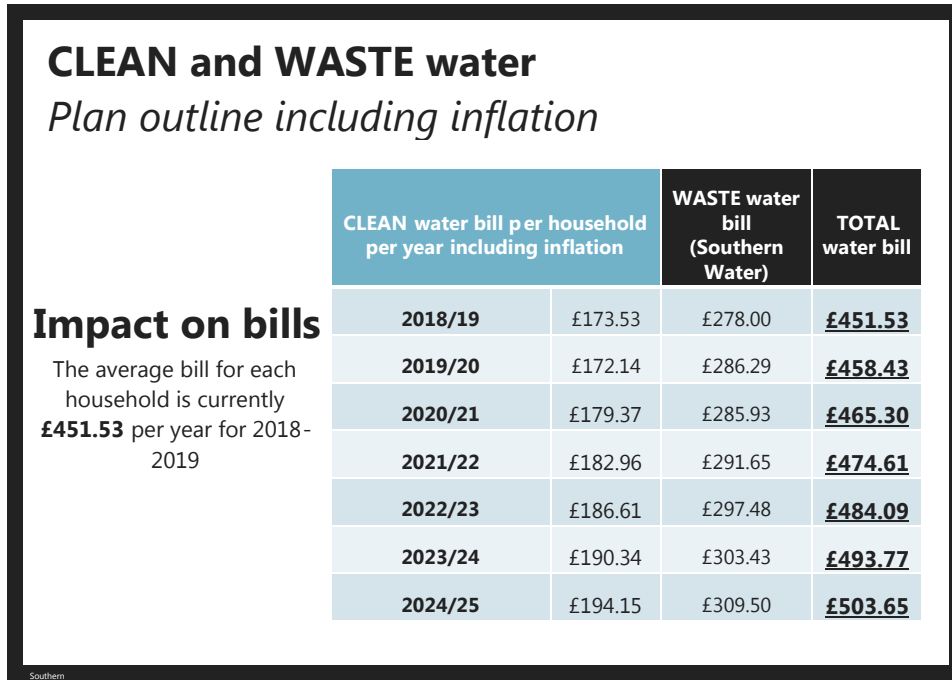


105 Affinity Water and Anglian Water customers aged 16+, July 2018

The number of customers in this sample is small, reflecting the overall number of Affinity Water customers living in Anglian Water sewerage areas. This means that statistically significant sub-group analysis is not possible. However, as with Thames Water customers there appears to be little variation between groups on the overall acceptability of Affinity Water’s plan.

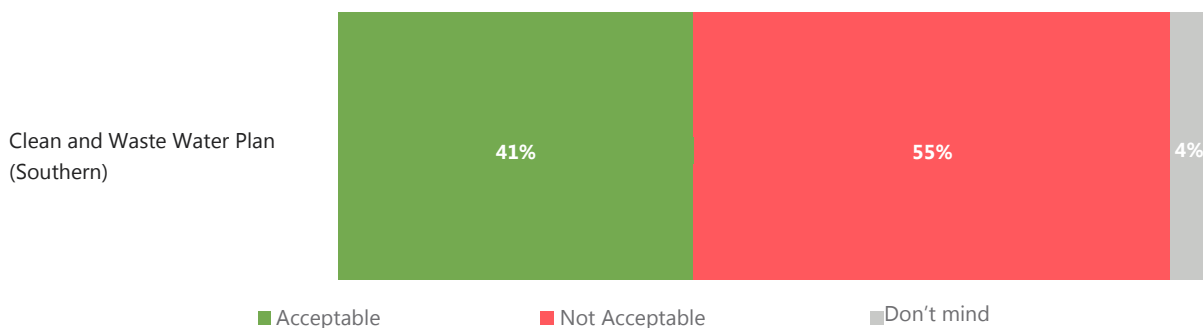
Clean and waste water plans (Southern) – customer acceptability

The third and smallest customer group – those living in the Dour Water Resource Zone, who receive sewerage services from Southern Water – were also shown a different stimulus that presented bill amounts with Southern Water’s projected costs included:



Acceptability for this variation of Affinity Water’s Business Plan appears to be lower than the others, with 41% finding it acceptable and over half (55%) saying it is unacceptable. However, the very small base size (just 57 participants) means that these figures cannot be considered significantly different from the other findings.

Figure 3.10: Customer acceptability – complete water bill (Southern Water)



57 Affinity Water and Southern Water customers aged 16+, July 2018

The small overall base size of the Southern Water customer sample means that subgroup analysis is not possible.

4 Other propositions

The survey also gathered customer views on other proposed plans for the next water billing period, including expansion to the Social Tariff, the expansion of a water treatment plant in Sundon, and the possibility of introducing a benefit and sanction model to incentivise water company performance. Customers' views are described below.

4.1 Social Tariff expansion

One idea under consideration is to expand the coverage of Affinity Water's Social Tariff. Previous research by Ipsos MORI in this area has found that while there is wide public support for the principle of the Social Tariff, customers' support is contingent on factors such as the number of customers supported and the cost incurred to other households. The data has shown that support drops most strongly where elements are left uncoded (e.g. a bill impact is mentioned but not specified).

In this survey we provided information on both the scope of the proposed expansion of the Social Tariff and its cost to households. The information provided is shown below:

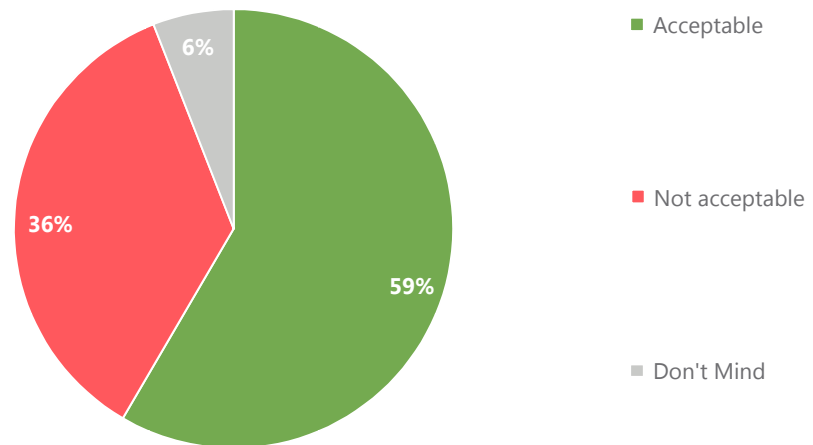
Water companies have the Government's permission to introduce Social Tariffs in order to reduce the water bill of those customers finding it difficult to pay. This is subject to guidance and water companies need to show that they have the support of customers.

The current Social Tariff caps the water bill for households with an income below £16,105 per year. Currently, 51,000 have capped water bills, about 3.8% of all Affinity Water customers. This costs every household £3 a year.

Affinity Water propose adding an extra £1.50 each year to all household's water bills, to support an additional 25,000 customers, and taking the total spend to £4.50 a year (excluding inflation) from 2020 to 2025. This amount is already included in the bill amounts provided in previous questions.

Six in ten (60%) of Affinity Water customers find the proposition to add an extra £1.50 each year to household water bills to extend the Social Tariff to be acceptable. Just over one third (36%) consider it unacceptable.

Figure 4.1: Extending the Social Tariff – acceptability



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

Acceptability of this expansion to the Social Tariff is higher among younger customers (aged 16-34), those in receipt of benefits, and those who rent their home: two in three customers in these groupings find this proposal acceptable (67%, 68% and 68% respectively), compared with 59% overall. Yet those with household incomes at or below the Social Tariff threshold (£16,105 per annum) are no more likely to find this plan acceptable than average (59%). The income group most likely to say this plan is acceptable is in fact those with the highest incomes – 63% of those in households earning £40,000 or more per year find the plan acceptable.

By contrast, as shown in Table 4.1, no customer subgroups stand out for finding this plan more unacceptable than the average.

Table 4.1: Extending the Social Tariff

Extending the Social Tariff	Very acceptable	Fairly acceptable	Not very acceptable	Not acceptable at all	Don't mind	Acceptable (NET)
Total	15%	44%	23%	13%	6%	59%
Male	17%	42%	20%	14%	6%	59%
Female	14%	45%	25%	11%	5%	59%
Aged 16-34	17%	51%	17%	10%	5%	67%
Aged 35-54	17%	38%	24%	16%	6%	54%
Aged 55+	13%	44%	27%	11%	6%	56%
Have Meter	16%	42%	26%	11%	4%	58%
No meter	15%	46%	20%	15%	4%	61%
White	16%	44%	23%	12%	6%	60%
BME	12%	42%	23%	17%	6%	54%

Main bill payer	17%	42%	23%	13%	5%	59%
Not the main bill payer	13%	45%	22%	13%	7%	58%
Benefits recipient	<u>26%</u>	41%	15%	12%	6%	<u>68%</u>
Not a benefits recipient	13%	44%	25%	13%	6%	57%
1 – Misbourne*	18%	47%	19%	13%	3%	65%
2 – Colne*	16%	46%	23%	9%	7%	62%
3 – Lee	14%	42%	24%	13%	7%	56%
4 – Pinn	17%	41%	24%	14%	4%	58%
5 – Stort*	12%	51%	27%	3%	7%	63%
6 – Wey	17%	44%	18%	13%	8%	61%
7 – Dour*	11%	43%	24%	18%	5%	53%
8 – Brett*	9%	38%	25%	24%	5%	46%

Figures that are significantly different to the overall population are underlined. Groups with * are too small to be considered statistically robust.

4.2 Sundon treatment plant expansion

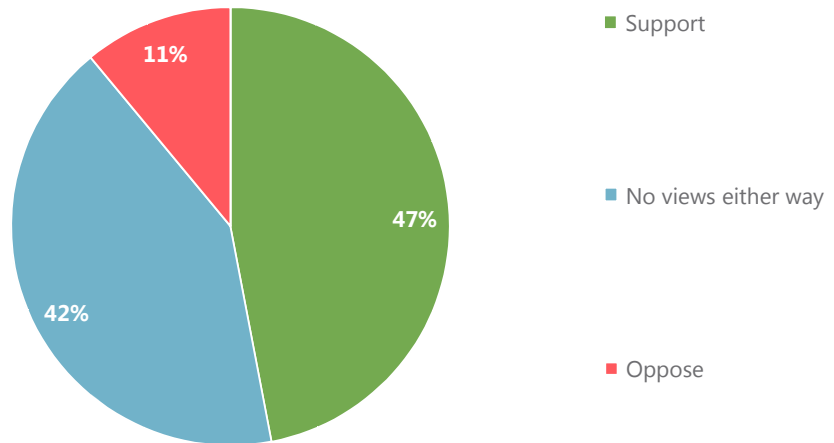
A proposal to expand a water treatment plant at Sundon to allow Affinity Water to import water from other companies was introduced with the following information:

Affinity Water proposes to import water from Anglian Water, a neighbouring water company, in order to ensure that it has enough water to supply to customers across the whole of the Affinity Water area. The water would need to be treated and Affinity Water wants to expand its water treatment plant at Sundon, Bedfordshire. The cost of this is already included in the bill amounts provided in previous questions.

In principle, to what extent do you support or oppose this proposal, or do you have no views either way?

Many Affinity Water customers do not have a view on plans to expand Affinity Water's water treatment in Sundon – 42% say they have "no views either way". Close to half support the proposal (47%), more than four times the eleven per cent who are opposed.

Figure 4.2: Sundon treatment facility – customer support



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

Generally, customer support for this proposal is similar between different customer groups, although it is slightly higher among men (52%) and those living in metered households (53%). Half of those who are not main bill payers (50%, compared with 36% of main household bill payers), and close to half of women (47%, compared with 36% of men) say they have no views either way on this matter.

Opposition to the plan shows less variation, with no significant differences between subgroups. This is the same across different Water Resource Zones, regardless of their proximity to the plant in Sundon under discussion.

4.3 Performance incentives

Views on the system in principle

Customers were asked a series of questions to gauge their support for a system of rewards and sanctions ('ODIs') to encourage water companies to exceed targets agreed with Ofwat. Overall, four in ten agreed with the system in principle, with support rising further when the specific bill impacts of the system were revealed.

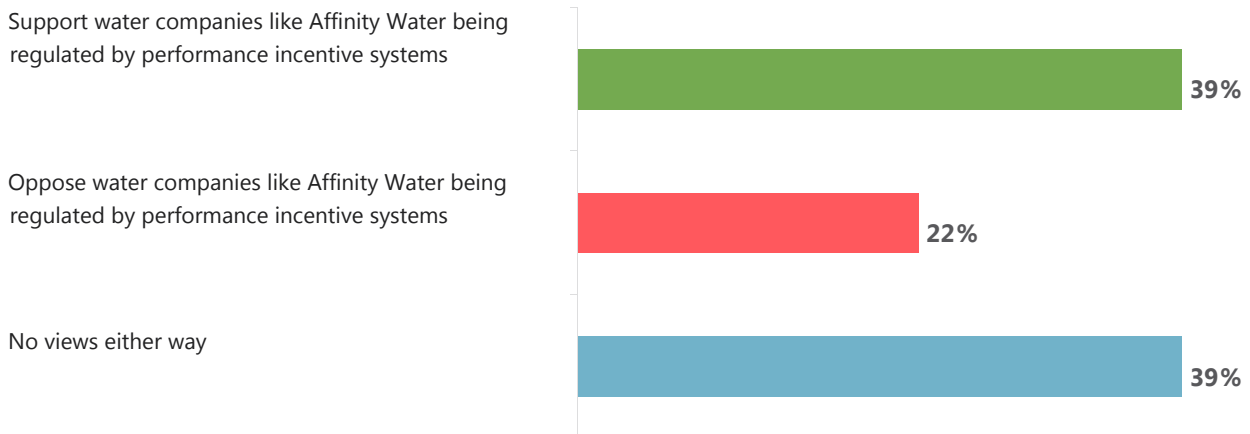
Firstly, customers were given this introduction to the proposed system

Water companies develop Business Plans and bills in consultation with customers. They set out what they plan to do and agree this with Ofwat, the Government regulator. They also agree a set of "performance commitments" or targets, designed to challenge companies to work harder to achieve higher levels of performance.

How well water companies do against these targets will have an impact on bills. If companies such as Affinity Water beat their targets they can increase customer bills by a small amount. If they fail to do so, they must reduce customer bills by a small amount.

Four in ten customers (39%) support the use of ODIs in principle. The same proportion (39%) do not have any views, and just over one in five (22%) are opposed to the concept.

Figure 4.3: Customer support for ODIs



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

Support for this system was greater among men than women (44% compared with 34%) and was also higher among those with higher household incomes; 44% of those with incomes higher than £40,000 per year support this idea, compared with 34% of those with incomes below the Social Tariff threshold (£16,105 per year).

In common with customer views on other propositions, opposition tends to be even across subgroups, with greater variability in the proportion saying they have no views either way. Subgroups more likely not to give an opinion include women (42%, compared with 37% of men), those who rent their homes (45%, against 38% of homeowners), and those who do not have main bill-paying responsibility in their household (44%, compared with 37% of main bill payers).

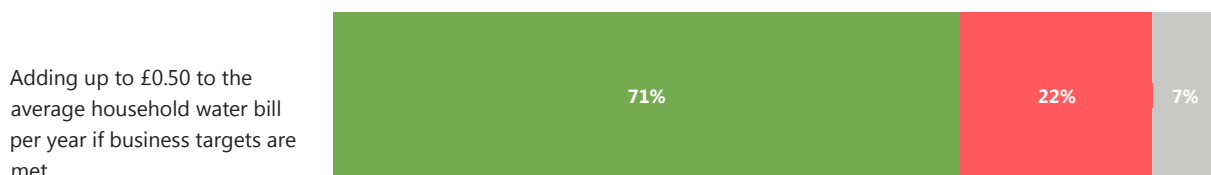
Views on specific incentive levels

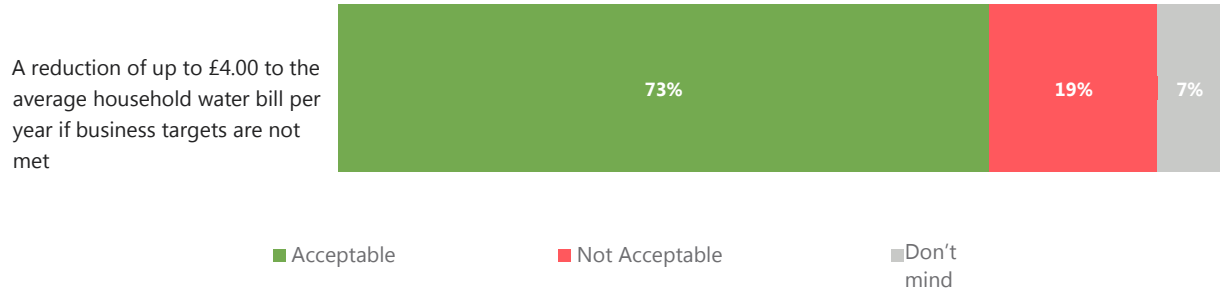
When presented with the proposed impact a system of performance incentives might have on annual household bills, **customer acceptability of the specific bill impacts of the system is much higher than the overall level of support for the system in principle.** The levels of incentive trialled were as follows:

- Affinity Water estimate that the targets they are suggesting would mean **adding up to £0.50 to the average household water bill per year if they were to beat them.***
- Affinity Water estimate that the targets they are suggesting would mean **a reduction of up to £4.00 from the average household water bill per year if they fail to beat them.***

Seven in ten Affinity water customers feel that both levels of incentive are acceptable; 71% say this about the 50p increase and 73% about the £4 reduction.

Figure 4.4: Performance incentives: customer acceptability





Base: 1,000 adults aged 16+ from across the Affinity Water customer areas, July 2018

The pattern of support between subgroups of customers is similar for both propositions too, with overall acceptability the same for most types of customer and only minor differences in the proportion who have stronger opinions. Men and older customers tend to find these plans most strongly acceptable: for instance, 24% of men find the 50p incentive very acceptable, compared with 16% of women; and 29% say the same about the £4 reduction compared with 24% of women.

Appendices

Appendices

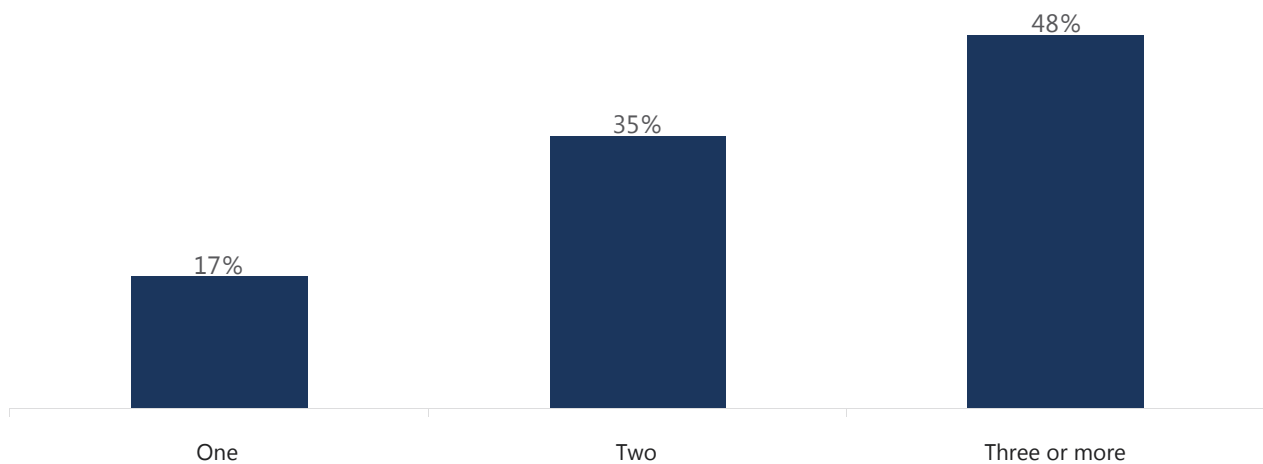
Customer sample profile

The purpose of the survey was not to provide a profile of customers but rather to gather views from a range of Affinity Water customers. The participants took part in the survey online, from a sample that was sourced from Ipsos MORI’s online panel.

This section provides an overview of the type of customers that took part in this survey, including demographic characteristics such as metering, income and the number in the household.

Less than one in five of customers interviewed live in single person households (17%), and a third (35%) live in twoperson households. The most common household size for Affinity Water customers is three or more people – half of the sample live in these larger households (48%).

Figure 5.1: Thinking about where you live, how many people live there on a permanent basis? Please include yourself and all children of any age.

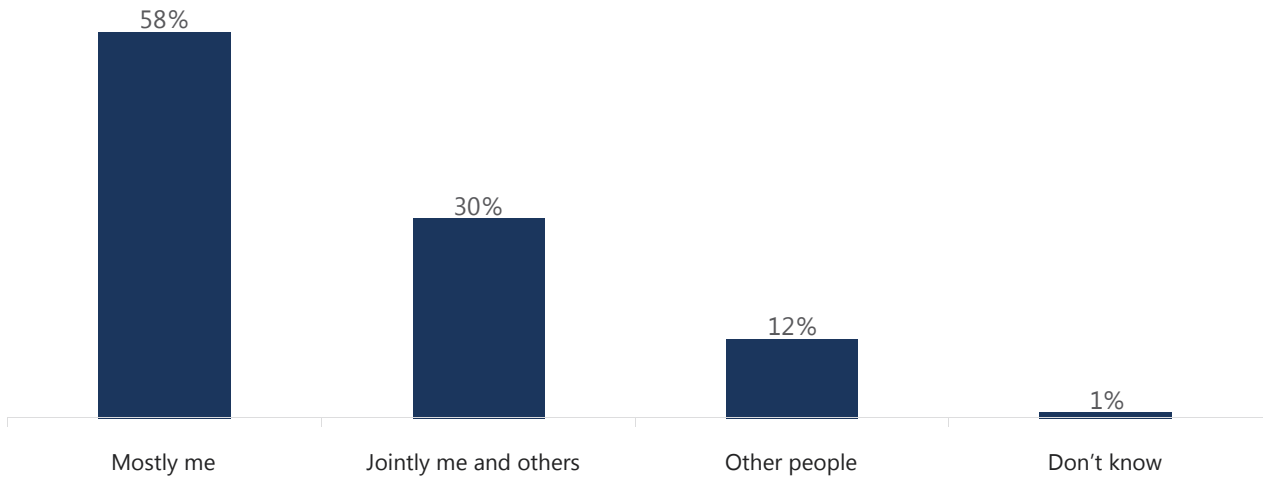


Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

The sample of Affinity Water customers is predominantly made up of those who have the main responsibility for paying bills in their household. Almost six in ten (58%) are mainly responsible for paying their household bills, and a three in ten (30%) have joint-responsibility with other people. Twelve per cent of the sample say they have no responsibility for paying bills.

Men are more likely than women to say they are responsible for paying the water bills themselves, with two in three men (68%) saying this compared with half of women (48%). Older customers are also more likely to be the principal bill payer: this is the case for 67% of those aged 55 and over, significantly more than the figure of 58% for all customers.

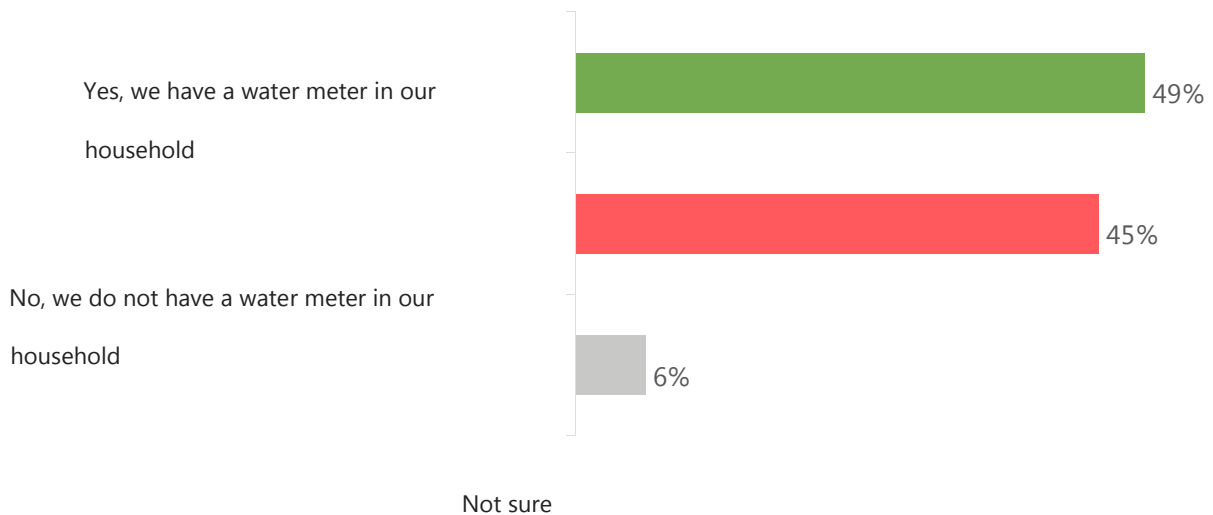
Figure 5.2: In general, who in your household is mostly responsible for paying water bills? This is probably the person(s) whose name is on the bill?



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

There is a fairly even split between metered and unmetered properties amongst customers. 49% of say they currently have a meter in their household, compared with 45% who say they do not. Six per cent are uncertain about whether they have a meter or not, and this figure rises to 13% among 16-34 year olds.

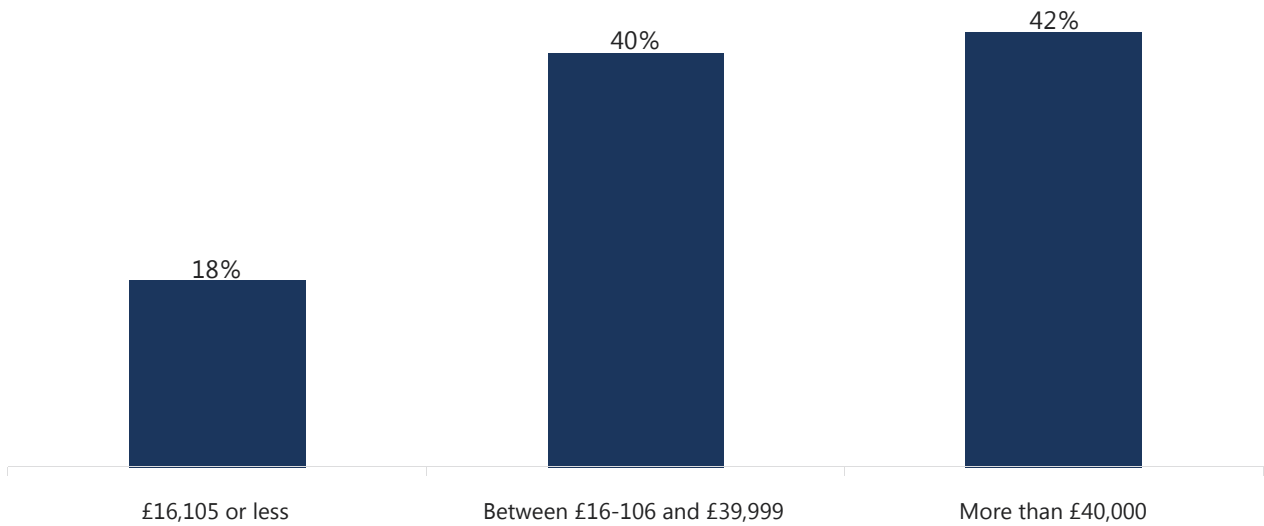
Figure 5.3: Do you have a water meter in your household?



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

As shown in Figure 5.4, there is an even split between Affinity Water customers whose annual household income is between £16,106 and £39,999 as well as those who earn more than £40,000. One fifth of all customers have annual household income of £16,105 or less.

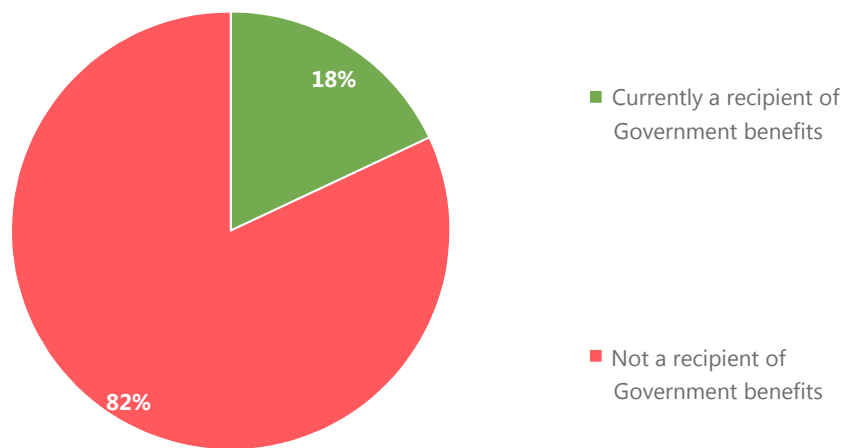
Figure 5.4: Into which of the following bands does your annual household income fall, before tax and other deductions?



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

The majority of customers (83%) do not live in household in which someone currently receives any Government benefits. Seventeen per cent do live in a household that receives benefits.

Figure 5.5: Do you, or anyone in your household, currently receive any Government benefits? These include things like Universal Credit, Job Seekers Allowance, Income Support, Housing Benefit and Tax Credits.



Base: 1000 adults aged 16+ from across the Affinity Water customer areas, July 2018

> Sample profile

N = 1000		Unweighted		Weighted	
		Base	%	Base	%
Gender	Male	473	47	469	47
	Female	527	53	531	53
Age	Aged 16 - 34	224	22	299	30
	Aged 35 - 54	399	40	347	35
	Aged 55+	377	38	355	35
Tenure	Home owner	724	72	705	70
	Rented/other	276	28	295	30
Meter status	Yes	499	50	489	49
	No	444	44	448	45
Ethnicity	White	843	84	833	83
	BME	157	16	167	17
Main bill payer	Yes	591	60	576	58
	No	403	40	417	42
Benefits Recipient	Yes	175	17	181	18
	No	825	83	819	82

Water Resource Zone	WRZ 1 – Misbourne	85	8	92	9
	WRZ 2 – Colne	121	12	121	12
	WRZ 3 – Lee	201	20	198	20
	WRZ 4 – Pinn	268	27	265	27
	WRZ 5 - Stort	96	10	81	8
	WRZ 6 – Wey	134	13	153	15
	WRZ 7 – Dour	57	6	50	5
	WRZ 8 - Brett	38	4	41	4

A guide to statistical reliability

Ensuring that the survey results are statistically reliable is important when comparing the data between different years of the survey or between different groups within the sample to ensure that any differences are real (i.e. statistically significant). A sample size of 1,000 permits good level of analysis by key demographic variables (such as age, gender and work status).

This can be explained in the tables below. To illustrate, those who took part in the survey were only be a sample of the total population of Affinity Water customers adults aged 16+, so we cannot be certain that the figures obtained are exactly those that would have been reached had everyone in the borough been interviewed (the 'true' values). We can, however, predict the variation between the sample results and the 'true' values from knowledge of the size of the samples on which the results to each question is based, and the number of times a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95% - that is, the chances are 95 in 100 that the 'true' value will fall within a specified range.

Table 4.1: Survey sampling tolerances: overall level

	Approximate sampling tolerances applicable to percentages at or near these levels
--	--

Size of sample on which survey result is based	10% or 90%	30% or 70%	50%
100	5.9	9.0	9.8
500	2.6	4.0	4.4
1,000	1.9	2.8	3.1
2,000	1.3	2.0	2.2

The following table indicates the sampling tolerances when comparing different groups of participants. If we once again assume a '95% confidence interval', the differences between the results of two separate groups must be greater than the values given in the following table in order to be deemed 'statistically significant':

Table 4.2: Survey sampling tolerances: sub-group level

Size of sample on which survey result is based	Differences required for significance at or near these percentage levels		
	10% or 90%	30% or 70%	50%
100 vs.100	8.4	12.8	13.9
300 vs. 300	4.8	7.3	8.0
473 vs. 527 (males vs. females)	3.7	5.7	6.2
1,000 vs. 1,000 (This survey versus dWRMP survey)	2.6	4.0	4.4

For example, if 46% of male customers give a particular answer compared with 54% of female ones (assuming sample sizes in the table above), then the chances are 19 in 20 that this eight-point difference is significant (as the difference is more than 6.2 percentage points)

It is important to note that, strictly speaking, the above confidence interval calculations relate only to samples that have been selected using strict probability sampling methods. However, in practice it is reasonable to assume that these calculations provide a good indication of the confidence intervals relating to this survey.

Survey Questionnaire

18-044422-01

Affinity Water Final (Phase 3) Survey

Online survey – n1000 customers

Thanks for taking part in our survey!

Affinity Water provides clean (tap) water services to around 1.4 million households across some parts of the South of England – including areas of Buckinghamshire, Bedfordshire, Kent, Essex, Hertfordshire, London and Surrey. The waste water (sewerage) services are provided by a separate company.

In this survey, which should take no longer than ten minutes, we want to get your views on what Affinity Water plans to provide over the years 2020-2025 and beyond and what it will cost customers.

Q1. We'd like to ask a few questions first to ensure we are talking to a wide range of people. Which of the following best describes your home?

Being bought on a mortgage
 Owned outright by household
 Rented from Local Authority
 Rented from Housing Association / Trust
 Rented from private landlord
 Other Don't know

Q2. Which of these best describes your ethnic group?

WHITE

1. White – English / Welsh / Scottish / Northern Irish / British
2. White – Irish
3. White – Gypsy or Irish Traveller
4. Any other White background

MIXED

5. Mixed White and Black Caribbean
6. Mixed White and Black African
7. Mixed White and Asian
8. Any other mixed background

ASIAN

9. Asian or Asian British – Indian
10. Asian or Asian British – Pakistani
11. Asian or Asian British – Bangladeshi
12. Asian or Asian British – Chinese
13. Any other Asian/Asian British background

BLACK

14. Black or Black British – Caribbean
15. Black or Black British – African
16. Any other Black/Black British background

OTHER ETHNIC GROUP

17. Arab
18. Any other ethnic group
19. Prefer not to say

To start with, we'd like to ask you a few questions about Affinity Water, the water company in your local area.

Q3. How much, if anything, would you say you personally know about Affinity Water?

1. A great deal
2. A fair amount
3. Not very much
4. Nothing at all
5. Don't know

Q4. How easy or difficult do you find it to pay your current water bill? We are interested in your TOTAL water bill overall, that is including CLEAN and WASTE (sewerage) water services.

1. I do not have problems paying my water bill
2. It is difficult to pay my bill but I always pay it on time
3. It is difficult to pay my bill and I sometimes pay it late
4. It is difficult to pay my bill and I never pay it on time
5. Don't know

Household water bills are set every five years. They are based on an agreement between each water company and Ofwat, the Government regulator. In setting future bills, Affinity Water and the regulator Ofwat take account of the interests of customers and also ensure that legally required standards for water services are met e.g. ensuring tap water is safe to drink.

Affinity Water have developed a plan that sets out the investments that are needed to maintain and improve water services from 2020 to 2025.

Please take a minute to look at this outline of the plan and the average household water bill for CLEAN water, excluding the WASTE water (sewerage) bill.

Plan outline *CLEAN water only*

Fixing leaks	Taking less water from the environment	Reducing personal water usage	Reducing the risk of interruptions to water supply	Reducing the chance of needing to use severe drought restrictions	Investing in environmental pilots – testing new innovations	Reducing periods of low water pressure
15% reduction in leaks	33 million litres less	124 litres per person per day	0.8% chance (1 in 130) per year	0.5% (1 in 200) chance per year	Investing in eight new projects	8.7 hours low pressure per year

Impact on bills

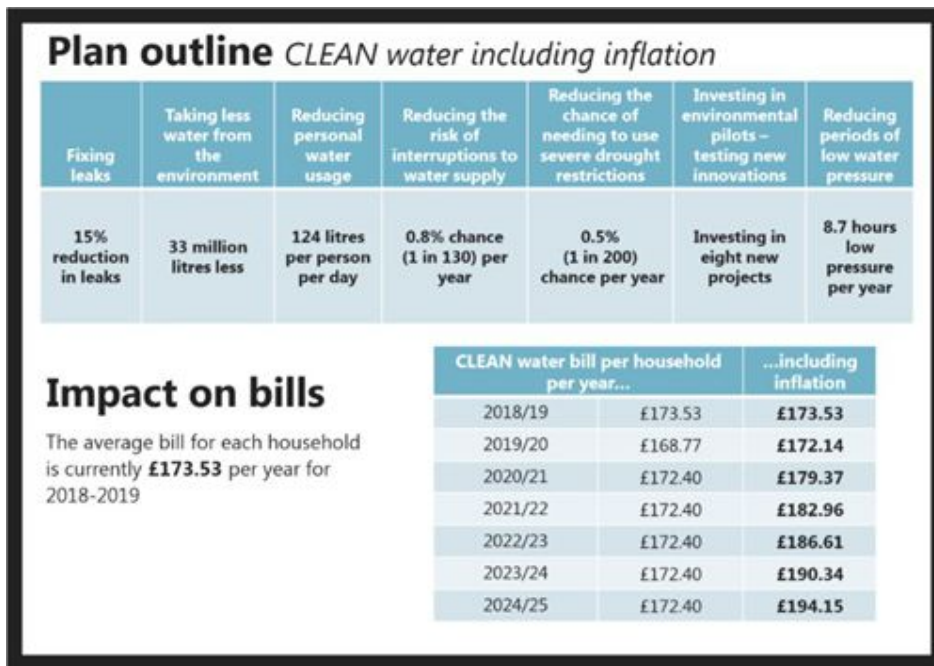
The average bill for each household is currently **£173.53** per year for 2018-2019

CLEAN water bill per household per year	
2018/19	£173.53
2019/20	£168.77
2020/21	£172.40
2021/22	£172.40
2022/23	£172.40
2023/24	£172.40
2024/25	£172.40

Q5. Taking all things into account, how acceptable or unacceptable do you think this plan is?

1. Very acceptable
2. Fairly acceptable
3. Not very acceptable
4. Not acceptable at all
5. Don't mind
6. Don't know

Q6. The table below shows CLEAN water bills, taking inflation into account. Inflation is the rate of increase in prices for goods and services and Affinity Water expect a 2% increase each year due to inflation. When considering the impact of inflation on bills please bear in mind that incomes and pensions can also rise in line with inflation, which can offset the increase in the cost of goods and services.



How acceptable or unacceptable do you think this plan is?

- 1) Very acceptable
- 2) Fairly acceptable
- 3) Not very acceptable
- 4) Not acceptable at all
- 5) Don't mind
- 6) Don't know

Q6b. Why do you think this plan is unacceptable? Please write your response below

Q7a. Your household’s CLEAN water services are provided by Affinity Water. Your WASTE (sewerage) water services are provided by Thames Water. You pay Affinity Water for WASTE water services, but they pass this part of the bill on to Thames Water. Thames Water’s plans and the bills they set are also based on an agreement with Ofwat, the Government regulator.

The table below shows your combined CLEAN and WASTE water bill. It also takes inflation into account.

CLEAN and WASTE water

Plan outline including inflation

Impact on bills

The average bill for each household is currently **£353.46** per year for 2018-2019

	CLEAN water bill per household per year including inflation	WASTE water bill (Thames Water)	TOTAL water bill
2018/19	£173.53	£179.93	<u>£353.46</u>
2019/20	£172.14	£186.02	<u>£358.16</u>
2020/21	£179.37	£185.18	<u>£364.55</u>
2021/22	£182.96	£187.26	<u>£370.22</u>
2022/23	£186.61	£189.46	<u>£376.07</u>
2023/24	£190.34	£191.22	<u>£381.56</u>
2024/25	£194.15	£193.32	<u>£387.47</u>

How acceptable or unacceptable do you think the total water bill is?

- 1) Very acceptable
- 2) Fairly acceptable
- 3) Not very acceptable
- 4) Not acceptable at all
- 5) Don't mind
- 6) Don't know

Q7b. Your household's CLEAN water services are provided by Affinity Water. Your WASTE (sewerage) water services are provided by Anglian Water. You pay Affinity Water for WASTE (sewerage) water services, but they pass this part of the bill on to Anglian Water. Anglian Water's plans and the bills they set are also based on an agreement with Ofwat, the Government regulator.

The table below shows your combined CLEAN and WASTE water bill. It also takes inflation into account.

CLEAN and WASTE water

Plan outline including inflation

Impact on bills

The average bill for each household is currently **£415.53** per year for 2018-2019

	CLEAN water bill per household per year including inflation		WASTE water bill (Anglian Water)	TOTAL water bill
2018/19	£173.53		£242.00	£415.53
2019/20	£172.14		£241.51	£413.65
2020/21	£179.37		£247.41	£426.78
2021/22	£182.96		£253.44	£436.40
2022/23	£186.61		£259.62	£446.23
2023/24	£190.34		£267.08	£457.42
2024/25	£194.15		£273.57	£467.72

How acceptable or unacceptable do you think the total water bill is? 1)

Very acceptable

- 2) Fairly acceptable
- 3) Not very acceptable
- 4) Not acceptable at all
- 5) Don't mind
- 6) Don't know

Q7c. Your household's CLEAN water services are provided by Affinity Water. You also pay a separate bill for WASTE (sewerage) water services to Southern Water. Southern Water's plans and the bills they set are also based on an agreement with Ofwat, the Government regulator.

The table below shows your combined CLEAN and WASTE water bill. It also takes inflation into account.

CLEAN and WASTE water
Plan outline including inflation

Impact on bills
The average bill for each household is currently **£451.53** per year for 2018-2019

	CLEAN water bill per household per year including inflation	WASTE water bill (Southern Water)	TOTAL water bill
2018/19	£173.53	£278.00	£451.53
2019/20	£172.14	£286.29	£458.43
2020/21	£179.37	£285.93	£465.30
2021/22	£182.96	£291.65	£474.61
2022/23	£186.61	£297.48	£484.09
2023/24	£190.34	£303.43	£493.77
2024/25	£194.15	£309.50	£503.65

Southern

How acceptable or unacceptable do you think the total water bill is? 1)

Very acceptable

- 2) Fairly acceptable
- 3) Not very acceptable
- 4) Not acceptable at all
- 5) Don't mind
- 6) Don't know

Q8. Water companies have the Government's permission to introduce Social Tariffs in order to reduce the water bill of those customers finding it difficult to pay. This is subject to guidance and water companies need to show that they have the support of customers.

The current Social Tariff caps the water bill for households with an income below £16,105 per year. Currently, 51,000 have capped water bills, about 3.8% of all Affinity Water customers. This costs every household £3 a year.

Affinity Water propose adding an extra £1.50 each year to all household's water bills, to support an additional 25,000 customers, and taking the total spend to £4.50 a year (excluding inflation) from 2020 to 2025. This amount is already included in the bill amounts provided in previous questions. How acceptable or unacceptable do you think this proposal is?

- 1) Very acceptable
- 2) Fairly acceptable
- 3) Not very acceptable
- 4) Not acceptable at all
- 5) Don't mind
- 6) Don't know

Q9. Affinity Water proposes to import water from Anglian Water, a neighbouring water company, in order to ensure that it has enough water to supply to customers across the whole of the Affinity Water area. The water would need to be treated and Affinity Water wants to expand its water treatment plant at Sundon, Bedfordshire. The cost of this is already included in the bill amounts provided in previous questions.

In principle, to what extent do you support or oppose this proposal, or do you have no views either way?

- 1) Strongly support
- 2) Tend to support
- 3) No views either way
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know

Q10. Water companies develop Business Plans and bills in consultation with customers. They set out what they plan to do and agree this with Ofwat, the Government regulator. They also agree a set of "performance commitments" or targets, designed to challenge companies to work harder to achieve higher levels of performance.

How well water companies do against these targets will have an impact on bills. If companies such as Affinity Water beat their targets they can increase customer bills by a small amount. If they fail to do so, they must reduce customer bills by a small amount.

In principle, do you support or oppose Affinity Water using targets in this way, or do you have no views either way?

- 1) Strongly support
- 2) Tend to support
- 3) No views either way
- 4) Tend to oppose
- 5) Strongly oppose
- 6) Don't know

Q11. Affinity Water estimate that the targets they are suggesting would mean adding up to £0.50 to the average household water bill per year if they were to beat them.

How acceptable or unacceptable do you think this addition to bills would be if Affinity Water were to beat their targets?

- 1) Very acceptable
- 2) Fairly acceptable
- 3) Not very acceptable
- 4) Not acceptable at all
- 5) Don't mind
- 6) Don't know

Q12. Affinity Water estimate that the targets they are suggesting would mean a reduction of up to £4.00 from the average household water bill per year if they fail to beat them.

How acceptable or unacceptable do you think this reduction in bills would be if Affinity Water were to fail to beat their targets?

- 1) Very acceptable
- 2) Fairly acceptable
- 3) Not very acceptable

- 4) Not acceptable at all
- 5) Don't mind
- 6) Don't know

Q13. Do you have a water meter in your household?

Properties with a water meter pay for the water they use, and those that do not pay the same amount regardless of water usage

- 1) Yes, we have a water meter in our household
- 2) No, we do not have a water meter in our household 3) Not sure

Q14. Thinking about where you live, how many people live there on a permanent basis? Please include yourself and all children of any age.

1. Don't know

Q15. In general, who in your household is mostly responsible for paying water bills? This is probably the person(s) whose name is on the bill.

- 1) Mostly me
- 2) Jointly me and others
- 3) Other people
- 4) Don't know

Q16. Do you or does anyone in your household have any long-term illness, health problems or disability which limits your/ their daily activities or the work you/ they can do, including any problems which are due to old age?

1. Yes – I do
2. Yes – someone else in household does
3. No
4. Don't Know/Prefer not to say

Q17. Do you, or anyone in your household, currently receive any Government benefits? These include things like Universal Credit, Job Seekers Allowance, Income Support, Housing Benefit and Tax Credits. Yes

1. No
2. Don't Know/Prefer not to say

Q18. Into which of the following bands does your annual household income fall, before tax and other deductions?

	Per MONTH	Per YEAR
1. £541 or less		£6,499 or less
2. £542 to £791		£6,500 to £9,499
3. £792 to £1,342		£9,500 to £16,105
4. £1,343 to £2,083		£16,106 to £24,999
5. £2,084 to £3,333		£25,000 to £39,999

6. £3,334 to £4,999	£40,000 to £59,999
7. £5,000 to £6,249	£60,000 to £74,999
8. £6,250 and over	£75,000 and over
9. Don't know	Don't know
10. Refused	Refused

On behalf of Ipsos MORI and Affinity Water, thank you for taking part in our survey.

Survey topline

Affinity Water Final Plan (Phase 3) Survey Topline results – July 2018

- The survey was conducted online between 10 July and 23 July 2018 with respondents sourced from Ipsos MORI’s online panel.
- Recruitment and quotas targeted a representative sample of adult residents aged 16-75 across the eight WRZs served by Affinity Water.
- Data was weighted at the analysis stage to the known population profile.
- In the “Business Plan acceptability” section of the survey, participants were given details of each plan under consideration. This has been provided with each question.
- Where percentages do not sum to 100, this may be due to computer rounding, the exclusion of “don’t know” categories, or multiple answers.
- An asterisk (*) denotes any value of less than half a per cent.

Customer profile

Q3 How much, if anything, would you say you personally know about Affinity Water?)

Base: All (1,000)

A great deal	7%
A fair amount	28%
Not very much	52%
Nothing at all	12%
Don't know	1%

Q4 Q4. How easy or difficult do you find it to pay your current water bill? We are interested in your TOTAL water bill overall, that is including CLEAN and WASTE (sewerage) water services.

Base: All (1,000)

I do not have problems paying my water bill	76%
It is difficult to pay my bill but I always pay it on time	14%
It is difficult to pay my bill and I sometimes pay it late	4%
It is difficult to pay my bill and I never pay it on time	2%
Don't know	4%

Business plan – acceptability

Household water bills are set every five years. They are based on an agreement between each water company and Ofwat, the Government regulator. In setting future bills, Affinity Water and the regulator Ofwat take account of the interests of customers and also ensure that legally required standards for water services are met e.g. ensuring tap water is safe to drink.

Affinity Water have developed a plan that sets out the investments that are needed to maintain and improve water services from 2020 to 2025.

Please take a minute to look at this outline of the plan and the average household water bill for CLEAN water, excluding the WASTE water (sewerage) bill.

Plan outline *CLEAN water only*

Fixing leaks	Taking less water from the environment	Reducing personal water usage	Reducing the risk of interruptions to water supply	Reducing the chance of needing to use severe drought restrictions	Investing in environmental pilots – testing new innovations	Reducing periods of low water pressure
15% reduction in leaks	33 million litres less	124 litres per person per day	0.8% chance (1 in 130) per year	0.5% (1 in 200) chance per year	Investing in eight new projects	8.7 hours low pressure per year

Impact on bills

The average bill for each household is currently **£173.53** per year for 2018-2019

CLEAN water bill p er household per year	
2018/19	£173.53
2019/20	£168.77
2020/21	£172.40
2021/22	£172.40
2022/23	£172.40
2023/24	£172.40
2024/25	£172.40

Q5 **Taking all things into account, how acceptable or unacceptable do you think this plan is?**
(Clean water only)
 Base: All (1,000)

Very acceptable	25%
Fairly acceptable	56%
Not very acceptable	10%
Not acceptable at all	2%
Don't mind	6%
Don't know	0
<i>Acceptable (net)</i>	82%
<i>Not Acceptable (net)</i>	13%

The table below shows CLEAN water bills, taking inflation into account. Inflation is the rate of increase in prices for goods and services and Affinity Water expect a 2% increase each year due to inflation. When considering the impact of inflation on bills please bear in mind that incomes and pensions can also rise in line with inflation, which can offset the increase in the cost of goods and services.

Plan outline *CLEAN water including inflation*

Fixing leaks	Taking less water from the environment	Reducing personal water usage	Reducing the risk of interruptions to water supply	Reducing the chance of needing to use severe drought restrictions	Investing in environmental pilots – testing new innovations	Reducing periods of low water pressure
15% reduction in leaks	33 million litres less	124 litres per person per day	0.8% chance (1 in 130) per year	0.5% (1 in 200) chance per year	Investing in eight new projects	8.7 hours low pressure per year

Impact on bills

The average bill for each household is currently **£173.53** per year for 2018-2019

CLEAN water bill per household per year...		...including inflation
2018/19	£173.53	£173.53
2019/20	£168.77	£172.14
2020/21	£172.40	£179.37
2021/22	£172.40	£182.96
2022/23	£172.40	£186.61
2023/24	£172.40	£190.34
2024/25	£172.40	£194.15

Q6 Taking all things into account, how acceptable or unacceptable do you think this plan is? (*Clean water plus inflation*)
 Base: All (1,000)

Very acceptable	12%
Fairly acceptable	50%
Not very acceptable	25%
Not acceptable at all	8%
Don't mind	5%
Don't know	0
<i>Acceptable (net)</i>	62%
<i>Not Acceptable (net)</i>	33%

Your household's CLEAN water services are provided by Affinity Water. Your WASTE (sewerage) water services are provided by Thames Water. You pay Affinity Water for WASTE water services, but they pass this part of the bill on to Thames Water. Thames Water's plans and the bills they set are also based on an agreement with Ofwat, the Government regulator.

The table below shows your combined CLEAN and WASTE water bill. It also takes inflation into account.

CLEAN and WASTE water

Plan outline including inflation

Impact on bills

The average bill for each household is currently **£353.46** per year for 2018 - 2019

	CLEAN water bill per household per year including inflation	WASTE water bill (Thames Water)	TOTAL water bill
2018/19	£173.53	£179.93	£353.46
2019/20	£172.14	£186.02	£358.16
2020/21	£179.37	£185.18	£364.55
2021/22	£182.96	£187.26	£370.22
2022/23	£186.61	£189.46	£376.07
2023/24	£190.34	£191.22	£381.56
2024/25	£194.15	£193.32	£387.47

Thameswater

Q7a How acceptable or unacceptable do you think this plan is?

Base: All who receive sewerage services from Thames Water (838)

Very acceptable	10%
Fairly acceptable	42%
Not very acceptable	29%
Not acceptable at all	14%
Don't mind	6%
Don't know	0
<i>Acceptable (net)</i>	51%
<i>Not Acceptable (net)</i>	43%

Your household's CLEAN water services are provided by Affinity Water. Your WASTE (sewerage) water services are provided by Anglian Water. You pay Affinity Water for WASTE (sewerage) water services, but they pass this part of the bill on to Anglian Water. Anglian Water's plans and the bills they set are also based on an agreement with Ofwat, the Government regulator.

The table below shows your combined CLEAN and WASTE water bill. It also takes inflation into account.

CLEAN and WASTE water

Plan outline including inflation

Impact on bills

The average bill for each household is currently **£415.53** per year for 2018 - 2019

	CLEAN water bill per household per year including inflation	WASTE water bill (Anglian Water)	TOTAL water bill
2018/19	£173.53	£242.00	£415.53
2019/20	£172.14	£241.51	£413.65
2020/21	£179.37	£247.41	£426.78
2021/22	£182.96	£253.44	£436.40
2022/23	£186.61	£259.62	£446.23
2023/24	£190.34	£267.08	£457.42
2024/25	£194.15	£273.57	£467.72

Anglian

Q7b How acceptable or unacceptable do you think this plan is?

Base: All who receive sewerage services from Anglian Water (105)

Very acceptable	4%
Fairly acceptable	45%
Not very acceptable	30%
Not acceptable at all	16%
Don't mind	5%
Don't know	0
<i>Acceptable (net)</i>	48%
<i>Not Acceptable (net)</i>	47%

Your household's CLEAN water services are provided by Affinity Water. You also pay a separate bill for WASTE (sewerage) water services to Southern Water. Southern Water's plans and the bills they set are also based on an agreement with Ofwat, the Government regulator.

The table below shows your combined CLEAN and WASTE water bill. It also takes inflation into account.

CLEAN and WASTE water

Plan outline including inflation

Impact on bills

The average bill for each household is currently **£451.53** per year for 2018-2019

	CLEAN water bill per household per year including inflation	WASTE water bill (Southern Water)	TOTAL water bill
2018/19	£173.53	£278.00	£451.53
2019/20	£172.14	£286.29	£458.43
2020/21	£179.37	£285.93	£465.30
2021/22	£182.96	£291.65	£474.61
2022/23	£186.61	£297.48	£484.09
2023/24	£190.34	£303.43	£493.77
2024/25	£194.15	£309.50	£503.65

Q7c How acceptable or unacceptable do you think this plan is?

Base: All who receive sewerage services from Southern Water (57) N.B. Small base size

Very acceptable	4%
Fairly acceptable	45%
Not very acceptable	30%
Not acceptable at all	16%
Don't mind	5%
Don't know	0
<i>Acceptable (net)</i>	48%
<i>Not Acceptable (net)</i>	47%

Other propositions

Q8 Water companies have the Government's permission to introduce Social Tariffs in order to reduce the water bill of those customers finding it difficult to pay. This is subject to guidance and water companies need to show that they have the support of customers.

The current Social Tariff caps the water bill for households with an income below £16,105 per year. Currently, 51,000 have capped water bills, about 3.8% of all Affinity Water customers. This costs every household £3 a year.

Affinity Water propose adding an extra £1.50 each year to all household's water bills, to support an additional 25,000 customers, and taking the total spend to £4.50 a year (excluding inflation) from 2020 to 2025. This amount is already included in the bill amounts provided in previous questions. How acceptable or unacceptable do you think this proposal is? Base: All (1,000)

Very acceptable	16%
Fairly acceptable	43%
Not very acceptable	23%
Not acceptable at all	13%
Don't mind	6%
Don't know	0
<i>Acceptable (net)</i>	59%
<i>Not Acceptable (net)</i>	36%

Q9 Affinity Water proposes to import water from Anglian Water, a neighbouring water company, in order to ensure that it has enough water to supply to customers across the whole of the Affinity Water area. The water would need to be treated and Affinity Water wants to expand its water treatment plant at Sundon, Bedfordshire. The cost of this is already included in the bill amounts provided in previous questions.

In principle, to what extent do you support or oppose this proposal, or do you have no views either way?

Base: All (1,000)

Strongly support	12%
Tend to support	35%
No views either way	42%
Tend to oppose	7%
Strongly oppose	3%
Don't know	0
<i>Support (net)</i>	47%
<i>Oppose (net)</i>	11%

Q10 Water companies develop Business Plans and bills in consultation with customers. They set out what they plan to do and agree this with Ofwat, the Government regulator. They also agree a set of “performance commitments” or targets, designed to challenge companies to work harder to achieve higher levels of performance.

How well water companies do against these targets will have an impact on bills. If companies such as Affinity Water beat their targets they can increase customer bills by a small amount. If they fail to do so, they must reduce customer bills by a small amount.

In principle, do you support or oppose Affinity Water using targets in this way, or do you have no views either way?

Base: All (1,000)

Strongly support	6%
Tend to support	33%
No views either way	39%
Tend to oppose	16%
Strongly oppose	5%

Don't know	0
<i>Support (net)</i>	39%
<i>Oppose (net)</i>	22%

Q11 **Affinity Water estimate that the targets they are suggesting would mean adding up to £0.50 to the average household water bill per year if they were to beat them.**

How acceptable or unacceptable do you think this addition to bills would be if Affinity Water were to beat their targets?

Base: All (1,000)

Very acceptable	20%
Fairly acceptable	51%
Not very acceptable	15%
Not acceptable at all	7%
Don't mind	7%
Don't know	0
<i>Acceptable (net)</i>	71%
<i>Not Acceptable (net)</i>	22%

Q12 **Affinity Water estimate that the targets they are suggesting would mean a reduction of up to £4.00 from the average household water bill per year if they fail to beat them.**

How acceptable or unacceptable do you think this reduction in bills would be if Affinity Water were to fail to beat their targets?

Base: All (1,000)

Very acceptable	25%
Fairly acceptable	48%
Not very acceptable	14%
Not acceptable at all	6%
Don't mind	7%
Don't know	*
<i>Acceptable (net)</i>	73%
<i>Not Acceptable (net)</i>	19%

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About Ipsos MORI's Social Research Institute

The Social Research Institute works closely with national governments, local public services and the not-for-profit sector. Its c.200 research staff focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methods and communications expertise, helps ensure that our research makes a difference for decision makers and communities.

Appendix AV.A3.5

Action refs [AFW.AV.A3](#); [AFW.AV.A4](#); [AFW.AV.A5](#)

CCG Report submitted to Ofwat on 03/09/18



Customer Challenge Group Report

3 September 2018

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- Appendix 2 CCG Membership and biographies of members
- Appendix 3 CCG meetings held/attended relating to PR19 matters
- Appendix 4 CCG Challenge log and queries
- Appendix 5 PR19 related documents received by the CCG – June 2016 to August 2018
- Appendix 6 CCG PR19 agreed Assessment Framework
- Appendix 7 Correspondence from DWI

Glossary

Commonly used acronyms and abbreviations

AWL - Affinity Water Limited
 BP - Business Plan
 dBP- draft Business Plan
 CCG - Customer Challenge Group
 CCW -Consumer Council for Water
 DMP - Drought Management Plan
 dDMP - draft Drought Management Plan
 DWI – Drinking Water Inspectorate
 EA - Environment Agency
 Ofwat – Office of Water Services
 ODI – Output Delivery Incentive
 PC – performance commitment
 PR19 – Price review 2019
 WRMP - Water Resources Management Plan
 dWRMP - draft Water Resources Management Plan

Key document references

The following key documents are referred to frequently throughout this report are often abbreviated in the body text and either referenced as footnotes or are listed in Appendix 5, which lists all the documents we have received relating to PR19.

- Aide Memoire for CCGs, Ofwat, March 2018
- Customer Engagement Policy statement, Ofwat, May 2016
- dWRMP consultation document, 'Our plan for customers and communities,' AWL, March 2018
- BP consultation document, 'Our future plans', AWL, April 2018
- V2 BP - Version 2 of the Business Plan (draft) – received 23 July 2018
- V3 BP - Version 3 of the Business Plan (draft) – received 1 August 2018
- V4 BP - Version 4 of the Business Plan (draft) – received 16 August 2018

The research reports and papers produced by the company which are referred to most often in this report are as follows, most of these are in AWL's BP submission Appendix 3 and Annexes. Appendix 5 indicates which documents are in AWL's BP submission.

- BP Focus Group report – Ipsos Mori and Arup (doc 73)
- dWRMP Online quantitative and focus group survey report – Ipsos Mori and Arup (doc 74)

- BP acceptability testing – Phase 2 – Ipsos Mori and Arup (doc 84)
- Triangulation report – (docs 91 and 92)
- Paper on PC Stretch (doc 98)
- Phase 3 Bill acceptability report – Ipsos Mori and Arup (doc 109)
- Phase 3 additional resilience research report – Blue Marble (doc 110)

Section 1

Introduction and foreword

This is a report prepared for Ofwat by the Affinity Water Customer Challenge Group (CCG) about Affinity Water Limited's (AWL) PR19 Business Plan submission for the period 2020/25.

Ofwat has asked the CCG to provide

'independent challenge to the company and independent assurance to Ofwat on the quality of the company's customer engagement for PR19, and the degree to which this is reflected in its business plan'.

Affinity Water Limited (AWL) supplies essential water services to 3.6 million people living in 1.4 million homes in parts of South East England. AWL is a monopoly supplier. Their customers do not have any choice about who their supplier is. If they are unhappy with the service provided, or do not think it is value for money they cannot take their custom elsewhere. To redress this Ofwat, the economic regulator of water and sewerage companies in England and Wales, controls the prices, and levels of service AWL must provide. Every 5 years water companies must submit a business plan to Ofwat which proposes service levels and prices for the next five years. This 'price review' results in a formal decision by Ofwat on what each company must deliver for customers, and at what price.

Ofwat asks that water companies' plans are informed and driven by engagement with customers. At this price review (PR19) Ofwat has set out criteria for effective customer engagement, and outlined what business plans based on effective customer engagement should feature.²⁴ CCGs are asked to report to Ofwat on whether their company's business plan has met Ofwat's expectations. This report therefore covers how we have carried out our 'independent challenge' role and provides our opinions on the issues that Ofwat has asked us to consider in relation to AWL's customer engagement for PR19.²⁵ The report is organized in the following sections:

- Summary (Section 2)
- Assessments (Section 3)
- Challenges and disagreements (Section 4)
- Our work and processes (Section 5)

The appendices provide more detailed information about our work and processes, including our terms of reference, CCG member biographies, details of the meetings we have held and documents we have received relating to PR19, a copy of our challenge log, queries we have raised and a copy of our assessment framework.

²⁴ See Ofwat PR19 methodology, December 2017

²⁵ See <https://www.ofwat.gov.uk/publication/aide-memoire-customer-challenge-groups/>

CCG members

CCG members have been engaged in a process that started in Summer 2016, when our terms of reference were updated to reflect Ofwat's policy statement on expectations of customer engagement at PR19. As can be seen from Sections 2 and 5 the CCG has held 17 meetings at which PR19 matters have been considered; received more than 111 documents relating to PR19 from AWL; observed focus group sessions, taken part in 'triangulation' workshops, attended events and meetings about PR19, including with Ofwat and kept the AWL board informed of our views and emerging opinions through attending and briefing the Board and our Annual Reports. In addition to this the CCG has a brief to review AWL's current performance for customers and that work has not been set aside in the past year, as can be seen from our Annual Report for 2017/18.

I am enormously grateful to and would like to thank all members of the CCG for their engagement with this process. They have brought a wealth of experience and insight into consumer policy and research, social, economic and welfare policy, community and environmental issues, and public affairs across the areas Affinity Water serves. Their ability to cut through the voluminous complex material that has been presented to us – from AWL and Ofwat - to identify the key points and quickly get to an opinion has been impressive.

At March 2018 the following people are independent members of the CCG

Tina Barnard, Watford Community Housing Trust
 Keith Cane, Town and Country Housing Group
 David Cheek, Friends of the Mimram
 Gary Clinton, AgeUK Essex
 Richard Haynes, Up on the Downs
 James Jenkins, University of Hertfordshire
 John Ludlow, Public affairs and government relations professional
 Scott Oram, Glaxo Smith Kline
 John Rumble, Hertfordshire County Council
 Gill Taylor, Groundwork East

The following members represent statutory organisations:

Karen Gibbs, Consumer Council for Water (CC Water)
 Caroline Warner, CC Water – Local Consumer Advocate
 Jonathan Sellars, Environment Agency

More information about the profile and expertise of the CCG members is provided in Appendix 2. The Drinking Water Inspectorate did not form part of the CCG at this price review but we have met with them to hear their views on the issues they would expect to see in AWL's business plan and at Appendix 7 include their statement to us in this essential aspect of AWL's services.

Carrying out our role to challenge the company and arrive at evidence based opinions, which also have to be submitted on the same day as AWL's business plan is a complex task, particularly for a group of people for whom this is not their main, or day job. Members have nevertheless given their time to this task because they are genuinely interested in helping to ensure that AWL is listening to its customers and stakeholders; can demonstrate this and is setting out to deliver a good service at a fair price in future.

As with any business the planning process has been an iterative one and much detail gets firmed up as deadlines approach. AWL's plan has undergone some significant changes and developments between June and August 2018, the business plan that is being submitted is different in some important respects to that which AWL tested with customers in April and May. We discuss this in Section 2 – Summary, and also in Section 4 – Challenges and disagreements. Overall the 'up to the wire' experience has been a challenging one for the CCG. We are asked to provide assurance to a regulator on a business plan when we have not been able to review, and challenge, the final plan that has been submitted. Despite this CCG members have been prepared to engage with reviewing drafts of AWL's business plan throughout August, alongside drafts of this report. I am enormously grateful to them for their help, particularly during the holiday period.

Acknowledgements

Finally, in addition to the CCG members I would like to thank a number of key people at AWL without whom it would not have been possible for us to complete this task, on time. Anne Scutt-Webber has acted as the CCG Manager keeping track of all the PR19 related documents we have had and maintaining our virtual filing cabinet; Sian Woods for organising and minuting our meetings – no mean feat with the volume of papers circulated; Lauren Schogger, PR19 programme manager for keeping AWL's business planning on track and Chris Offer, Regulation Director for his overwhelming positivity and resilience in the face of our challenges and my frowns, grumbles and groans. Many other AWL staff have met with us and provided us with expert briefings, presentations and responses to our many questions which has been really appreciated. I would also like to thank Simon Cocks and Pauline Walsh (who have been the Chief Executives of AWL during the PR19 process) together with the Board of AWL for their engagement with the CCG. The company has undergone significant change at the leadership level in the past 12 months, but has allocated much Board time to understanding our role in this process and listening to our views and opinions from a relatively early stage.

Teresa Perchard

Chair, Affinity Water Customer Challenge Group

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Section 2

Summary

This report is produced for Ofwat by the Affinity Water Customer Challenge Group and gives our opinions on Affinity Water Limited's (AWL) PR19 Business Plan submission.

Our job is to provide

'independent challenge to the company and independent assurance to Ofwat on the quality of the company's customer engagement for PR19, and the degree to which this is reflected in its business plan'.

This report covers how we have carried out our ‘independent challenge’ role and provides our opinions on the issues that Ofwat has asked us to consider in relation to AWL’s customer engagement for PR19.²⁶ The report is organized in the following sections:

- Assessments (Section 3)
- Challenges and disagreements (Section 4)
- Our work and processes (Section 5)

Appendices provide more detailed information about our work and processes, including details about our terms of references, members, meetings we have held and documents we have received relating to PR19, a copy of our challenge log, queries we have raised and a copy of our assessment framework.

Our PR19 related activities and evidence base

This report is based on the evidence we have received and been able to review and take into account as a group between June 2016 until mid-August 2018²⁷; members’ involvement in 17 meetings with the company at which PR19 was either wholly or mainly on the agenda between June 2016 and July 2018; members’ attendance at some customer focus group and stakeholder consultation events, and attendance at 43 other meetings and events related to PR19, including 14 with Ofwat attended by the Chair, and 5 meetings with the AWL Board or its ‘Regulatory Working Group since April 2017. A list of all the meetings attended by one or more members of the CCG is in Appendix 3. Appendix 5 lists the 111 PR19 related documents that members of the Group have been given by AWL between Summer 2016 and August 2018. Some additional papers and briefings were received after mid-August which are not listed, notably a briefing on 31 August 2018 outlining AWL’s final PR19 bill proposals

We are required to report to Ofwat on the same day as AWL submits its Business Plan (BP). This means our report has been prepared in parallel with AWL finalising its BP submission, through a number of iterations in August 2018. This was two months later than the company had planned to produce drafts of the BP in plans shared with the CCG in September and December 2017, on which basis the CCG scheduled its meetings to end on 18 July, recognizing that August is a peak holiday period.

We appreciate that the timetable changed as the company needed to respond to the significant stakeholder feedback it received on its draft Water Resources Management Plan (dWRMP) proposals, which were out for public consultation in April and May 2018. At that time AWL was testing the ‘acceptability’ of three proposals for BP service packages, and average bill levels, with a representative group of customers. AWL has subsequently revised elements of its dWRMP proposals in important respects relating to future water resources. This has had a significant impact on some aspects of AWL’s BP proposals, including the proposed level of average household bills. Essentially AWL has moved from presenting customers with proposals for water bills to be lower in real terms in 2025 to a proposal for a real terms increase in charges. There are also a number of differences between the service propositions between

²⁶ See <https://www.ofwat.gov.uk/publication/aide-memoire-customer-challenge-groups/>

²⁷ V4BP was received on 16 August and 4 members of the CCG were able to review that version.

May and August 2018. As a result, AWL was required to undertake further 'acceptability testing' with customers in August 2018.

Alongside these developments, drafts of AWL's BP were not available to the CCG in any form before the end of July 2018, and there was significant reworking of the narrative and the bill propositions in August 2018. Confirmation of the final bill proposition was only available to the CCG Chair on Saturday 1 September 2018.

The consequence of the above is that the CCG as a whole has not been able to review and challenge a near final draft version of AWL's BP, together with the final proposals for bills, before submitting this report²⁸. Some members of the CCG were able to review Version 2 of AWL's draft Business Plan (V2BP). The Chair of the Group and 4 other members also reviewed Version 4 of AWL's draft Business Plan (V4BP) which was available from 16 August. Only two members of the group have been able to review any of the draft Annexes to V4BP²⁹.³⁰ We believe we have a reasonable understanding of what is *probably* going to be included in AWL's final BP submitted to Ofwat such that it is possible to submit this report. However, there may be differences between the draft BPs we have reviewed and cross referenced in this report. It is also possible that we have referred to something from a draft of the BP which has not been carried into the document AWL has actually submitted. We have asked the company to provide us with a report on the differences between the drafts and submitted final BP in due course.

²⁸ See Section 4 for further information and commentary

²⁹ A draft of Appendix 3 to V4BP was reviewed by the Chair and one member in late August 2018

³⁰ Each draft BP has been in excess of 200 pages long. Appendix 3 to AWLs V4BP was more than 100 pages as a covering note to annexes of documents and evidence.

Our assessments

Our opinions on AWL's BP customer engagement are organised according to 19 'Test areas' drawn from the 'Assessment Framework' we developed and agreed in March 2018.³¹ We have rated each Test area as follows:

- **Green** – the company's customer engagement meets this test
- **Amber** – the company's customer engagement partly meets this test
- **Red** – the company's customer engagement has not met this test

An overview of our assessments for each of 19 Test areas on our Assessment Framework is below and appears again in Section 3. Our Assessment Framework tests are drawn from our Terms of Reference agreed in July 2016³², the criteria set out by Ofwat in its May 2016 policy statement³³ and in its Methodology for PR19 December 2017³⁴. We think that our Assessment Framework addresses appropriately all the matters in Ofwat's requirements although the issues are not presented in precisely the same order or format as in their Aide Memoire for CCGs.

AWL has met almost all our tests:-

- AWL's customer engagement, and BP, meets most of our 19 Test areas that apply to them – we rate 15 areas out of 18 as 'Green'.³⁵
- AWL have amassed and used a significant evidence base about their customers' views, needs and requirements from analysis of operational data and existing research. It has also undertaken a range of engagement with customers to help prepare its BP submission. AWL highlights over 15,000 interactions with customers as their evidence base. Of these 3,325 interactions were from quantitative and representative research/surveys with customers about proposals for service levels and bills.
- AWL has used professional independent market research companies, mainly Ipsos/Mori and Arup, to advise on, design and undertake several pieces of research, and facilitate triangulation of the evidence base, at key stages in the customer engagement programme between June 2017 and August 2018. This provides assurance of representative and robust results in some areas.
- AWL has sought to innovate in its customer engagement by using an online 'community of customers' and undertaking research with future customers and secondary school pupils.
- In keeping with its vision to be the leading community focused water company AWL has set out several ways in which it intends to work with local communities and stakeholders

³¹ See Appendix 6

³² <https://stakeholder.affinitywater.co.uk/docs/CCG-terms-of-reference.pdf>

³³ https://www.ofwat.gov.uk/wp-content/uploads/2015/12/pap_pos20160525w2020cust.pdf

³⁴ <https://www.ofwat.gov.uk/publication/delivering-water-2020-final-methodology-2019-price-review/> and also <https://www.ofwat.gov.uk/publication/aide-memoire-customer-challenge-groups/>

³⁵ Test area 13 of the 19 is an account of how the CCG has reviewed and challenged the performance commitment framework so does not have a RAG rating for the company.

to 'co-create' and deliver aspects of its business plan, some of which will be piloted before 2020.

- As noted in relation to our Test areas 1 to 7 we consider that AWL has developed and shown an understanding of its customers' priorities, has engaged with customers on issues that matter to them, and insight from customers has informed the development of the BP.
- AWL has strong customer support for its proposed BP outcomes, and has presented clearly in its BP how its proposed performance commitments relate to each of the proposed outcomes.
- AWL is proposing to maintain and improve some aspects of its service to customers, and protection of the environment, as set out in detail in the BP. In Section 3 (Test area 14) we set out how we have challenged AWL to demonstrate that its proposed performance commitments are stretching. We explain that Ofwat is in a better position of knowledge than the CCG to decide if any of the proposed performance commitments are stretching, or sufficiently stretching. Nevertheless, having challenged the company and considered all the evidence available to us and Ofwat's PR19 methodology we have identified 6 of the proposed 19 performance commitments which appear likely to be stretching for the company to achieve. These are the performance commitments related to reducing leakage, reducing per capita consumption, reducing the extent of water supply interruptions, reducing the extent of low pressure, and improved services for vulnerable customers and customers in financial difficulty (which are to be measured through satisfaction surveys)
- In relation to AWL's support for customers who are vulnerable or have difficulty paying their bills the company has undertaken good analysis of need and planning for the proposed services and activities in its BP. The company has established that customers and stakeholders support the approach they propose to take and have demonstrated effective engagement with relevant expert stakeholders and customers to design their services. AWL's Inclusive Services Strategy, which underpins the proposed bespoke performance commitments in the BP, will be a significant business change for AWL.
- We understand – at 1 September 2018 – that AWL is proposing that it should be allowed to increase average bills to customers by 2.07% in real terms between 2020 and 2025³⁶. This is a small increase in charges in real terms. The company has evidence from a representative survey (in August 2018) that a majority of customers regard an increase of this scale as acceptable, without considering the likely impact of inflation or the level of sewerage charges as well. In real terms the average bill is proposed to increase in line with the growth in real household disposable income that is forecast by the OBR. The objective affordability of AWL's average bill in 2024/25, in isolation of other pressures on household incomes, is likely to be no worse than it is today if incomes rise as the OBR has projected.
- Transparency, accountability and effective communication will be key to the company achieving the relationship of trust and engagement it seeks with customers, and other stakeholders to realise its vision of being the leading community focussed water company in the UK and achieving the significant challenge of reducing demand for water. The company has described appropriate ambitions to develop and improve its reporting and transparency to customers. It has yet to draw up an operational plan for

³⁶ Email from AWL received on 1 September 2018.

this, which will require some research and testing with customers as well as stakeholders, but it has made a commitment to do this before 2020.

However, three of our Test areas are rated ‘Amber’:

- We have rated as ‘Amber’ (or partly meeting) three Test areas relating to effective customer engagement on long term risks (Test area 8), the performance commitment framework as a whole (Test area 14) and customer engagement on resilience (Test area 18).³⁷
- Test area 8 requires effective engagement with customers on future and long-term issues, including trade-offs and risks, in a way that customers could be expected to understand. We outline in Section 3 how AWL has approached this in relation to the key long-term issue of sufficiency of water resources to meet demand. Based on our involvement reviewing drafts of the dWRMP consultation paper and customer engagement materials, and noting the specific responses of Ofwat and EA to AWL’s dWRMP it is not possible for us to consider that AWL has fully met this requirement.
- Test area 18 is strongly linked to Test area 8. Notwithstanding the challenges of engaging customers with resilience and risk we do not think that AWL has engaged with customers in sufficient depth to inform its resilience strategy. One element of the revised resilience strategy is to embark on investment in ‘additional resilience’³⁸. Customer engagement on the long-term implications, costs and benefits of this investment has not been of the depth or nature that would fully satisfy Test area 8 above. It is not therefore possible to say that AWL’s approach to resilience, as described in V4BP, is based on sufficient customer engagement.
- The company should recognise our assessments of Test areas 8 and 18 as we understand the BP will set out proposals for an extension to the timescale for submission of the dWRMP and further customer engagement in 2018/19. The CCG consider that AWL needs to undertake further and better engagement with customers on its long-term water resource management strategy, particularly as there is likely to be significant investment needed in AMP8 2025-2030 and beyond related to the jointly promoted reservoir development with Thames Water. It is important that customers are fully informed about the long-term implications of this for their water bills.
- Test area 14 concerns three interconnected aspects of the company’s proposed BP, referred to as the Performance Commitment Framework - the proposed outcomes, performance commitments (PCs) and levels and outcome delivery incentives (ODIs). Ofwat has asked us to consider a range of questions, including whether customers have been consulted about and support what is being proposed – including the proposed ODIs - and whether the proposed performance commitment levels are stretching.³⁹

³⁸ P152 V4BP this was stated to be at a cost to customers of £2 - £5 per year .

³⁹ Ofwat’s Aide Memoire for CCGs has 11 questions on performance commitments and 7 questions on ODI’s – in theory those questions need to be answered x 19 in relation to AWL’s performance commitment proposals so a full CCG response would have 209 answers just on the PCs.

Because of the many different sub-questions Ofwat has asked us to consider in relation to 19 proposed performance commitments there has been a lot of material for us to review and utilise to evidence our opinion, which is covered in full in Section 3.

- AWL has evidence of strong customer support for its BP outcomes, many of the proposed PC levels will improve service to customers and the environment and we have noted 6 out of the 19 proposed PCs that appear to us to be stretching. However, the following points have resulted in an overall amber assessment from us:
 - AWL has only undertaken specific customer engagement about 7 of the 19 proposed PCs. Not all the 19 proposed PCs required customer engagement, for example, 4 PCs are effectively requirements of environmental and quality regulators. However, AWL could have gone further than it did in this area.
 - None of AWL's customer engagement about proposed PCs and PC levels has given customers significant opportunities to indicate choices between different service levels. The approach at both Phase 2 and Phase 3 has been to ask customers if proposed plans are 'acceptable' or not – a top down rather than bottom up approach.
 - AWL's actual proposals for ODI levels were only presented to the CCG in August, primarily through the medium of drafts of the BP, queries that we raised and sight of drafts of the Phase 3 customer acceptability survey questions. We note the evidence that customers found the single proposal made by AWL acceptable⁴⁰. We are not however able to provide assurance that the proposal reflects a suitably wide range of evidence on AWL's customer preferences, which is what Ofwat has asked us to challenge and comment on.

⁴⁰ Phase 3, BP Acceptability Survey, Ipsos/Mori August 2018

Overview of AWL CCG Test areas - RAG rating

1. Has AWL developed a genuine understanding of customers priorities, needs and requirements, drawing on a robust, balanced and proportionate evidence base	Green
2. Has AWL engaged with customers on the issues that matter to them?	Green
3. Has evidence from customers genuinely driven and informed the development of the business plan?	Green
4. Has the company used multiple data sources and triangulated those effectively to develop its proposals, and carry out customer engagement?	Green
5. Has the company presented its customers with realistic options?	Green
5. Has the customer engagement process been ongoing two way and transparent with the company informing customers as well as soliciting feedback from them?	Green
7. Has the engagement with customers been sufficiently diverse, involving the using of methods appropriate and effective for engaging with a diverse range of customers. Does this include customers in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?	Green
8. Has the company engaged effectively with customers on future and long-term issues, including trade offs and risks, in a way customers could be expected to understand?	Amber
9. Where appropriate, has the company considered how customers could help co-create and co-deliver solutions to underlying challenges?	Green
10. Has the company effectively informed and engaged customers about its current performance and how this compares with other companies in a way customers could be expected to understand?	Green
11. Is the proposed plan affordable for current customers, future customers and those struggling or at risk of struggling to pay? How well does the company understand what affordability looks like for its customers, and do customers support the approach they have taken?	Green
12. Vulnerability - Is the company's approach to vulnerability targeted, efficient and effective? CCG view on the quality of planned support for customers in vulnerable circumstances, taking into account Ofwat's February 2016 Vulnerability Focus report.	Green
13. Performance commitment framework – including Outcomes and ODIs – how have we reviewed and challenged	n/a – info section
14. Opinion on proposed outcomes, performance commitments – both common and bespoke - and outcome delivery incentive in terms of level of stretch, customer engagement and support [Outcomes – green - PC consultation – amber - Stretch – amber - ODIs – amber]	Amber
15. AIM – has Affinity engaged with local stakeholders to propose its AIM incentives? Has it identified suitable sites in liaison with the Environment Agency? (Aim is also a PC see Q14 above)	Green
16. Leakage – has Affinity taken customer views into account in its proposed five year PC levels? (see also response to Q14 above)	Green
17. Transparency – are company plans for reporting on performance 2020 – 25 suitable	Green
18. Resilience – has the company's assessment of resilience been informed by engagement with customers so as to understand their expectations on levels of service, their appetite for risk and how customer behaviour might influence resilience	Amber
19. Cost efficiency – if there are cost adjustment claims is there evidence that customers support the project? Does the proposal deliver outcomes that reflect customers' priorities identified from customer engagement? Has the company taken account of customers' views and is there evidence that the proposed solution represents best value for customers in the long term, including evidence from customer engagement	Green -

Section 3

Assessments – 19 Test areas

In this section we provide our views on Affinity Water Limited's (AWL) customer engagement programme. Our opinions are organised according to 19 test areas drawn from the 'Assessment Framework' that we developed and agreed in March 2018.⁴¹ Our Assessment Framework tests are drawn from our Terms of Reference agreed in July 2016⁴², the criteria set out by Ofwat in its May 2016 policy statement⁴³ and in its Methodology for PR19 December 2017⁴⁴. Ofwat subsequently published a document it called an 'Aide Memoire' for CCGs⁴⁵ which lists all the issues which Ofwat has asked CCGs to challenge and comment on throughout its PR19 methodology. We think that our Assessment Framework addresses appropriately all the matters in Ofwat's Aide Memoire, although the issues are not presented in precisely the same order or format.

We used our Assessment Framework to provide AWL and its Board with an interim opinion in March 2018 (see Section 5) and provided an update on any changes in our views to the company and the Board in June, July and August 2018. We have also given the company two drafts of this section in August 2018 to enable them to check any facts and figures and references which we have deployed, particularly as we have had to finalise this report before seeing the final Business Plan (BP).

For each of the 19 test areas we provide an overall opinion as to whether the company's customer engagement and proposed performance commitments fully address the requirements, or not. The Red/Amber/Green rating of each test area means that our opinion is as follows:

- **Green** – the company's customer engagement meets this test
- **Amber** – the company's customer engagement partly meets this test
- **Red** – the company's customer engagement has not met this test
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In relation to each test area we evidence the opinion by describing our involvement and engagement with the issue and summarising the key evidence we have reviewed to arrive at our opinion. We did not want to duplicate with information which is in the company's Business Plan submission. However, for the reasons explained in Section 4, at the time of needing to draft and finalise this report we had not seen the company's final BP and it was difficult to fully achieve this goal. We have needed to refer to drafts of the BP and other information given to the CCG to form a view about what is probably in the final BP submission

⁴¹ See Appendix 6

⁴² <https://stakeholder.affinitywater.co.uk/docs/CCG-terms-of-reference.pdf>

⁴³ https://www.ofwat.gov.uk/wp-content/uploads/2015/12/pap_pos20160525w2020cust.pdf

⁴⁴ <https://www.ofwat.gov.uk/publication/delivering-water-2020-final-methodology-2019-price-review/>

⁴⁵ <https://www.ofwat.gov.uk/publication/aide-memoire-customer-challenge-groups/>

Overview of AWL CCG Test areas - RAG rating

2. Has AWL developed a genuine understanding of customers priorities, needs and requirements, drawing on a robust, balanced and proportionate evidence base	Green
2. Has AWL engaged with customers on the issues that matter to them?	Green
6. Has evidence from customers genuinely driven and informed the development of the business plan?	Green
7. Has the company used multiple data sources and triangulated those effectively to develop its proposals, and carry out customer engagement?	Green
5. Has the company presented its customers with realistic options?	Green
8. Has the customer engagement process been ongoing two way and transparent with the company informing customers as well as soliciting feedback from them?	Green
7. Has the engagement with customers been sufficiently diverse, involving the using of methods appropriate and effective for engaging with a diverse range of customers. Does this include customers in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?	Green
8. Has the company engaged effectively with customers on future and long-term issues, including trade offs and risks, in a way customers could be expected to understand?	Amber
9. Where appropriate, has the company considered how customers could help co-create and co-deliver solutions to underlying challenges?	Green
10. Has the company effectively informed and engaged customers about its current performance and how this compares with other companies in a way customers could be expected to understand?	Green
11. Is the proposed plan affordable for current customers, future customers and those struggling or at risk of struggling to pay? How well does the company understand what affordability looks like for its customers, and do customers support the approach they have taken?	Green
17. Vulnerability - Is the company's approach to vulnerability targeted, efficient and effective? CCG view on the quality of planned support for customers in vulnerable circumstances, taking into account Ofwat's February 2016 Vulnerability Focus report.	Green
18. Performance commitment framework – including Outcomes and ODIs – how have we reviewed and challenged	n/a – info section
19. Opinion on proposed outcomes, performance commitments – both common and bespoke - and outcome delivery incentive in terms of level of stretch, customer engagement and support [Outcomes – green - PC consultation – amber - Stretch – amber - ODIs – amber]	Amber
20. AIM – has Affinity engaged with local stakeholders to propose its AIM incentives? Has it identified suitable sites in liaison with the Environment Agency? (Aim is also a PC see Q14 above)	Green
21. Leakage – has Affinity taken customer views into account in its proposed five year PC levels? (see also response to Q14 above	Green
17. Transparency – are company plans for reporting on performance 2020 – 25 suitable	Green
20. Resilience – has the company's assessment of resilience been informed by engagement with customers so as to understand their expectations on levels of service, their appetite for risk and how customer behaviour might influence resilience	Amber
21. Cost efficiency – if there are cost adjustment claims is there evidence that customers support the project? Does the proposal deliver outcomes that reflect customers' priorities identified from customer engagement? Has the company taken account of customers' views and is there evidence that the proposed solution represents best value for customers in the long term, including evidence from customer engagement	Green -

<p>1. Has Affinity developed a genuine understanding of its customers' priorities, needs and requirements drawing on a robust, balanced and proportionate evidence base?</p>	<p>Green</p>
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Overall, we are satisfied the company has met this requirement in preparing its BP. The CCG has been fully informed and consulted about the design of the entire business plan customer and stakeholder engagement programme, and most of the customer research commissioned by AWL since 2016, as we describe in Section 5 of this report.

AWL has summarised its understanding of customers' priorities, needs and requirements throughout different sections of its BP and supporting appendices. For example, in V4BP AWL sets out the four customer outcomes as 'the things that really matter most to customers' (p10). We have seen robust evidence that the expressed outcomes have been tested with and are strongly supported by customers⁴⁶. We consider that the Triangulation Report⁴⁷ the company presented to us in June 2018 illustrated well the key knowledge of customer views that the company had identified and understood in relation to each of its proposed performance commitments. In other sections of this report we highlight evidence about customer views which is most relevant to the specific issues we have been asked to consider.

AWL have amassed and used a significant evidence base about its customers' views, needs and requirements and they have undertaken a significant range of engagement with customers to help prepare the BP.⁴⁸

For example, the company says it has drawn on 15,323 interactions⁴⁹ with individual customers between June 2016 and August 2018, being the period during which it has been developing its BP, and its DMP and dWRMP. This is a significant number of interactions with customers and we note that the equivalent figure for AWL's AMP6 BP was 'over 12,500'⁵⁰. We consider this evidence base is sufficient - AWL has a customer base of 1.4 million households and serves a population of 3.6 million people.

However, it is important not to conflate quantity of interactions with quality of interactions. Not all the interactions AWL counted as part of its BP planning evidence base were related to or asked customers about the core BP propositions. AWL's evidence base combines a large number of interactions with customers on single issues, particularly issues concerning customer knowledge, behaviour or opinion and satisfaction with current performance, with a smaller number of interactions which are of more depth and forward looking. This is valuable insight, but only a proportion of the evidence base has been concerned with asking customers about actual proposals for service standards and bills in the future.

⁴⁶ Ipsos MORI/Arup, June 2018, *Affinity Water Business Plan Acceptability Survey*

⁴⁷ Appendix 5 document 91

⁴⁸ A full account of AWL's customer engagement programme is set out in Appendix 3 of V4BP.

⁴⁹ Business Plan appendix 3 Annex, Over3

⁵⁰ P21 AWL Business Plan 2015 - 2020

The company has provided us with a breakdown of the 15,323 interactions with individual customers.⁵¹ This showed overall that the company drew on 3387 qualitative interactions with customers (through focus groups for example) and 11,936 quantitative interactions with customers (for example through surveys conducted online or face to face). The company has made use of data it already collects through an ongoing 'value for money' survey of customers and designed, with professional market research help, new tools for tapping into customers' views on specific issues, principally the 'online community' of customers which was created during Phase 1 of the customer engagement programme.

Of the 15,323 interactions and pieces of research 11,936 are derived from quantitative research. We consider that the most important for evidencing customer support for the business plan are the quantitative research with representative samples of customers in Phases 2 and Phase 3 of the customer engagement programme. This is because it was from Phase 2 onwards that customers were being asked a range of specific questions about proposed levels of service, and proposed levels of bills and were being presented with proposals in a 'package'. The key quantitative research, in our view, is:

- dWRMP phase 2 customer survey (1000 customers, online, Ipsos MORI/Arup)
- dBP phase 2 customer acceptability survey (825 customers, face to face, Ipsos MORI/Arup)
- dBP phase 3 customer acceptability survey (1000 customers, online, Ipsos MORI/Arup)
- dBP phase 3 additional resilience research (500 customers, online, Blue Marble)

These quantitative surveys account for 3,625 of the 11,936⁵² quantitative interactions with customers in AWL's evidence base.

We have noted a number of important discrete pieces of research with customers, including specific research with a small number of vulnerable customers about their experience of and expectations in relation to service disruptions⁵³, specific research with a sample of customers about their attitude to drought management and restrictions in water use and specific research with a sample of customers about their attitude to the social tariff and increasing its scope and cost further after 2020.⁵⁴

The Phase 2 customer acceptability survey in particular asked customers for their views on the proposed business plan outcomes and proposals for three alternative business plans and average bill levels and was supported by a series of independently facilitated focus group discussions involving 70⁵⁵ customers in different socio-economic profile groups. The in-home face to face research methods used for the quantitative survey meant that it was able to include

⁵¹ Email response 3 August from AWL spreadsheet of PR19 Engagement numbers – not listed in Appendix 5

⁵² Almost 11,000 interactions with customers come from the 'online community' of customers with whom there were 5207 contacts in a 5 month period and the rolling 'value for money survey' run for the company by Blue Marble that had 1900 responses in a 12 month period. The online community was not a representative sample. The Value for Money survey asks for opinions on current service not views on future plans.

⁵³ IPSOS MORI, March 2018, *Affinity Water Customer Engagement Programme Triangulation Report Phase 1*

⁵⁴ . Ipsos MORI, February 2018, *Social Tariff Report*

⁵⁵ AWL advised that there were 87 participants in these focus groups if 'future customers' are included.

those of AWL's customers who are digitally excluded and would not be represented in on-line market research panels.

The quantitative pieces of research listed above were all conducted by independent professional market research organisations notably Ipsos MORI and Arup who were engaged by AWL to design and deliver the customer engagement programme and Blue Marble who conduct the rolling Value for Money survey for AWL. The quantitative surveys we have identified as most significant all had sample sizes sufficient to enable the company to analyse the results according to each of its 8 communities, which are based on water resource zones (WRZ). That is important not just because of the company's community strategy but also because the company has three charging zones and there is a significant difference between the lowest and highest average bill between those three zones. There are also some differences in the socio-economic profile of some of the different WRZ based community areas AWL serves.

2. Has Affinity engaged with customers on the issues that matter to them?	Green
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We are satisfied that AWL has engaged with customers on the water supply and service issues that most customers recognise as mattering most to them, although it has engaged with customers to varying degrees of depth and specificity depending on the aspect of service.

For example, AWL has stated in V4BP that the outcomes the BP is aiming at are the 'things that really matter most to customers both now and over the long term'⁵⁶ These are

- *'Supplying high quality water you can trust*
- *Making sure you have enough water, while leaving more water in the environment*
- *Providing a great service that you value; and*
- *Minimising disruption to you and your community'*

The company has tested the validity of these outcomes with customers both at the start and the end of its customer engagement programme which is described in detail in Appendix 3 of V4BP⁵⁷ It has found significant levels of customer support for these outcomes. We comment further on this in relation to Test area 14 below.

The company reported to us, and repeats in the evidence supporting its V4BP, that it struggled to engage customers on the detail of what achieving those outcomes might need to look like. For example, the output of 'Phase 0' of the customer engagement programme⁵⁸ includes that:

'Customers are broadly positive about different aspects relating to service, associated with their water supply, including quality and reliability. Customers are overall (74%) either very satisfied (43%) or satisfied (31%) with the service they receive from us. They are especially positive about reliability (91%); water is assumed to be "always there". Consequently, water is not something that is given much thought, particularly in comparison to other utilities where customers have more choices to make. Water bills are considered good value for money (86%);

⁵⁶ P4 V4BP

⁵⁷ Version 1 of Appendix 3 to AWL's BP was placed in the CCG 'sharepoint' site on 22 August – 3 CCG members have been able to review it. ,

⁵⁸ See Appendix 3 V4BP

and better value for money when compared to other utilities (29%). 87% report no problems with affordability and paying their bill on time.'

The CCG was presented with a number of findings, as reflected in Appendix 3 to V4BP, that AWL found it hard to get customers to engage in the longer term issues around supply resilience given their relatively high levels of satisfaction and confidence about the reliability and sufficiency of their current water supply, and value for money. Also, AWL found awareness of the company was low and that customers give little thought to water supply and find supply and demand issues confusing.

Notwithstanding this reported lack of interest from customers throughout the customer engagement programme the company has undertaken various qualitative and quantitative research covering questions on different aspects of service mainly concerning the following topics:

- Leakage, and the proportion by which it should reduce;
- Personal consumption levels, and the extent to which customers think this can be reduced or how much water they can save
- Risk of supply interruptions
- Risk of restrictions in water use in the event of a drought and attitudes to paying more to reduce this risk
- Reliability of water pressure
- Preparedness to support customers who are unable to afford their bills
- A single proposal for bill rebates and increases (rewards) linked to company performance (ODIs)
- Preparedness to support environmental projects
- Reducing the amount of water drawn from the environment
- Perceptions of value for money and satisfaction (drawn mainly from rolling surveys)

There have been some discrete pieces of research, for example on customer expectations for compensation in the event of supply interruptions, which we have noted from reviewing V4BP but which we have not seen.

At a late stage in the customer engagement programme AWL commissioned quantitative research with customers⁵⁹ to test attitudes to increases in bills to expand the water treatment plant at Sundon, and also to invest 'now to ensure there is sufficient water in future'. This 'Phase 3' acceptability survey with customers was prompted by the company deciding to make some relatively substantial changes to its dWRMP in response to stakeholder views.

In section 14 below we comment that only 7 of the 19 performance commitments proposed in V4BP were the subject of specific customer engagement about proposed performance commitment levels – for example water quality, aspects of customer service performance or service features, extent of mains bursts do not appear to have been the subject of any specific customer engagement to establish customer views on the level of service the company should be delivering in future.

The company has looked in depth with a small number of informed stakeholders at how it could improve its services for customers in vulnerable circumstances and/or who have difficulty affording their water bills (inclusive services). These are issues which the generality of

⁵⁹ Phase 3 Final Acceptability Survey, August 2018, Ipsos MORI and Arup

customers do not regard as significant for them, but they matter a great deal to a small proportion of AWL’s customers.

Below the high level of the BP outcomes we have not seen much evidence gathered about the relative priority that AWL thinks its customers attach to the **level** of service that the company should provide for different aspects of service, or the priority they would give to particular service improvements in future. This is perhaps a consequence of a customer engagement programme which has had a large number of interactions with customers which are shallow in nature (width versus depth) and which have generated high level views from customers rather than exploring their preferences for different service levels and trade-offs in a way that could have driven company choices in framing the BP.

There is some evidence about customer priorities which validates AWL’s chosen range of customer engagement topics, for example a survey in Phase 3 of the customer engagement programme⁶⁰ asked customers to indicate the priorities they attached to 10 aspects, all of which are features of AWL’s V4BP. Issues to do with making sure there is enough water in the future, reducing the amount of leakage and maintaining and updating the infrastructure were rated highest by customers. Keeping bills low, supporting vulnerable customers and helping customers who struggle to pay their bill were only considered extremely important by a small proportion of customers, as was ‘promoting ways to use less water’. We note that water quality and customer service did not feature in the Phase 3 survey (by Blue Marble) which asked customers to rate the importance of different service attributes, although water quality is part of the BP outcome customers rated highest in the Phase 2 research.

AWL decided not to commission any willingness to pay (WTP) research in support of its business plan development. This was presented to the CCG at a meeting in December 2017 at which we noted the decision and asked if the company had sought advice from Ofwat⁶¹ Because AWL decided to deploy ‘acceptability testing’ rather than starting with customer WTP for specific service attributes it could be said that they have used a ‘top down’ rather than a ‘bottom up’ approach to the development of the BP. We have not seen evidence that AWL has, or has deployed, detailed knowledge of the relative importance customers attach to different aspects of service and potential trade-offs.

<p>3. Has evidence and insight obtained from customers genuinely driven and informed the development of the business plan?</p>	<p>Green</p>
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Evidence and insight obtained from a broad range of engagement activity with customers has clearly *informed* the development of the business plan. The company can point to evidence of very strong customer support for the four proposed outcomes, and high levels of customer acceptability for its proposed bill and service package to 2025, referencing some of the performance commitments which are proposed in V4BP⁶².

⁶⁰ Blue Marble ‘Additional Resilience Investment Research’ Topline findings, 3 August 2018

⁶¹ See Appendix 5 Challenge Log, Challenge 11.

⁶² See mainly dWRMP phase 2 customer survey (1000 customers, online, Mori/Arup); dBP phase 2 customer acceptability survey (825 customers, face to face, Mori/Arup) and dBP phase 3 customer acceptability survey (1000 customers, online, Mori/Arup) all described in Appendix 3 to V4BP

The plan seems to be acceptable to a significant majority of customers – though at a lower level than the PR14 plan which had over 90% customer acceptability. AWL also describes in the narrative to the V4BP how its proposals for improving customer service and information for customers and its support for customers who are vulnerable or in financial difficulty has been informed by insight about customer aspirations and expectations and the needs and requirements of customers and those who represent and advise them.⁶³

That said many of the proposals for performance commitments are very strongly informed and influenced by the expectations of AWL’s economic and quality regulators who in some areas have set expectations for levels of service which are different to those which customers seem to have preferred when given a choice for lower levels of bills and costs. We discuss this more fully in relation to Test area 14 below (Performance commitment framework).

Similarly, in relation to water quality we were briefed by the Drinking Water Inspectorate (DWI) at our December 2017 meeting that AWL has a high risk of lead in drinking water in some parts of its supply area due to old supply pipes. They have written to us to say they support AWL’s BP proposal for facilitating compliance with the lead standard.⁶⁴ The Inspectorate say they expect that the Company will have a strategy in place for managing lead in drinking water that should form part of a risk-based programme of work that includes a range of measures to address lead in identified high risk areas, and target high risk properties and vulnerable consumers. The DWI said to us that

‘In AMP7 the Company proposes an extensive programme of lead pipe replacement/refurbishment in a high-risk area with a view to reducing or removing orthophosphate treatment in this area as a pilot for the Company’s long- term lead strategy.’

We have identified one example where the company is making proposals to significantly improve performance which is driven strongly by customer experience as evidenced in complaints and operational data rather than pressure from regulators or stakeholders. This is relating to water pressure where the company is proposing a bespoke performance commitment we understand - to reduce the average hours of low pressure that households experience from 12 hours per annum to 8.7 hours. In response to our queries AWL has shown us comparative performance information to show AWL’s performance on water pressure is currently the worst amongst companies in England and Wales.

<p>4. Has the company used multiple data sources and triangulated those effectively to develop its proposals, and carry out customer engagement?</p>	<p>Green</p>
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The company has used multiple data sources, including commissioning new research, analysing operational data, and using existing research both internal and external to the

⁶³ Chapter 7 V4BP – Delivering Great Customer Service

⁶⁴ Appendix 7 – DWI letter to AFW CCG June 2018

company. In V4BP⁶⁵ AWL has provided an account of its 'triangulation' process, including details of a wide range of data sources that AWL have referred to. The BP drafts we have seen refer to multiple data sources throughout various chapters, and we would expect this to continue to be a feature of the final BP submission.

Based on our engagement with the company since Summer 2016 we would highlight the following points in relation to AWL's use of multiple data sources and triangulation:

- A feature of the brief for the 2017/18 customer engagement programme undertaken by contractors Ipsos MORI and Arup was to review and report on the insight the company already had from its operational data. Outputs from this analysis were shared with the CCG and workshop sessions were planned and held with the CCG to 'triangulate' evidence from operational data and newly commissioned data. These sessions also informed planning of subsequent phases in the customer engagement programme.
- We have seen evidence that the company has drawn on wider evidence, eg from research at PR14 or research and data from CCWater and Ofwat that relates to specific performance commitments. The company has documented the sources it has referred to or relied on, and the key findings that were relevant and shared that with the CCG.⁶⁶ This has been done primarily to meet the requirement for the company to evidence there is customer support for the proposed performance commitment levels and .to prove the degree of stretch involved in each performance commitment – see Test areas 13 and 14 below.
- The company provided us with a specific presentation in March 2018 which described all the insights from operational data and its Value for Money (VFM) survey which were informing the development of the business plan.⁶⁷ The company highlighted particularly the significant proportion of complaints received that were about water pressure as evidence of a link between its operational data insights and the proposed performance commitment and service improvements in the business plan.
- At the conclusion of the customer engagement programme and before the AWL board was asked to approve the BP for submission in July 2018, we understood the company undertook a series of triangulation sessions internally involving board members and senior members of staff with independent facilitation to review all the evidence it had at that time relating to the business plan, including customer insight. AWL consulted CCWater members of the CCG about the methodology it proposed to use (in view of the good practice guidance CCWater had issued) and received a positive view from CCWater. The company has shared the results of this triangulation activity with the CCG (end July)⁶⁸. We understood that there would be a further triangulation and report in view of the additional surveys (Phase 3) due to take place in late August relating to the 'additional resilience' proposals included in the dWRMP which impact the BP for

⁶⁵ Chapter 3 and Appendix 3 V4BP

⁶⁶ The document is called the Triangulation Tool and is referenced as Arup, August 2018, Triangulation Tool. Appendix 3 to Business Plan (annex 1 Over 2)

⁶⁷ See Appendix 5, document 52 'What our customers are telling us and how this is informing the Business Plan

⁶⁸ See Appendix 5 documents 91 Triangulation - What customers want through PC lens and 92 Triangulation – what customers want by theme

2020/25. We have not seen and are not able to comment on this last triangulation exercise.

The CCG has challenged the company throughout the process to demonstrate it was using as fully as possible the insight it has from the rolling 'Value for Money' survey that its present business plan commits it to undertake.⁶⁹ This was expected to provide an ongoing structured customer feedback to the company to inform decisions the company makes about its delivery. We have seen evidence that the survey data has been used, though it has not perhaps fulfilled the central guiding role that it could have done, or the role that was envisaged for it in the PR14 Business Plan as a mechanism for continuous 'dialogue' with customers. The survey design is essentially a rolling satisfaction survey and is not designed to capture customers' views about priorities for service improvements.

The CCG is aware that the company commissioned research with customers on a range of issues including additional investments in water resources and the overall level of ODI rewards and penalties AFTER it had undertaken the triangulation described above.

We note the company states that the challenges of *'taking the, sometimes conflicting, needs and expectations of customers and stakeholders into account were addressed in triangulation'*.⁷⁰ We are aware of, and have noted in this report, the different expectations expressed by AWL's stakeholders (primarily Ofwat and the EA) compared to their proposed plans, which were generally acceptable to customers. The company states it gives a greater weighting to the views of regulators,⁷¹ which assume are also regarded as stakeholders, but it is not easy to see clearly in V4BP where there are differences of view between customers and stakeholders differences and how the company has weighed the interests of these different parties in deciding what to propose in its BP.

We have not been able to review Triangulation Report 2 (which we understand to be the final triangulation report) so cannot comment on whether it shows clearly areas of corroboration and conflict or how the company resolved contradictory evidence or balanced the views of stakeholders, regulators and customers. It would have been helpful if the specific points of conflict the company had needed to reconcile and take a decision on were spelt out in the body of V4BP. Essentially that would seem to be balancing customer preferences for the lowest bill, including positive responses to the Phase 2 proposals for bills that are lower in real terms in 2025 against the expectations of regulators which result in increases in bills. In the end AWL has been able to balance those interests by establishing customer acceptance for a small increase in bills.

See also discussion in Test area 14 below.

⁶⁹ See CCG Annual Report 2016/17. Challenge 17 on our AMP6 Challenge Log says as per the Annual Report 'We have challenged the company on whether the survey is used and useful, and what difference has it made. We will be asking the company how the insight from this survey will be used in relation to the PR19 business plan.

⁷⁰ Page 27 V4BP, paragraph 7.

⁷¹ Page 58 V4BP 'The highest weighting is given to responses from our regulators (EA and Ofwat)'

5. Has the company presented customers with realistic options?	Green
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For an option to be realistic it would need to be represented accurately and be a sensible, practical proposal which is reasonably likely to be achieved.

The options the company presented to customers are primarily those in the public consultation document on the Business Plan, and also the consultation document on the draft Water Resources Management Plan (dWRMP). Both plans were the subject of qualitative and quantitative research with representative groups of customers in Spring 2018⁷²

Though not all performance commitment levels formed part of the business plan acceptability survey (see section 14 below) our view is that in the main the options presented to customers were realistic. As we have highlighted in section 14 most of the proposed performance commitments maintain present levels of performance or are imposed on the company as regulatory obligations. Where a level of service is being maintained, and there is a track record of delivery then there is a reasonable likelihood it can be achieved – it is therefore realistic.

The company did not describe any specific standards it would achieve for customer service except 'great', with a vision of simpler interactions and getting things right first time. There were no examples of customer service improvements given to customers which looked improbable or unlikely to be achieved, although a specific level or standard of service was not described, and customers were not given any choices in this area.

There are two areas where it could be argued that the company did not actually present realistic proposals to customers.

First, customers were asked if they supported plans to reduce leakage and to reduce the volume of water the company takes, or abstracts, from the natural environment.

In relation to leakage customers tended to support the proposed option to reduce leakage by 11%. Ofwat has said it expects companies to propose at least a 15% reduction by 2025, or provide strong justification why not. The company's presumption therefore is that a lower figure would not be acceptable to Ofwat, and has now selected the option of 15%. Was it realistic for the company to present the 11% reduction target to customers?

Also, in relation to the volume of abstraction two of the three business plan options the company presented in its Phase 2 customer acceptability testing research included the same proposed level of reduction of 10 MI/d between 2020 and 2025. It is not clear that this option, and AWL's 'preferred' plan, contained in its dWRMP consultation, was ever going to be acceptable to the Environment Agency,⁷³

In these circumstances it was arguably not realistic to propose this to customers, who tended to support the lower cost plans which included a 10 MI/d reduction in abstractions.⁷⁴

⁷² see Appendix 3 V4BP.

⁷³ In its representation on AWL's draft WRMP the EA stated '*The preferred plan does not comply with regulatory requirements and does not demonstrate it will deliver resilience for its customers or protect the environment.*'

⁷⁴ Business Plan acceptability survey report, Ipsos MORI, June 2018

The second area where the options presented may not have been realistic concerns the absence of specific proposals in the business plan consultation for investment in increasing the capacity and resilience of water resources available to Affinity Water. Customers reading the business plan consultation document were told that the company understood customers had an expectation they would make sure there was enough water and that the plan set out '*how we will continue to meet your expectations*'. Customers were told and asked about plans to address leakage, to source water more sustainably and to encourage customers to use less water through a variety of means, including metering. In relation to the issue of restrictions on water use during a severe drought the company referred in general terms to the possibility of building new infrastructure⁷⁵. However, there were no specific details of what might be involved in building new infrastructure or what it might eventually cost, and customers could be forgiven for assuming that all of the 'choices' set out in the consultation document would deliver enough water to meet their expectations for the prices quoted.

Following the public consultations on the BP and the dWRMP – ie between June and August 2018 - the company has been engaged in developing proposals for investment in water resources infrastructure in 2020/25 and beyond which it will be asking customers to pay for, over and above the bill levels proposed in the Phase 2 business plan consultation. We consider that this is corrective action by the company to ensure that the business plan it actually submits is realistic in relation to water resources, and the requirement to achieve an appropriate level of resilience and protection of the environment. However, the nature and depth of customer engagement on potential investment in water resources has been very limited.

⁷⁵ 'We aim to reduce the likelihood of us having to take water from sources we would not normally use. This could include us building new infrastructure such as reservoirs and sharing more water with other companies' p12 'Our future plans' April 2018

<p>6. Has the customer engagement process been ongoing two way and transparent, with the company informing customers as well as soliciting feedback from them?</p>	<p>Green</p>
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This test is drawn directly from Ofwat's May 2016 policy statement on customer engagement. Within Appendix 3 of V4BP the company states that it understood this aspect of Ofwat's expectations for its approach to customer engagement. The company also states that it sought to secure:

*'broader and better engagement, and participation in the PR19 process and draw from global best practice to adopt innovative engagement techniques that will enable us to have more informed and collaborative engagement'*⁷⁶

AWL has met this requirement mainly due to the extended period over which engagement with customers and stakeholders has taken place, together with the use of tools such as publishing consultation documents and holding events (in addition to market research focus groups) for customers and stakeholders to receive presentations about proposed plans and ask the company questions about those proposals.

For example, from our direct experience, and as AWL have reported in Appendix 3 of V4BP, the company has been informing customers and soliciting feedback from them on a range of issues relevant to the BP proposals since Summer 2016. The CCG was asked to comment on materials for a 'pre-SDS' consultation with customers in Summer 2016 and in December 2016 we were presented with a draft brochure aimed at customers explaining the work the company would be doing to consult customers to produce its next business plan⁷⁷. The engagement with customers and stakeholders has, therefore, been **ongoing** since Summer 2016.

Between Summer 2016 and August 2018 the company has asked customers and stakeholders for their views on a range of issues from their awareness of and satisfaction with AWL, to their preferences for different business plan propositions with different levels of service in some areas. In Appendix 3 of V4BP the company describes all the engagement activities it has undertaken and the volume of interactions with customers and stakeholders that each has had.

In addition to the document 'Your Community's Water', which set out the programme for developing the business plan between Summer 2017 and Spring 2018, the company published three further documents for customers and stakeholders inviting views about aspects of the eventual BP, a drought management plan consultation document, a dWRMP consultation document, and a draft BP consultation document. We understand the company also wrote to a wide range of stakeholders about the development of its next WRMP in Autumn 2017.

AWL's approach has not, however, included a significant amount of feedback to customers and stakeholders as the planning process has been underway. The company originally set out

⁷⁶ AWL V4BP Appendix 3 p12.

⁷⁷ Appendix 5 – Document 6 – 'Your Community's Water'

intentions to run a microsite for the business planning process⁷⁸ but this does not seem to have been implemented. For example in a paper to the CCG in March 2017 the company said:

'We plan to develop a micro-site for our customers and stakeholders to use to see our planned engagements, what engagement we've carried out, what we have learned, and how that engagement has influenced our plans. This will help us demonstrate transparency to our customers, something Ofwat wishes to see.'

The CCG was asked if it supported this idea, and a proposal for the company to revamp the 'Let's Talk Water' brand for its PR19 engagement. We were positive in response as this seemed likely to help the company meet Ofwat's criteria for an effective customer engagement programme.

If the company had established the proposed micro-site, this would have improved the transparency of the process. It could also have provided a useful way of interested customers and stakeholders to find out where things had reached and to make contributions, maintaining their engagement. It could also have been a means of providing and evidencing the 'two way' communication envisaged by Ofwat's expectations. We note that the company has published some documents on its corporate website but the approach has not really matched the proposal made in Spring 2017, for example, none of the research with customers and findings has been published on the relevant page of the company's website about the Business Plan⁷⁹, although at the time of writing the statement of response and a report of one deliberative event has been published about the DMP.

AWL has noted in Appendix 3 V4BP that it set an objective to provide customers with feedback on how their views have influenced its plans and the way it does business, and that it intends to do this following submission of the business plan. Within its customer engagement programme we understand that those customers who volunteered to take part in the online 'community of customers' were given feedback on and thanked for their contributions.

⁷⁸ Appendix 5 – Document 11 -PR19 Customer Engagement Strategy – proposed high level plan

⁷⁹ <https://stakeholder.affinitywater.co.uk/business-plan.aspx>

<p>7. Has the engagement with customers been sufficiently diverse, involving the using of methods appropriate and effective for engaging with a diverse range of customers. Does this include customers in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?</p>	<p>Green</p>
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We consider that the engagement with customers has been sufficiently diverse taking into account the materiality of the issues that were presented to customers in the BP consultation in Spring 2018, where all proposed bills were expected to be lower in real terms in 2025 than they were expected to be in 2020.⁸⁰ We expect that AWL’s final proposed BP is different, and involves a small increase in average bills to 2025. The phase 3 research with customers testing the acceptability of this was online and, although it appears to be with a sample whose socio/economic profile is representative of AWL’s customer base it will, by definition, not have included any customers who are digitally excluded or who lack the literacy and numeracy required to complete such a survey.

As noted earlier in relation to Test area 1 the company has gathered, analysed and drawn on a significant quantity of interactions with customers through qualitative and quantitative research and analysis of operational data and existing tracking surveys. Of the 15,323 interactions with customers reported by AWL the pieces of research we identify as most important for evidencing the **diversity** of the reach of AWL’s customer engagement programme are the quantitative research with **representative** samples of customers in Phases 2 and Phase 3 of the customer engagement programme. All the sample sizes (ranging from 825 to 1000 customers) were capable of representing each of AWL’s ‘communities’ which are based on water resource zones and the quantitative surveys were conducted by professional market research companies. The dBP Phase 2 customer acceptability survey (825 customers, face to face, Ipsos MORI/Arup) was the representative sample most likely to include hard to reach customers who are digitally excluded or who have low levels of literacy and/or numeracy.

We note that in V4BP the company has provided an account of their engagement with customers on the issues addressed in their Business Plan⁸¹ at Section 3 and Appendix 3. We note that in Appendix 3 the company states that

‘ For PR19 we have strengthened our targeted engagement to ensure we heard from as many different types of customers as possible and used a range of approaches, both qualitative and quantitative to gather, test and value opinions and preferences.’

AWL has outlined (in V4BP Appendix 3) that in addition to drawing on an evidence base that is overall representative of its customers it set out to target four groups of customers. We have noted below the specific research relating to each target group:

Vulnerable Customers – 12 people in depth interviews about vulnerability and affordability issues and 8 stakeholders at a focus group discussion

Low pressure/ No Water for more than 12 hours – 5 customers in depth interviews

⁸⁰ Our future plans, AWL, April 2018

⁸¹ Chapter 3 and Appendix 3

Relatively more engaged customers – 2000 customers in the online community at Phase 1 – recruited from approaches to 90000 customers and 40 customers responding to water saving initiatives (Hubbub project)

Future Customers – 17 future customers at a focus group; 107 secondary school pupils at focus groups and 895 completed an online survey

As we have noted in relation to Test area 1 above AWL’s customer insight evidence base for this BP is stronger on breadth than depth. It has also made significant use of online research methods and some social media (facebook) to engage with customers and seek their views. By definition online and social media engagement will not include customers who are digitally excluded or visually impaired. It is also important that the large volume of online ‘interactions’ the company has had with groups of customers that are not representative of customers as a whole (the 2000 online customer community and the 895 secondary school children) do not outweigh in the company’s consideration the small volume of in depth contacts with vulnerable customers in vulnerable circumstances who may not be digitally included. This means the phase 2 BP acceptability research conducted by Ipsos MORI face to face in customer’s homes is significant for evidencing that AWL has obtained views about its proposed BP from a sufficiently diverse range of its customers in a representative sample.

Finally, in light of the recent changes in relation to non-household retail markets (which is now open to competition amongst 23 business retailers in England and Wales) we challenged the company on whether and how it had engaged with business customers about the levels of service it proposed, particularly in relation to drought management and potential restrictions in supply which could affect businesses⁸². AWL responded that

‘The non-technical summary (consultation document) of the draft Drought Management Plan was circulated to all retailers of our non-household customers in August 2017. No representations were received as a result of this. The WRMP pre-consultation document was circulated to all 23 retailers of our non-household customers in summer 2017. No feedback or responses were received. The non-technical dWRMP summary (consultation document) was circulated to the 23 retailers in March 2018.’

AWL told us they would also send reminder communications at various times during the public consultation period (on the dWRMP) and that the 23 retailers had been invited to attend the stakeholder forums the company was holding across its supply areas. We have not seen a report which says whether or not the retailers responded or attended these events.

<p>8. Has the company engaged effectively with customers on future and long-term issues, including trade-offs and risks, in a way customers could be expected to understand?</p>	<p>Amber</p>
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The key future and long- term issue for AWL is sufficiency of water supplies. For example, its BP consultation document states

‘Our biggest challenge is to continue to be able to provide enough high-quality water for customers into the future’

⁸² Challenge 8, See Appendix 5

In its dWRMP consultation document AWL describes factors including climate change, population growth, protecting the environment, the need to support economic growth and for water to be used more wisely which require the company to plan for resilient supplies and affordable bills. These are the future, long term issues where there are clearly trade-offs and risks which AWL has considered and on which customers should be engaged.

AWL's main vehicle for engaging customers and stakeholder with the long-term issues, trade-offs and risks has been its dWRMP, and associated customer and stakeholder engagement. Customers and stakeholders were asked through a consultation document, consultation events and specific research whether they thought AWL had 'struck the right balance' in its preferred plan and given an alternative.

In its dWRMP consultation document aimed at customers and stakeholders AWL set out 10 challenges ranging from demand growth (linked closely to population growth of 8% by 2025, rising further beyond that, to potential reductions in the volume of water the company draws, or 'abstracts' from the environment. A range of questions were published for customers and stakeholders to consider, specific research was commissioned with customers, as part of AWL's Phase 2 research, a number of focus group sessions were held with customers about the dWRMP and eight independently facilitated stakeholder events were held.

The CCG was asked to review and comment on drafts of the dWRMP consultation document, including the proposed questions, and also the draft questionnaires and customer stimulus material for use with customers as part of Phase 2 quantitative and qualitative research. Members made a number of comments about the appropriateness of including an option of 11% leakage reduction (when regulators had indicated a view that anything less than 15% needed to be well justified) and the approach, in the drafts, of framing questions for customers expressing the capital expenditure required to achieve particular ambitions, over, in the drafts, a period to 2080⁸³. CCG members' views on the draft dWRMP customer engagement materials were that questions were not framed in a way customers could be expected to understand and members made a variety of suggestions for simpler clearer drafting.

The nature and timing of AWL's customer engagement on the dWRMP meant that the more explorative 'focus group' research was being conducted in parallel with rather than informing the quantitative research. A number of CCG members also observed focus group research sessions and noted that due to these sessions being designed to get a response to the propositions AWL had already framed they either did not involve discussion of long-term or trade-off issues with customers, or allow customers to introduce issues and ideas the company had not already thought of. The company's consultation and customer engagement about its dWRMP seemed to us to be designed to validate rather than drive the company's proposals and assumptions.

The CCG has noted responses to AWL's dWRMP consultation from Ofwat and the Environment Agency which are very strenuous⁸⁴ in their critiques of AWL's dWRMP and its presentation to customers. For example:

⁸³ Reference document in Appendix 5 which lists our feedback on the dWRMP materials.

⁸⁴ Environment Agency representation on Affinity Water's water resources management plan, 17 May 2018 and Ofwat, Affinity Water – draft water resources management plan 2019, 23 May 2018

- Ofwat note that AWL is forecasting a water supply deficit ‘in the early 2020s’ in three of its supply zones – this near-term urgency was not in our view articulated clearly to customers in the customer engagement materials.
- Ofwat expressed concerns about the ‘process adopted for plan development’, ‘the effectiveness of the consultation’, the ‘favourable positioning’ which potentially ‘influences customer responses’ of AWL’s preferred plan in the consultation document and the limited evidence of customer participation in the development of the dWRMP.
- EA commented that AWL’s dWRMP did not meet the challenges, placed unacceptable pressure on the environment and overall lacked ambition
- EA also said that ‘we have significant concerns that the company has asked leading questions, against the advice of its customer challenge group’
- EA considered AWL should, in effect, re-do its customer engagement on the dWRMP.

Based on our involvement with reviewing drafts of the dWRMP consultation paper and customer engagement materials, and noting the specific responses of Ofwat and EA highlighted above, it is impossible for us to consider that AWL has met the requirement to engage effectively with customers on future and long term issues, including trade-offs and risks, in a way customers could be expected to understand and have any influence over. This also applies to Test area 18 – Resilience.

The company has clearly engaged with customers on some related aspects of the principal challenge it faces of providing sufficient water to meet demand whilst protecting the environment. It has asked customers questions about attitudes to leakage, the environment, personal consumption and has asked customers for their views on the acceptability of different bill and service level packages. In response to regulator and stakeholder feedback on its dWRMP the company has revised its business plan proposals to include some investment in ‘additional resilience’ which in the period 2020/25 relates to the costs of preparatory work to make the case, with Thames Water, for a new regional storage reservoir close to the River Thames in Oxfordshire. We have not seen the details of this proposal and related investment – and what customers will get for any increase in their bills in 2020/25 and beyond. Ideally the company should have engaged with customers on its revised dWRMP proposals in a way that helped them to understand what the longer term implication for bills and service might be as a result of potentially significant investment in new water resources extending way beyond 2025 as this is a significant departure from the preferred plan it previously consulted them on. However, AWL has not yet explored this in any depth with their customers. The company’s proposal to re-consult about its dWRMP in Spring 2019 perhaps acknowledges this.

9. Where appropriate, has the company considered how customers could help co-create and co-deliver solutions to underlying challenges?	Green
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The drafts of AWLs business plan we have seen (V2 and V4) make commitments to work in partnership and collaborate with customers and stakeholders. For example the company aims to be the UK’s leading community focussed water company, and has set out a variety of priorities and themes for its approach which include words like ‘collaboration’ and ‘communities’. The company describes a number of key challenges in drafts of its business plan⁸⁵ which

⁸⁵ For example pp38 and 39 of 23 July draft BP and p79 of V4BP which cites 8.5% population growth 2020/25 and various WRZ maps which show per capita consumption ranging from 119 l/p/d to 173 l/p/d.

cannot be addressed without action by customers, for example demand growth from population growth and high levels of customer consumption in their central area.

We have identified the following from the Business Plan which seem appropriate examples of co-creation and co-delivery with customers and other stakeholders aimed at these challenges:

- To achieve significant reductions in per capita consumption clearly requires action by customers sufficient to achieve the company's business plan performance commitment. The company has outlined a number of ways in which it intends to secure customer engagement and involvement in this endeavour
- The development of Community Model⁸⁶, if it is put into operation, shows a change of company culture – from 'telling' to 'working with' communities and suggests that the communities would be defined by customers – not by water resource zones.
- The company has made commitments to undertake a number of . projects which involve elements of co-creation and co-delivery – for example working with customers at a community level, working with housing associations to retrofit water efficiency measures, a project to develop water re-use through rainwater harvesting at Heathrow Airport.⁸⁷ These projects seem, however, to be trial or pilot projects to test the company's community model, and are to be completed before 2020.
- The business plan also proposes that the company invests in 8 local environmental projects which are also 'innovative' working with local partners and organisations as part of the implementation. The CCG has not been involved in the identification of these projects – only the development of the proposal to have a performance commitment framed in this way, which a sub-group of the CCG met with the company to discuss in 2017/18.
- The company's Inclusive Services Strategy has been developed with input from a range of partner/stakeholder organisations and the delivery of the strategy, including the more detailed design of some aspects of it relies on partnership working⁸⁸

In addition to the above the company has outlined approaches to working together more closely with other companies in the South East region on issues relating to water resources and co-ordination, water saving campaigns and also the design and administration of the priority services register (working also with energy companies) and the social tariffs making it easier and simpler for customers to sign up or apply for these across a number of companies.

In response to the various the drafts of the Business Plan we have seen we have queried with the company that some of the projects they refer to seem to be delivered before 2020 rather than 2020/25. The implication is that it could be clearer which projects relate specifically to the proposed BP performance commitment to deliver 8 local environmental innovation projects and which are just new approaches to the existing water savings programme or the community model approach or both.

⁸⁶ As described in Chapter 8 of V4BP

⁸⁷ See p175 of 23 July BP version and pp133/34 of V4BP.

⁸⁸ see page 113 of 23 July BP – this is more fully explained in the papers the CCG has received relating to the Inclusive Services Strategy than it is in V4BP .

AWL could have gone further in this area, but they have clearly considered how aspects of their BP could be co-created with customers and communities and their existing commitment to community focus is clearly a good vehicle for a co-creation approach. Putting their Community Model into practice and demonstrating an effective approach to partnership work with community stakeholders will require a culture change in the company and will need to be well supported by effective communications and an effective approach to stakeholder and partnership relationship development

<p>10. Has the company effectively informed and engaged customers about its current performance and how this compares with other companies in a way customers could be expected to understand?</p>	<p>Green</p>
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Helping customers to understand how the company's performance compares to others is important to helping them make a meaningful judgement that the company's proposals represent a fair deal. Ofwat's PR19 methodology has emphasised this expectation and the water industry organised together to create a shared resource of comparable information about performance called 'Discover Water' which creates a single shared 'hymn sheet' of information about price and service delivery by the water companies in England and Wales. This resource has been available in a website for the company and its customers to use since Autumn 2017.

The company has taken a fairly minimal approach to utilising comparative information in its customer engagement materials and has only done so in response to prompts and challenges from the CCG. At mid-March 2018 the CCG had not seen any customer engagement or stimulus materials that referenced comparisons. We were given drafts of the Business Plan and WRMP consultation documents and challenged the absence of comparative information in both of these documents. The company made changes to the Business Plan consultation (but not the dWRMP consultation document) as a result.

The following comparative information was included in the business plan consultation and showed primarily through charts how AWL and its customers compared to an 'Industry' average [ref]:

- Size of average bill
- Leakage % reduction .
- Per capita consumption l/p/d .
- Interruptions to supply minutes per property served (though the performance commitment proposed at that time concerned the % probability of an interruption longer than 3 hours so it is difficult to see how customers could compute these two)
- Mains bursts per 1,000 km

We have not verified that the 'industry' average figures used by AWL in the BP public consultation document were correct.

A number of the questions posed by AWL in its dWRMP and BP public consultation documents were very complex – for example asking customers to make a choice between a '1.7% chance' and a '0.5% chance' of *'needing to use additional water from sources where we would not normally take water'*⁸⁹ and reducing the likelihood of interruptions longer than 3 hours to 0.8% or 1.5% from a current likelihood of 6%. Even if suitable comparative performance information

⁸⁹ P13 dWRMP public consultation document

was available for both these issues they are also quite abstract concepts which require quite high levels of numeracy, and literacy to comprehend. In light of this it may not have been realistic for the company to go much further in the use of comparative information than it did. For example, there is some evidence from the report of the focus group qualitative research in Phase 2⁹⁰ that consumers found the information on a number of proposed BP performance commitments confusing – and that was with the benefit of facilitation.

The company did not consult customers about any specific proposals for customer service improvements as part of its BP consultation document and this is an area where the company could have used more comparative performance information, for example by presenting comparative performance information on complaints or customer satisfaction

<p>11. Is the proposed plan affordable for current customers, future customers and those struggling or at risk of struggling to pay? How well does the company understand what affordability looks like for its customers, and do customers support the approach they have taken?</p>	<p>Green</p>
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Based on information we have had by email from the company on 1 September 2018 confirming the final level of bills the company is proposing the plan is probably affordable for customers – and we set out our basis for that view below. However, we have not seen or been able to review the detail of AWL’s analysis comparing their proposed bill increase to projections in household income in the period 2020/25.

There have been a number of changes to AWL’s proposals for future bills between April/May and September 2018. The proposals AWL put to customers in April and May as part of its public consultation about the BP were for the average water bill to reduce in real terms by 2025, whilst service standards improved in some respects. This made the question of judging affordability reasonably straightforward.

Since June 2018 the company has changed its business plan proposals in response to stakeholder responses about its dWRMP, notably from the Environment Agency, Ofwat and the Government on significant water resource issues. The changes to AWL’s plan have increased AWL’s proposed bills for 2020/25. AWL’s final proposition is no longer ‘pay less for more’ as presented to customers in April and May 2018⁹¹ The company now proposes a small increase in bills by 2024/25. As there have been a variety of bill levels given to us since April/May 2018 these are summarised in this report.

We consider below each of the questions that Ofwat has asked us to consider on affordability.

⁹⁰ Ipsos Mori report on Focus Groups Phase 2

⁹¹ Business Plan Consultation Document ‘Our Future Plans’ April 2018 –Annex Ph2.10annex of AWL BP

Is the proposed plan affordable for all customers?

At 1 September 2018 our understanding is that AWL is proposing a business plan for the period 2020/25 where the overall average water bill will be **£174.41** in 2025 in real terms, ie without factoring in inflation. This is **£3.54** more than the **£170.90** that AWL currently expect the average bill to be in 2020. It is a small, 2.07% increase in real terms to the average bill over 5 years which the company says is 0.4% per annum in that period.

The company's PR14 business plan forecast that its proposed real price reductions to 2020 were such that the Affinity Water average bill was expected to be only 0.29% of customers' disposable income in 2020.⁹² From V4BP (p8) we note that the company has undertaken some analysis of projected real household incomes and considers that its proposed water charges will represent a declining share of customers' projected disposable income by 2025. We have not been able to review this analysis of affordability in any detail because it has not been presented to us in sufficient time – it appeared first in V4BP which some members of the CCG received on 16 August 2018 and, for example, the sources the company has used were not explained in V4BP.

We note that the Office for Budget Responsibility (OBR) economic forecasts only project 5 years hence, to 2022 and the latest forecast is

*'But real earnings growth over the next five years is expected to remain subdued, averaging just 0.7 per cent a year. Growth in real household disposable income per person is expected to average only 0.4 per cent a year.'*⁹³

If AWL's proposal for average bills is consistent with the amounts included in V4BP it would seem to us that, in real terms, their average bill is increasing in line with real household disposable income as forecast by the OBR (provided that trajectory is maintained to 2025). Therefore, the objective affordability of the average bill in 2025/26 relative to household incomes, and in isolation of other pressures on household incomes, may be no worse than it is today.

We have not seen the evidence AWL is expected to put forward that the proposed bills will be a declining share of customer income, on average.

It might be reasonable to expect that the small real terms increase in bills will not, on its own, increase the number of AWL's customers who would have difficulty paying their bills. AWL considers that the demographic make-up of its customer base – as a whole – is similar to the national average⁹⁴. However, we have noted that AWL's customer base has a higher proportion of AB and C1 households (27.43% AB to 22.3% national profile and 32.23% C1 to 30.91% national profile). It also, therefore, has fewer C2 and DE households and has a slightly higher proportion of owner occupation than the national profile.

We note the following from various AWL BP research which tends to support the company's view that most customers have no difficulty paying, or affording, their water bill at present:

⁹² see p67 AMP6

⁹³ cdn.obr.uk/EFO-March_2018.pdf

⁹⁴ Appendix 3 of AWL's BP .

- 87% of customers report no problems paying their water bill ⁹⁵
- 76% of customers report no difficulties in paying their overall water bill (including water and sewerage services)⁹⁶ .
- 96% of customers say they can afford their current water bill, although a quarter of those say they find it 'a stretch' and 3% cannot afford their current bill.⁹⁷ .

We note that in the Phase 3 research by Ipsos MORI 14% of customers said found it difficult to pay their bill, although they always paid it on time, and a further 4% found it difficult and sometimes pay late as a result. This seems to echo the findings from the smaller survey by Blue Marble at around the same time, and also AWL's statement in V4BP that 19% of customers are financially stretched ⁹⁸(

It does not seem to us that there is evidence the proposed increase in bills will present increased affordability difficulties for AWL's customers.

What has been of concern to us in this context is that the company has shifted its proposition in terms of average bills significantly since April and May and we have found it difficult to track and reconcile the different bill figures and form an assessment.

As highlighted in section 2 above and section 14 below, the company initially consulted customers about the acceptability of a plan which delivered improvements to its performance for customers between 2020 and 2025 for a bill that was lower, in real terms, by 2025. There have also been a number of changes to AWL's view of the level of the bill in 2019/20 between the consultation and research with customers in May 2018, briefings for the CCG in July and V4BP circulated to the CCG in late August.

Below are the different levels of bills that have been presented to customers and the CCG between May and August for 2019/20:

• ⁹⁵ Phase 2 Acceptability survey, Ipsos MORI-Arup, 825 face to face customers, April/May 2018

⁹⁶ Phase 3 acceptability survey, Ipsos MORI/Arup, 1000 customers, online, August 2018

⁹⁷Blue Marble, 500 customers, online August 2018

⁹⁸ p114, V4BP.

Document	2019/20 average bill	2024/25 average bill
Our Future Plans April 2018 (and Phase 2 Acceptability Survey)	£165 (on page 5) £170 (on pp 17/18/19)	Plan A - £158 Plan B - £161 Plan C - £168
18 July briefing for the CCG (slides tabled at meeting) .	£170	Various numbers quoted according to what changes to the plan were proposed. Main proposals were £172.40 inc CRI at 2.8 and abstractions at 33 M/ld and £175.90 inc 'additional resilience' various costs
Phase 3 Acceptability Survey – Ipsos MORI/Arup	£168.77 (fig 3.1 report)	£172.40 (fig 3.1 report)
Phase 3 Additional Resilience Investment – Blue Marble	£175 (draft of Q9 circulated to CCG – no year for this bill level stated)	Seems to have been expressed as £1-£2 extra per annum Or £3-£5 extra per annum Presumably on the '£175' in Q9.
V4 BP	£172.40	£175.90
Email 1/9/2018	£170.90	£174.41

After receiving the briefing on 18 July we raised a number of queries with the company about the different amounts for the 2019/20 bills in the above – which range from £165 to £175. A response was provided late in August. The most significant area we raised concerned the different amounts for the 2019/20 bills. The company has said that when it quoted a bill of £165 for 2019/20 this was '*the level of the bill that was forecasted at the time of the PR14 final determination*'. We cannot see a good reason for using that figure in the material presented to customers which also quoted a different amount of £170 as the 2019/20 average bill. We are not able to verify or explain why AWL has expressed so many different 2019/20 average bill values in the research listed above (ranging from £165 to £175).

Is the plan affordable for future customers?

At 1 September we have not seen any longer term economic forecasting or analysis of changes in household income growth since the PR14 plan from AWL to be able to comment on this

Is the plan affordable for customers struggling or at risk of struggling to pay their bills?

The Business Plan identifies that 280,000 households in 'our region' [(which we assume is just within AWL's supply areas)] are financially stretched with a gross income less than £20,000 per annum, equivalent to 19% of AWL's customers⁹⁹. There is no comparable information for the population as a whole to enable us to see if AWL faces more significant challenges in this area

⁹⁹ page 114 V4BP

than other companies in England and Wales. The company also identified that customers' disposable incomes have only risen by 0.2% in 2016 and 2017 and are not expected to rise more than nominally after this¹⁰⁰.

As we have noted above based on our own review of the OBR forecasts it does not seem to us that the proposed small increase in bills will present any greater affordability difficulties for AWL's customers. We had found the company's initial proposals to offer improved service for a real terms reduction in bills by 2024/25 much easier to assess from a future affordability perspective, and noted that at Phase 2 the lowest proposed bill and service package attracted the greatest support, particularly amongst lower income customers.

We note that the company is proposing to continue and expand its 'social tariff' scheme which in 2018/19 assists 50,000 eligible households so that 35000 more customers are assisted between 2020 and 2025 ^{101]}

The company has developed, and provided the CCG with adequate opportunities to review and challenge proposals for, an '**Inclusive services strategy**' which covers both its support for customers in vulnerable circumstances and its support for customers who have difficulty affording their water bills, including the provision of the 'social tariff' scheme which provides a significant reduction in bills for customers who have difficulty paying their bills, and meet certain criteria.

The CCG was asked to review and challenge the company's customer engagement on these issues through a sub-group of CCG members which met with the company at the start of the review and when the review was largely completed in June 2018. The CCG agreed terms of reference for this sub-group at its meeting in September 2017. A number of documents were circulated to those meetings, notes made and circulated to the whole CCG and emails and queries were exchanged between meetings.¹⁰² CCG members were invited to observe focus group and stakeholder discussion sessions relating to this review and have also, between meetings, been asked to comment on drafts of quantitative customer survey questions relating to the social tariff. Quantitative surveys were undertaken with customers about the social tariff on three occasions, first a standalone survey by Ipsos MORI in Feb 2018 ¹⁰³⁽⁾ second some questions were included in the Phase 2 Business Plan acceptability survey¹⁰⁴, at the end of July 2018 we understood further research with customers was being undertaken on the level at which they would support increases to bills to allow expansion of coverage of the social tariff.¹⁰⁵

The company has undertaken appropriate analysis and planning for the proposed services and activities in its Business Plan which are aimed at supporting customers who are struggling or at risk of struggling to pay. The company has also established that customers and stakeholders support the approach they propose to take and they have demonstrated good engagement with relevant expert stakeholders and customers. We would like to highlight the following features of the work undertaken on this:

¹⁰⁰ V2BP

¹⁰¹ P109 V4BP

¹⁰² See documents 26,28,38, 42, 70 and 100 in Appendix 5

¹⁰³ Ipsos MORI, Feb 2018, Social Tariff Survey, Business Plan Appendix 3, Annex Ph1.4

¹⁰⁴ Ipsos MORI, June 2018, Affinity Water Business Plan Acceptability Survey, Business Plan Appendix 3 Annex Ph2.4

¹⁰⁵ Phase 3 – Final Acceptability Survey Ipsos MORI and Arup August 2018

- AWL undertook comprehensive analysis of a range of external data (from Acorn, RNIB, Experian and government data on indices of deprivation and health inequalities) to identify the extent and location of customers who are financially vulnerable in their supply area. The company told us it has used this analysis to plan improvements in their communications.
- AWL consulted widely with a comprehensive range of charity and other stakeholder organisations in its area during this review. It approached discussion with those stakeholders in a very open way (we remotely observed a meeting with stakeholders at first hand as if it was a market research focus group), and it was independently facilitated.
- AWL has established a number of partnerships with voluntary and charitable organisations that it intends to work with to co-create aspects of its 'Inclusive service strategy' and monitor its performance in delivering those services, through a twice yearly 'audit' of how easy Affinity Water is for those partners, acting on behalf of customers, to deal with. (Elements of this proposed stakeholder audit also relate to test area 12 below – Vulnerability).
- AWL has undertaken three waves of quantitative research with representative samples of customers to establish customer support for the maintenance and potential expansion of the current social tariff as proposed in the BP¹⁰⁶. The first survey in January 2018 established that 75% of customers supported the company providing support and assistance to customers in financial difficulty, with 65% in favour of paying more, through their water bills, to enable the company to continue to offer a social tariff. The second survey asked a range of questions about support for customers in debt and specifically asked a question of extending the coverage of the social tariff scheme. AWL's customers were asked if they supported adding £1.50 or £3 a year to bills to enable either 25,000 or 48,000 more customers to be assisted by the scheme. These options each only secured a minority of support, which together suggested that support for an additional £1.50 added to bills might only be 47%. Notably 39% of customers in this survey did not support an increase in bills to increase the coverage of the social tariff. The third survey, in August 2018 made it clear that bills already include £3 to cover the cost of the social tariff scheme under which 51,000 customers have capped water bills if they are on a low income. Customers were asked specifically if they supported an increase to their bill of an additional £1.50 so that AWL could assist an additional 25,000 customers by 2025, 60% of customers surveyed supported this and 6% said they did not mind.
- AWL has developed proposals in partnership with other water companies in the South East to adopt a consistent approach and alignment of eligibility between the social tariffs they offer, making it easier and simpler for customers and their representatives (eg debt advice agencies) to make applications in situations where a customer receives water and sewerage services from different companies.
- In response to engagement with stakeholders the company has identified a number of improvements it plans to make to its support for customers in or at risk of being in financial difficulties including increased flexibility of payment options, training of staff, introduction of a 'breathing space' (temporary debt recovery forbearance policy), payment holidays for some customers and continuation of its offer of 'home visits' to discuss all the assistance the company might be able to offer or refer the customer to.

¹⁰⁶ Ipsos MORI, January 2018, 500 Customers; Ipsos MORI May 2018 825 customers and Ipsos MORI July 2018 XX customers

In addition to the above the company is taking a new initiative to in effect earmark some of its expenditure on debt recovery/management as two funds – a ‘Customer Assistance Fund’ and a ‘Trust Fund’. We were briefed about these Funds in June 2018 that each would be £500k per annum, making a total commitment of £5m for the period 2020/25. We understand the Customer Assistance Fund to be a form of proactive debt write off scheme whereby a proportion of a customer’s debt to the company is written off if they make some payments. This approach has been used successfully by other companies. We sought clarity about the nature of the Trust Fund particularly as we wanted to understand if the company was establishing an independent charitable fund. We were told in a briefing paper in June 2018 that

‘the Trust Fund will provide financial support via a credit towards the customer’s water service charge. For customers who have arrears from >=3 years and whom agree to make payments based on their affordability, will be offered a payment matching scheme. This will match the agreed level of payments made by the customers with a credit against the customer’s water service charge. It is expected that customers will need to make repayments for at least 3 months before the matched payment will be applied to the account. In addition, customers who are diagnosed with a terminal illness can also be subject to severe financial pressures; from reduced household income and additional expenses, on top of the mental stress of the illness. Cases would be considered on an individual basis with the trust fund being used to make a direct credit towards the water service charge, meaning little or no payment would be needed for an agreed period. A budget of £500,000 pa from 2018/19, running into AMP7 will support the trust fund.’¹⁰⁷

We are not sure what the real difference is between these two ‘funds’ or budgets. We were sent a further briefing paper in July 2018¹⁰⁸ which stated the Trust Fund would be £500k *for the AMP* so £100k per annum, and the Customer Assistance Fund would be £500k per annum, a total of £600k per annum for the two funds. V4BP states different figures again for these funds as £0.4m for the Customer Assistance Fund and £0.1m for the Trust Fund per annum, a total of £500k per annum¹⁰⁹.or £2.5m for the period 2020/25 There have therefore been a number of changes to the company’s proposals for the two proposed new ‘funds’ in terms of their value since June 2018. We are not able to say if the amount now budgeted will be sufficient to meet demand and need, but we welcome the wider range of tools that the company is now proposing to deploy. We note that in V4BP the company discusses how it has drawn on research about good practice in debt recovery and is planning to provide a more personalised response to customers who have, or may, have difficulty paying their bills and, as noted above, a wider range of initiatives than in the past for payments and ‘breathing space’ arrangements.¹¹⁰

AWL provided the CCG with the opportunity to challenge its debt recovery effectiveness and efficiency through the Affordability and Vulnerability sub-group of the CCG. It presented us with information in June 2018 about the challenges it faces from an increased customer base in the period 2020/25 and c50,000 customers moving from an unmeasured and predictable charge collected in advance to a measured charge, collected in arrears. We note that V4 of the BP

¹⁰⁷ P17 – Document 70, Appendix 5

¹⁰⁸ Reference to 16 July ‘CCG response paper’ doc 100 Appendix 5

¹⁰⁹ P106 V4BP

¹¹⁰ P119 V4BP

describes some key information about the proportion of accounts in arrears. The company also indicated to us in a meeting in June 2018 ¹¹¹ that it was projecting it's provision for bad debt will reduce in the period .2020/25. We note V4BP indicates that ¹¹² AWL's bad debt as a percentage of revenue is in the bottom quartile of companies in England and Wales and the company is targeting a significant improvement in this.

12. Vulnerability - Is the company's approach to vulnerability targeted, efficient and effective? What is the CCG view on the quality of planned support for customers in vulnerable circumstances, taking into account Ofwat's February 2016 Vulnerability Focus report.	Green
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The company has developed and provided the CCG with adequate opportunities to challenge proposals for an '**Inclusive services strategy**' described in Chapter 7 of the BP submission. This covers support services the company will deliver for customers in vulnerable circumstances. The strategy also covers proposed support for customers who have difficulty affording their water bills, including the provision of a 'social tariff' scheme which provides a significant reduction in bills for customers who have difficulty paying their bills and meet certain criteria. (see also Test area 11 above)

The Business Plan includes a proposed bespoke performance commitment based on customer satisfaction with the services provided by the Priority Services Register (PSR).

The company has made a commitment to significant business change, before 2020, by seeking and achieving independent accreditation from BSI (18477) that it meets the requirements of that standard for Inclusive Service provision.

In terms of the process followed to arrive at this strategy we would like to highlight the following points, though the company has provided a full account in its Business Plan supporting material:-

- the company undertook the review of its services and support for customers who are vulnerable or have difficulty affording their water bills from September 2017 onwards.
- the CCG was asked to review and challenge its customer engagement on these issues through a 'sub-group of CCG members which met with the company at the start of the review and when the review was largely completed in June 2018. The CCG agreed terms of reference for this sub-group at its meeting on 6 October 2017. A number of documents were circulated to those meetings, notes made and circulated to the whole CCG and emails and queries were exchanged between meetings. (See documents 26,28,45,70 and 100 in Appendix 5).
- CCG members were invited to observe focus group and stakeholder discussion sessions relating to this review.

We would like to highlight the following features of the work undertaken by the company in this area which enable us to provide a high degree of assurance for the view we have taken on the quality and appropriateness of the company's plan development and customer and stakeholder engagement.

¹¹¹ Reference vulnerability and affordability working group slides June 2018

¹¹² P 176 V4 BP

- AWL undertook comprehensive analysis of a range of external data (from Acorn, RNIB, Experian and government data on indices of deprivation and health inequalities) to identify the gap between the number of customers in its supply areas that might potentially benefit from its priority services, and the priority services register. They have used this analysis to set a target to significantly increase to ‘circa 92,000’ the number of customers on their PSR by 2025, from 25,000 in 2018¹¹³ and set out a plan of action designed to achieve that. Achieving that level of take up represents a stretching goal, though take up is not a business plan Performance Commitment the plan commits to this goal, and supporting actions.
- AWL have been working collaboratively with other utilities, including UK Power Networks locally and the water and energy industry trade body led projects to identify how to bring about improved data sharing between utilities to maximise take up and use of individual company’s PSRs
- AWL consulted widely with a comprehensive range of charity and other stakeholder organisations in its area during this review. It approached discussion with those stakeholders in a very open way (we remotely observed a meeting with stakeholders at first hand as if it was a market research focus group, and it was independently facilitated).
- AWL undertook in depth research with a small number of vulnerable customers to understand their experience as customers of Affinity Water.
- AWL has established a number of partnerships with voluntary and charitable organisations that it intends to work with to co-create aspects of its ‘Inclusive service strategy’ and monitor its performance in delivering those services, through a twice yearly ‘audit’ of how easy Affinity Water is for those partners, acting on behalf of customers to deal with. (Elements of this proposed stakeholder audit also relate to test area 11 above – Affordability).

The quantitative research on customer support for the social tariff is referred to in relation to test area 11 above.

Comment is also provided on the proposed bespoke Performance Commitment and its level in relation to test area 14 below.

<p>13. Approach to the performance commitment framework – including Outcomes and ODIs – and CCG scrutiny activities</p>	<p>n/a – this section explains our approach</p>
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Ofwat has asked the CCG to provide a view on how the company has approached developing its business plan outcomes, performance commitments and the levels of those commitments, including whether there has been customer engagement and whether the proposed levels are sufficiently stretching.

¹¹³ P120 V4 BP – the company had advised us in June 2018 their goal was an increase to 100,000 as shown in document 70 – Appendix 5. The figure could therefore change again in the final BP.

In total there are 17 different questions that Ofwat has set out in its PR19 Methodology relating to performance commitments and ODIs. These are summarised in the 'Aide Memoire' for CCGs in questions 6 (a) to (j), 7 (a) to (g) and also 5(b).

Many of Ofwat's questions overlap because they concern essentially whether the company has consulted customers about the proposals in the business plan, whether the proposals reflect customer views and, in relation to performance commitment levels whether they are sufficiently stretching. Answering the latter question requires reviewing past and current performance, and comparative performance and taking account of the particular circumstances of the company. Arguably the judgement of whether the performance commitments are sufficiently stretching is one that the company's regulator is better equipped to make than us because Ofwat has significantly greater resource including access to a wide range of comparative performance data and engineering and economic expertise, than an 'armchair auditor' such as the CCG.

In this section we outline what we have done to engage with, consider and challenge the company on the performance commitments it is putting forward in its business plan. In section 14 below we provide our opinion on the various aspects of the 18 performance commitments Affinity Water has proposed that Ofwat has asked us to give an opinion on.

Between Autumn 2017 and July 2018 the CCG was presented with information and considered various aspects of the company's performance commitment framework as it developed. We received papers from the company about the issue of performance commitments at our meetings in September and December 2017 and March, June and July 2018.¹¹⁴ In addition we formed two working groups, at the company's request, to help them develop proposals for bespoke performance commitments in relation to environment and resilience issues and vulnerability and affordability issues. Those working groups both met twice between Autumn 2017 and Spring 2018 and the meeting dates are noted in Appendix 3. Appendix 5 lists all the papers that the CCG has received relating to PR19:

In March 2018 we agreed our Assessment Framework (Appendix 6) and shared this with the company. It was presented to the AWL board on 22 March 2018. It included the following test questions that we told the company we wished to be able to answer in relation to performance commitments. We indicated we would need to challenge the company and comment on:

- whether there is evidence of customer support for the proposal in terms of the level of service – ie do they want it;
- whether there is customer support for meeting the costs (including rewards) of achieving it – ie are they willing to pay for it and
- whether it is affordable for customers – ie are they able to pay for it;
- whether what is proposed is sufficiently challenging/stretching.
- whether there has been effective engagement with customers, including whether the proposed measures are easy for customers to understand
- whether the proposed performance commitment protects current and future customers
- in relation to ODIs whether the proposed outperformance and underperformance payment rates reflect customer preferences.

The questions also apply to any scheme specific PCs if these are proposed.

¹¹⁴ Appendix 3 lists the CCG meetings at which PR19 issues were covered.

Our challenge log records a number of challenges we have posed in relation to the performance commitment framework whilst the company was developing its proposals. See in particular challenges 9, 11,13, 19, 21, 25,27,28, and queries noted in Appendix 4

Because the company has continued to develop its performance commitment framework, including proposals for ODIs, after the last meeting of the CCG on 18 July the CCG has a whole has not seen and been able to challenge the company on those aspects which had not been finalised at that point, which includes a specific ODI proposition. This makes the task of assurance challenging as the Group has not actually seen the complete proposition before it needs to produce its own report which needs to be comprehensive and robust, and submitted on the same date as the company’s plan. Unlike the company and the regulator most CCG members are volunteers and within a month of us needing to submit this report, allowing time for members to review and comment on drafts over a busy holiday season some key inputs to our assessment were not actually complete or finished by AWL.

To assist Ofwat and AWL and enable the CCG to produce a report by 3 September we have therefore drawn on the evidence we had until a certain date. The Chair reviewed several draft versions of the Business Plan, those dated 23 July, Version 2 dated 31 July and Version 4 received on 16 August. She raised queries with the company about the performance commitment framework as listed in Appendix 4. Responses to those queries have been circulated to all members of the CCG and are in document 106 listed in Appendix 5. Some members have read Version 2 of the BP and some have read V4 of the BP to enable them to comment on this report.

Our opinions are, therefore, based on a combination of briefings from the company, particularly the 18 July briefing, two drafts of the Business plan (version 2 and version 4) and specific queries raised until mid-August 2018. A number of queries and challenges were raised on version 2 of the draft BP (23 July) relating to which performance commitments are stretching and the detail of the ODI evidence base relating to ‘customer preferences’ ¹¹⁵

<p>14. <i>Opinions on proposed outcomes, performance commitments – both common and bespoke - and outcome delivery incentive in terms of level of stretch, customer engagement and support</i></p>	<p>Amber</p>
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This test area covers three interconnected aspects of the company’s proposed Business Plan which it refers to as the Performance Framework being the proposed outcomes, performance commitments and outcome delivery incentives. As noted above Ofwat has asked us to consider a range of questions in relation to these including whether customers have been consulted about and support what is being proposed and whether the proposed performance commitment levels are stretching. ¹¹⁶

Because of the range of different aspects and different sub-questions Ofwat has asked us to consider there has been a lot of material for us to review and utilise to evidence the opinions given below. This section therefore provides an overall summary opinion on each main aspect

¹¹⁵ see Appendix 5 challenges 19, 21, 25, 27 and most of the Queries raised between 18 July and 14 August also listed in Appendix 5]

¹¹⁶ Aide Memoire for CCGs has 17 sub-questions about performance commitments and ODIs, in theory each question needs to be considered for each of the 19 performance commitments.

and key points of evidence we have noted – particularly in relation to the assessment of the performance commitments of which there are 19. We have not included all the detailed material we have considered on each of the 19 performance commitments but have done so for the six performance commitments that we consider are potentially stretching. We have also commented on data about the proposed performance commitment on mains bursts

Our overall assessment of AWLs Performance Commitment Framework is Amber

We have rated the different components of the Performance Commitment Framework as follows:

- Outcomes = Green
- Performance commitments evidence of customer support - Amber
- Performance commitments stretch - Amber
- ODIs reflect customer preferences – Amber

Outcomes – Green

The company is proposing four high level outcomes in its BP as outlined on page 4 of V4BP. The company has tested customer support for the four outcomes primarily through a representative quantitative survey in Spring 2018¹¹⁷. This found customer support for all the outcome statements was very high indeed – ranging from 95% of customers giving ‘supplying high quality water you can trust’ a score of 8-10 in terms of importance to 81% of customers giving ‘minimising disruption to you and your community’ a score of 8-10. No customers said these outcomes were unimportant. We note from V4BP that the company is presenting the proposed Outcomes prominently within the plan and that the performance commitments are shown to relate clearly to those proposed Outcomes, which will aid communication and reporting.

The four high level outcomes are very similar to those included in the company’s current business plan. In September 2017 the company proposed to the CCG that if it intended to continue using the same outcomes in its next business plan it did not need to test customer support, as that had been established at PR14. In principle that might have been appropriate, particularly in light of independently facilitated customer focus group sessions CCG members had observed in Summer 2016 which reported on company performance. At those sessions feedback was specifically sought from customers on whether the outcomes made sense to the customers present. No issues of concern about customer recognition of the current BP outcomes were identifiable from those focus group sessions.

However, the CCG challenged the company¹¹⁸ on its view that it need not test the outcomes with customers, particularly in light of two things. Firstly, the importance that Ofwat ascribes to the outcomes in its PR19 methodology. Second, we were presented with two proposed redrafts of the Business Plan outcomes and we could not agree that the proposed changes either had the same meaning, or were simpler or easier for customers to understand. The company subsequently decided to include its proposed outcomes in its Business Plan consultation document and acceptability survey in Spring 2018.

¹¹⁷ Phase 2 Acceptability Survey, Ipsos MORI, June 2018

¹¹⁸ see Challenge 22 on the Challenge Log – Appendix 4

Performance Commitments – evidence customer support - Amber

The company is proposing 19 performance commitments (PC). 9 of these are called common performance commitments, so will be proposed by all water companies in relation to their water supply. 10 of the performance commitments are bespoke and have been developed by Affinity, either as new performance commitments at this price review or to retain and continue existing performance commitments.

AWL's approach was essentially to establish if its proposed plan was acceptable to customers, with very few options in what was proposed and no bottom up development of standards and expectations. The main quantitative and representative evidence base is the Phase 2 Business Plan acceptability survey which interviewed 825 customers face to face in their homes in April/May 2018.¹¹⁹ Additionally, a quantitative on-line survey concerning the dWRMP with 1000 customers has some relevant findings. No other pieces of research we have seen explored customer views on specific performance commitments. We note V4BP includes results of testing acceptability of one plan option with customers¹²⁰ which includes specific references to 7 of the 18 performance commitments.

Our main observations on the evidence of whether customers support the proposed performance commitments and the levels of service are as follows:

- Only 7 of the 19 performance commitments were specifically set out to customers with – in the Phase 2 Acceptability survey - options they could, in theory, express a preference between. The 7 PCs which were presented to customers were leakage, per capita consumption, risk of severe restrictions in a drought, interruptions to supply, low water pressure, environmental innovation projects, sustainable abstraction. The performance commitments were presented in packages with other proposals so customers were not able to do a 'pick and mix' within the survey on the business plan, there was therefore no exploration of customer views on different levels of service for different aspects of service.
- 4 of the 19 performance commitments are arguably ones which customers are not able to influence because the question of whether there is such a performance commitment and its level is determined by a quality or environmental regulator – the Drinking Water Inspectorate or the Environment Agency. In these cases it may be reasonable for the company not to engage with customers or seek their views as the company will be under an obligation to comply. However, in respect of one of these types of performance commitments - proposals for abstraction reductions – the company did present options to customers, and other stakeholders, implying that customer views could influence the proposals. The proposed PC relating to river restoration projects was also developed after the BP and dWRMP public consultation. (the 4 PCs relating to quality/environment obligations which were not consulted on are CRI score, river restoration projects, AIM, mean zonal compliance)

¹¹⁹ Phase 2 Ipsos MORI report ref needed

¹²⁰ Affinity Water Phase 3 Final Acceptability Survey – August 2018, Ipsos MORI/Arup

- 8 of the 19 performance commitments were not subject to any specific engagement with customers as to the proposed performance commitment or the level. These are the performance commitments on:
 - Voids
 - Gap sites
 - Unplanned outage
 - Mains bursts
 - CMEX
 - DMEX
 - PSR satisfaction
 - Ease of use [although there was stakeholder engagement about this proposal which was more appropriate]

In relation to the 7 performance commitments where there was specific customer engagement we note that customers tended to support what seemed to be the cheapest options when these were presented as part of proposed plans, which also tended to have a lower level of performance commitment level than that the company has chosen for its Business Plan.

The company has therefore decided to put forward a higher cost plan which includes higher levels of performance commitment in some areas which were not in the plan most preferred by customers when customers were presented with options in the Phase 2 acceptability survey. For example, on leakage more customers supported those plans which had the lowest bills and included only an 11% leakage reduction.

We appreciate that the phase 3 Acceptability survey secured high levels of customer acceptability, but it presented no options or alternatives and its starting point was a higher cost bill than was proposed in Phase 2. Customers in the Phase 3 Acceptability survey were not asked if they would find more acceptable a lower in real terms bill in 2020/25 than that which was presented.

We appreciate that some of the levels of service represented in performance commitments are being driven by environmental and public policy stakeholder expectations and either customers cannot influence the performance levels or public policy stakeholders' views are predominant. For example, in relation to *sustainable abstraction* – when given any options customers supported more the cheapest business plan which included only 10 MI/d abstraction reductions. It is noted that the dWRMP quantitative survey found 43% of customers supporting 39 MI/d and 28% supporting 10 MI/d. It is, however debatable whether the company should have given customers an option of 10 MI/d reduction in abstractions as even if that was the level of service most strongly supported by customers (perhaps because it was presented as lowest cost) it would not meet the requirements of the environmental regulators.

We have similar observations on per capita consumption (although we understand the company has revised its proposal to 129 l/p/d when it had proposed 124 l/p/d in Phase 2), risk of drought and interruptions to supply.

In relation to the proposed performance commitment for ***environmental innovation projects*** – the company is proposing to deliver 8 projects but customers were asked if they supported two levels of expenditure – £2 million or £6 million depending on the plan option presented. It is therefore not possible for us to say if the business plan proposal is in line with customer views or not as the propositions are different and we are not clear how the company has decided to

move from a proposal put to customers to spend a given amount to a proposal to undertake a certain number of projects of a scale or outcome that is not yet defined.

We understand that the company commissioned a second Acceptability survey in July/August 2018¹²¹. From this we observe that customers were presented with one plan outline and asked for their views on its acceptability. We note that the amounts presented for the level of bills in 2018/19, 2019/20 and 2024/25 are different to the amounts presented in the first Acceptability survey.

The 7 performance commitments set out to customers in the second Acceptability survey were

- 15% reduction in leaks
- 33 million litres less water taken from the environment (we assume this is Ml/d)
- Reducing personal water usage to 124 litres per person per day
- Reducing the risk of interruptions to water supply to a 0.8% chance per year (1 in 130)
- Reducing the chance of needing to use severe drought restrictions to a 0.5% chance or 1 in 200 per year
- Investing in eight new environmental pilots to test new innovations (no detail indicated of results or spend)
- Reducing periods of low water pressure to 8.7 hours low pressure per year.

We understand that the second – ie Phase 3 - acceptability survey found the plan including the 7 performance commitments listed above was acceptable to 82% of customers.

The report on the second Acceptability survey notes that the level of acceptability reduced to 62% when inflation was added to the amounts presented for bills and further to between 41% and 51% when the expected costs of sewerage charges were added.¹²²

We consider the company has obtained appropriate quantitative evidence from representative surveys which shows customer support for some of the proposed performance commitments across two acceptability surveys. We observe that the second acceptability survey was online in nature and whilst it was a relatively large sample of 1000 will by definition not have included any AWL customers who are digitally excluded.

We observe, however, that none of the customer engagement relating to specific performance commitments has afforded customers with significant opportunities to indicate choices between different service levels. When presented with choices most customers tend to prefer the package which is cheapest, particularly customers on lower incomes. The second acceptability survey findings in relation to bill levels with inflation and sewerage charges would tend to suggest that customers are far more sensitive to price information than information about proposed service levels. This is not surprising given the quite complex and abstract nature of the way the proposed service levels are expressed, eg to express a reduced level of risk or a large quantity of water in multiples of megalitres per day.

The Phase 3 Acceptability survey was commissioned and completed after the CCG had last met in full as a group. Some members of the Group have been able to read the report of that exercise and we note that when presented with one option for a plan – which also costs more -

¹²¹ Phase 3 Final Acceptability Survey, Ipsos MORI and Arup August 2018 – cross reference to BP annexes needed

¹²² Phase 3 Acceptability Survey, Ipsos MORI-Ipsos, August 2018

customer acceptance was higher than it had been for any of the, different, plans presented in Phase 2. For example, customer acceptance of the plan presented at Phase 3 was overall 82% whereas the overall acceptance of the three Phase 2 plans ranged from 78% to 74%. We would consider this difference as due to context and timing. For example, the Phase 2 research involved face to face surveys in customer homes whereas the Phase 3 research was online. The Phase 2 sample was more likely to have included customers who are digitally excluded or who have low levels of numeracy and literacy.

Are the performance commitments stretching - Amber

Ofwat has asked the CCG's to challenge companies on their approaches to setting performance commitments including how well they reflect customers' views **and how stretching** they are' and says companies should

'engage with their customers on their performance commitment levels and challenge the level of stretch in their performance commitments with their customers, CCGs and other stakeholders.'

We have challenged the company to prove to us that the proposed performance commitments are stretching but we find it difficult to determine whether or not that is the case.

We have noted Ofwat's PR19 methodology in relation to determining 'stretch' involves a range of process and other considerations including cost benefit analysis, reviewing historical performance and comparative performance. For some potential performance commitments Ofwat has indicated a minimum level that it would expect companies to put forward (for example achieving upper quartile performance for water quality and water supply interruptions). It has also indicated that in some areas companies should develop proposals from a minimum of 20% improvement and also examine the maximum possible improvement they could make, justifying why that is not possible to meet that perhaps on grounds of cost. Customer preferences will be a very important component of such an analysis and, as we have noted above, only a few of AWL's proposed performance commitments have been referred to acceptability testing research. Neither have we seen any analysis to show how it would not be possible or would be too costly and unacceptable to customers for AWL to achieve the maximum possible improvement in its performance commitments.

Ofwat has also indicated that a performance commitment might be stretching if it involved some of the following characteristics:

- significant changes in operating practices or culture for the genuine benefit of customers and / or the environment;
- developing a broad range of performance commitments, which, taken as a package, represent a stretching challenge across a wide range of the company's services and a number of price control areas;
- definitions for performance commitments, which allow for fewer (or no) exceptions;
- performance commitments jointly owned by more than one company to achieve shared outcomes, for example, companies working together to achieve the best, lowest cost or most sustainable outcome for a catchment;
- performance commitments that involve engagement with people, groups and stakeholders from across society to help deliver what matters to customers and the environment.

The 18 July briefing paper from AWL¹²³ provided us with a variety of information about each proposed PC, including the company view on whether, and the extent to which the proposed level of the performance commitment, ie the standard of delivery or performance the company will provide to customers, is **stretching**. Because we had not seen the final Business Plan at the time of finalising the text of this report we have primarily used ‘the 18 July paper’¹²⁴ to help form our opinions, not least because all the key information we asked for was presented in one place, whereas it has been scattered within the drafts of the Business Plan we have seen. We have, however, reviewed the material included in the drafts of the business plan that we have seen (primarily Versions 2 and Version 4) and raised a number of queries with the company asking them to provide evidence to demonstrate how stretching the performance commitments are (see Appendix 4 for a list of those queries).

It seemed from the 18 July briefing paper given to the CCG that some of the levels of the PCs being proposed could not be judged as to whether they are stretching or not. . This is because some proposals were described as a promise to **maintain** current service/serviceability levels. Some of the proposals are new measures and there is either no track record for Affinity Water of delivering in the way that the performance commitment is measured, or there is no comparative information to enable a view on whether the proposal is stretching by comparison with the industry as a whole. In some of those cases it may be arguable the proposed performance commitment meets Ofwat’s requirements for ‘stretch’ because of the novelty or business transformation that may be involved although the company has not presented that argument to us. we have taken it into account in our assessment

Based on the information we have had from the company, the responses to our challenges and having regard to Ofwat’s PR19 methodology¹²⁵ . we have identified 6 performance commitments, of the 19, which might be regarded as potentially stretching, either because of the degree of improvement the company is committing to deliver to customers or because the proposed commitment involves some significant business change which is novel or new for the company to take forward.

CCG members can see that AWL is making a number of inter-related commitments to use less and save more water, and wishes to engage its customers in that task on a sustained basis when its population is rising, many of its customers are accustomed to using significant volumes of water for personal consumption and the water resources available are under stress and the company is able to draw less on them in future. In this context performance commitments related to volumes of water may be more challenging to achieve as a collection of measures than in isolation of each other. The company faces a number of challenges with engaging customers not least low levels of customer awareness of the company.

The six performance commitments we have identified as **potentially** stretching are

- Leakage
- Per Capita Consumption
- Water supply interruptions
- Water pressure
- Customer satisfaction – users of the PSR

¹²³ Document 98 in Appendix 5

¹²⁴ Document 98 in Appendix 5

¹²⁵ Ofwat PR19 Methodology, Appendix 2

- Ease of use survey – PSR customer/representatives.

However, we consider that ultimately the judgement as to whether a performance commitment level is stretching for AWL to prove to Ofwat and for Ofwat to judge as it is far better equipped to do so having knowledge of performance across the entire water industry in England and Wales and access to expert engineering advice, which is not available to us. We are satisfied we have challenged the company to demonstrate this performance commitment is stretching and the information given in its final BP may have improved as a result.

We discuss the key facts and information we have considered about these six measures below. If Ofwat would like to review the information we have about the other measures that is available on request.

Leakage

AWL proposes a 15% reduction target – reducing to 137.7 MI/D by 2025 from 162 MI/D in 2020 (a 24 MI/D reduction). Notwithstanding its 14% reduction target in AMP6 Affinity Water has a fairly high level of leakage in 2017/18 in terms of litres of water per property per day (that leaks) – at 115 litres per property per day Affinity's performance is below the overall industry average but it is the 5th highest, amongst 18 companies in England and Wales.¹²⁶ Many other companies are achieving better than this, and thus comparative performance would point to the need for the company to respond to Ofwat's challenge to propose at least 15% as a target reduction in leakage. Objectively it would seem to be stretching for the company to significantly improve its leakage performance, although a 15% reduction may mean it remains the 5th highest for leakage if other companies do likewise or better in future. The company has made significant investments in new leak identification systems within its current business plan, and has a significant proportion of its metering programme to complete in AMP7 so is therefore arguably better placed to meet the challenge of making further leakage reductions than it was in 2015. We understand that the percentage of distribution input that is expected to leak in 2020 is 17.92% and by 2025 that will only have reduced to 16.75%. The company has also told us that up to 30% of leakage was derived from customer supply pipes and that supply pipe leakage would be reduced by the meter installation programme the company has ongoing into its next Business Plan period.

Per capita consumption (PCC) –

AWL proposes reducing average PCC to 129 l/h/d by 2025 from 147.4 l/h/d. V4BP states this is a 13% reduction in consumption. Objectively it looks to be stretching to secure customer reductions in consumption. However, AWL do have a significant metering programme that is overall expected to result in 18% reductions in consumption and a substantial proportion of meter installations to households in that programme are yet to be moved to measured charging, whereas their meters have already been installed – so the price signals are not yet being received by customers. Members of the CCG would expect the metering programme to be a major factor in achieving the proposed reduction in customer demand and some of Affinity's water resource zones already use less than the targeted consumption levels and have highest penetration of water meters (eg Dour). The proposal might, therefore, be achieved mainly or partly as a result of the metering programme.

¹²⁶ <https://discoverwater.co.uk/leaking-pipes>

The company has told us that the metering programme (called the Water Saving Programme), including its home water efficiency checks, is only expected to deliver a 6.8% reduction in consumption between 2020/25. We have found it hard to marry that response with the 18% consumption reduction from metering figure which is also provided by AWL.

It is possible that this is because 40% of homes already had a meter at the start of PR14, so any reduction in consumption amongst those households had already been realised. We think that by the end of 2020 more than 60% of AWL's customers should have been metered, although not all will have been switched to a measured basis of charging, leaving a minority of households to be metered by 2025. So, the projected 2020/25 reduction in PCC will only result from new meter installations and some of those installed in 2019 where there may yet be a customer response. This might explain why the remainder of the water saving programme is only expected, on its own, to result in a 6.8% reduction in PCC.

If other measures will be needed to achieve the balance of a 5.6% reduction in PCC then a real shift would be needed in the impact and effectiveness of AWL's communications with customers to bring about significant and long lasting behaviour change. The customer evidence AWL has obtained is that customers generally think they can use a little less water, rather than a lot less water, presenting a challenge to behaviour change. We have noted a number of activities mentioned in various drafts of the business plan which are designed to influence customer consumption but have not been able to evaluate what these are likely to contribute to achieving the reduction in PCC the company is proposing. If this performance commitment is stretching it may be because the company does not yet have a sufficiently clear delivery plan for achieving significant customer behaviour change, or has not articulated it clearly enough to us. It may be clearer in the final Business Plan.

Water supply interruptions

AWL proposes to reduce the extent of water supply interruptions from on average 6 minutes per property in 2020 to 3 minutes per property by 2025. Objectively the proposed performance commitment that, on average, customers should not experience more than 3 minutes per year where their water supply is interrupted, by 2025, looked stretching because AWL's performance in this area has not met current targets. However, it was difficult for the CCG to see how company's current performance related to other companies. We asked the company to explain whether this is unplanned or planned interruptions to supply. We also asked the company to explain how the targeted performance of 3 minutes per property on average by 2025 compares to the current business plan target (if it was met). The company gave us further information in response to these queries which showed current performance expressed in the same way as the new measure (minutes per property). This showed us that the company's current performance target – if it was met - is equivalent to 18 minutes per property on the new measure. The company has not been meeting this level of performance and our understanding of the data provided is that AWL's **actual** performance has been equivalent to 33 minutes per property. It therefore does appear stretching for the company to achieve the proposed level of performance.

Low pressure

AWL proposes a bespoke measure without any comparative information. This has come forward from the analysis of operational data showing this is a significant area of customer complaint. The proposal is – we understand - to reduce the average hours of low pressure per household from 12 hours per annum to 8.7 hours. It is not clear what the trajectory is as the measure is to be reset each year. Objectively this looks to be an improvement to reduce the average hours that properties receive low pressure from 12 hours per annum to 8.7 hours per

annum by 2025. It is not easy for us to see how stretching or difficult this is in the absence any comparative information on this measure. We asked the company to provide information about its performance where there is comparative information available and to explain how the 'average' hours indicator will enable it, and customers, to see how many customers are actually affected by low pressure and whether this is changing over time. The company's response has been to show us that in terms of the number of properties per 10,000 properties which are below a reference level of water pressure AWL has 'the worst' performance amongst the water companies in England and Wales and is an outlier. We have not been able to review in any depth beyond this. It appears that the proposed performance commitment, if achieved, will deliver a level of service improvement to customers. We do not know how difficult it will be for the company to achieve this, and therefore how stretching it is. It would seem from the comparative information available that all other companies are able to provide a significantly better level of service to their customers than AWL does today, which would suggest there is good knowledge and experience within the industry at large on what is required, and it is an industry norm that better performance is delivered to customers. AWL agreed to consider a KPI for this area which would enable it, and us, to see how many customers are affected by low pressure problems as an overall average hours per annum can disguise extreme problems experienced by a few customers

Satisfaction with the Priority Services Register services

This is a new bespoke performance commitment measure so there is no baseline of data available to judge if the proposed performance commitment level of 82% is stretching. We have seen some data from the company which analyses the responses of customers who are on the PSR to the company's general customer satisfaction survey. With a 2017 average score for this group of 4.52 out of 5 it could be argued that 82% is a lower target than current actual performance, which would seem to be 90.4%. A paper circulated to the CCG on 5 June 2018 also suggests that 82% is the 2017/18 performance the company is achieving on its 'Rant and Rave' customer feedback/survey. That would tend to suggest that 82% is not stretching. However, this is a new measure and the data we have seen is arguably not comparable and the company is planning to significantly increase the population of customers who are on the PSR. Most importantly the proposed performance commitment relates to a significant business change from AWL's Inclusive Services Strategy which we have reviewed and are content that it represents a significant business change.

Easy to deal with/ease of use customer/stakeholder survey

This performance commitment is to measure the extent to which those people who represent vulnerable customers and contact the company regard AWL as easy to deal with. This is a new bespoke performance commitment which will be measured via a twice yearly audit of the opinions of third party representative organisations. It is impossible to form a view on whether the proposed level is stretching. As noted above in relation to satisfaction with the PSR this relates to a significant business change from the company's Inclusive Services Strategy which we have also reviewed and are content it represents a significant business change.

Mains bursts

Finally, in respect of mains bursts the company sought to convince us that proposed performance commitments designed to 'maintain' performance for customers could be regarded as challenging, including the proposal to maintain performance on mains bursts at the same level for 15 years.

The company provided us with data on the proportion of water mains it has renewed in AMP4, AMP5 and AMP6. It also said that it had started to increase investment in trunk mains in AMP6 (which was indicated in its current BP) and reminded us of its trunk main 'hotspots' programme

– which we had reviewed in September 2017 with our AMP6 remit and following concerns about the extent of unplanned supply interruptions. We have noted the company response to our queries but conclude, as with the other infrastructure related performance commitments discussed above that ultimately this is a judgement for Ofwat to make as it is far better equipped to do so having knowledge of performance across the entire water industry in England and Wales and access to expert engineering advice, which is not available to us. We are satisfied we have challenged the company to demonstrate the performance commitment relating to mains bursts is stretching and the information given in its final BP may have improved as a result.

Conclusion on ‘stretch’

Ultimately we think this is judgement for Ofwat to make. They are much better resourced than the CCG to make a judgement about what stretching performance looks like for a water company. Ofwat has access to performance and cost data for the entire water industry in England and Wales which we do not and we are not an engineering consultancy. We consider we have discharged our obligation to challenge the company to prove to us that its proposed performance commitment levels are stretching. We have identified the 6 performance commitments above which appear to us to most likely to represent stretching commitments for the company taking into account Ofwat’s PR19 Methodology statement¹²⁷.

¹²⁷ Appendix 2 of Ofwat’s PR19 methodology deals with this issue

Output Delivery Incentives (ODI's) - Amber

The company's proposals for ODIs are described in Section 4 of V4BP. ODI's are a means by which water companies in England and Wales can be rewarded for their performance by being allowed to charge customers more if they outperform in delivering their business plan. Conversely the company can be penalised financially if it fails to deliver by being required to reduce customer bills

Ofwat asks companies to develop their ODIs in consultation with their customers and for CCGs to challenge companies on how well their proposed ODI outperformance and underperformance payment rates reflect a suitably wide range of evidence on their customers' preferences.

There are a range of questions in Ofwat's Aide Memoire for CCGs about ODI's and we consider each of them below explaining how we have engaged with and challenged the company on the issue and the evidence we have reviewed.

How well do the proposed ODI payment rates reflect customer preferences?

We challenged the company to share with the CCG, and include in its business plan, the high level and clearly explained output and key findings of that analysis, and show how the proposals for ODIs in the business plan relate, at all, to customer preferences. However, apart from the material AWL has presented in various drafts of its BP we have not been given any specific evidence to judge how well the proposed ODI payment rates reflect customer preferences.

V4BP ¹²⁸ says in effect that the company has undertaken desk research and analysis to 'update' the ODI approach it developed at PR14 and develop 'a benefit transfer database' (which we understand draws on research across the water industry). We have not seen this analysis and cannot therefore assure it. AWL states it is important to establish the value that customers place on different service attributes – their preferences and priorities – and that the 'bottom up' element of its ODI setting methodology provides

'an absolute valuation of service attributes... also provide a relative valuation between service attributes. This is particularly relevant in establishing our overall ODI proposals as incentives rates need to reflect customer preference and priorities, in this case expressed implicitly through the relative valuation of service attributes'. ¹²⁹

We noted that in its discussion of the pros and cons of the 'top down' approach in the 23 July draft of the BP ¹³⁰ the company said it had used customer preferences to divide the total value of the proposed incentives between different performance commitments so the company must have a simple list of service features ranked in order of customer priority and preference that it could have shared with us, Ofwat and customers, to provide assurance that its proposals reflect customer preferences.

We have challenged the company to indicate what the actual values in £ per annum are that customers would ideally place on performance and underperformance in relation to different aspects of service and explain how this compares to the value(s) the company is actually proposing for ODIs in its BP. This is so that we can see how far the proposed values of the ODI payments align with or meet customer expectations or not. The simple interpretation of

¹²⁸ P50 V4BP

¹²⁹ P50 V4BP

¹³⁰ Page 23 23 July draft BP

the material we saw in V2 BP is that there is a significant gulf between customer preferences and the Ofwat policy (the top down approach) and that the company has decided to adopt and not go outside the Ofwat policy of an indicative maximum value of ODIs of +3% of RORE. Without full disclosure by the company it has not been possible to see how far this goes towards meeting customer expectations. .

We have also reviewed V4BP which describes the company's proposals for ODI's on pp 50 – 56. We note that the company says that it has undertaken detailed design of each ODI. The V4BP also refers to a number of pieces of research and analysis AWL has undertaken or referred to in developing its ODI proposals, including a 'benefit transfer database' (para 32 p50) the output from which has been reviewed by its Reporter. Our understanding is that this database and analysis would provide the evidence about the value that customers place on different service attributes, and their relative valuation. As we have not seen the output from that database and analysis we cannot provide any assurance that the ODI proposals relate to customer preferences. We also noted a reference to research to explore compensation levels for supply outage – which we believe is related to the analysis the company has done on ODI levels (page 33) which we have not seen and therefore cannot refer to.

We note that the company has asked a representative sample of customers in its Phase 3 Acceptability Survey¹³¹ whether or not they accept a proposal whereby if AWL were to 'beat' its targets up to £0.50p might be added to the average household water bill per year and if AWL were to 'fail to beat' their targets a reduction of up to £4 might be applied to the average household water bill per year. These amounts were considered acceptable by 71% and 73% of customers respectively. The survey also established that a minority of customers, 39% supported water companies being 'regulated by performance incentive systems, with as many customers having no view and 22% opposing. Establishing high levels of customer acceptance for one proposal does not establish that the proposal reflects customer preferences.

Finally we understand that achievement of the proposed PC relating to completion of a number of river restoration projects is included within the company's proposals for ODIs¹³² These schemes are driven by the Water Industry National Environment Programme (WINEP) and are arguably an environmental obligation that AWL will be expected to deliver. Customers have not been asked for their views on whether the proposed rewards and penalties for this PC are appropriate. We also understand that the company has not clarified the proposed projects with the EA and is not expected to do so before the BP is submitted.

In Year or in Period ODIs?

We note that Ofwat assumes any ODIs are 'paid' (charged to customers) each year within the price control period and has asked companies to justify with evidence, presumably from customers' views, if they do not propose to take this approach. On the basis of the 23 July version of its Business Plan (V2BP) AWL had adopted the approach assumed by Ofwat.

Reputational only ODIs

AWL is proposing that 3 of its 19 performance commitments are reputational which means that if the company fails to deliver, or if it exceeds its performance commitment it is neither penalised or rewarded financially. The three 'reputational only' performance commitments are proposed to be the two new performance commitments relating to aspects of delivering services to

¹³¹ Phase 3 Acceptability Survey, Ipsos MORI and Arup

¹³² Page 54 V4BP

vulnerable customers and Mean Zonal Compliance (water quality) which is being retained by the company as a measure in order to have a simple and clear means of reporting water quality to customers once the CRI measure has been introduced.

We note that Ofwat only allows a company to propose a reputational-only ODI, if it can provide convincing evidence that this is appropriate. This includes evidence from its customer engagement or if it can demonstrate that a performance commitment is not well suited to a financial ODI. Ofwat also says research is required to support proposals for reputational only ODIs and that if a company has proposals of these types the CCG is expected to consider and comment.¹³³

The company has not made the case to the CCG as to why there should be no financial penalty for failing to meet these three 'reputational' performance commitments.

ODIs for resilience performance commitments

We note that Ofwat's methodology expects that companies should only propose financial ODIs related to resilience performance commitments if they reflect the particular resilience challenges facing them, are supported by evidence and by their customers and do not involve ODI outperformance payments that overlap with funding received through the cost allowances. We understand that the performance commitments relating to resilience are:

- Water supply interruptions =>3hrs
- Leakage (M/d)
- Per Capita Consumption (PCC)
- Risk of severe restrictions in a drought
- Complete environmentally focussed pilot projects in each community
- Sustainable Abstraction, average annual reduction
- Abstraction Incentive Mechanism

Although Ofwat has not asked the CCGs to comment on this point the company has only provided us with evidence to address this issue through drafts of the BP received on 23 July, 31 July and 16 August. We are not able to comment on whether the proposals within the draft Business Plan versions are in line with Ofwat's methodology or not.

ODIs for Asset health performance commitments

We note that Ofwat's methodology expects that companies can only propose outperformance payments for asset health performance commitments if they can show there are benefits for customers and their proposals reflect evidence of customer preferences. We understand that the performance commitments relating to asset health¹³⁴ are:

- Mains bursts
- Unplanned outage
- Low pressure to areas that receive longer/repeated instances (hours)

¹³³ Ofwat Aide Memoire for CCGs

¹³⁴ (p.27 of Annex 2 of Ofwat PR19 methodology)

The company has only provided us with evidence to address this issue through drafts of the BP received on 23 July, 31 July and 16 August. The circumstances of our reviewing those drafts has not facilitated challenge of the company. Based on our review of V4BP we can see that AWL is proposing outperformance payments for mains bursts, unplanned outage and low pressure. The company has not provided us with any specific evidence to prove that these proposals provide benefits for customers or reflect customer preferences.

If the company is proposing to include **outperformance** payments in relation to its performance commitments on mains bursts we note that the level of the performance commitment will have remained the same for 15 years by 2025 and find it difficult to see why the company should receive a reward for outperformance.

15. AIM – has Affinity engaged with local stakeholders to propose its AIM incentives? Has it identified suitable sites in liaison with the Environment Agency? (Aim is also a PC see Q14 above)	Green
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AIM stands for the Abstraction Incentive Mechanism. It is a scheme of regulation designed to provide financial incentives to the company to voluntarily constrain the amount of water that it takes (abstracts) from water resource locations regarded as environmentally sensitive, although the company has a licence, from the Environment Agency (EA) which permits it to take more water. Ofwat, the Environment Agency and the company – who are the primary audiences for this report – are all familiar with the details of this scheme and how it is expected to operate and it is not our role here to explain it in full.

The company needs to submit details in its business plan of the specific locations (water sources such as rivers and streams) which will be part of its AIM. We understand this can be found in Appendix 3 of the Business Plan (as at Version 4 of the BP). Ofwat has asked us to provide assurance that the company has engaged with local stakeholders about its proposals, and identified the specific sites in liaison with the Environment Agency.

The company undertook to address this test area by way of a specific briefing for the CCG on 17th May 2018.¹³⁵ The company told us that its engagement and liaison about its *future* business plan proposals for AIM consisted predominantly of:

- Consulting stakeholders via its main consultation on the draft Water Resources Management Plan (dWRMP) – where the company has proposed an overall reduction in the volume of water that it would abstract from the local environment.
- Consultation with the EA on specific features of its *current* AIM scheme (notably early warning triggers and changes to the operation of the Misbourne catchment)
- Continued ‘open relationship’ with local river groups and NGOs – although no specific details were provided of what that meant in practice
- Presenting information to Ofwat and other water companies on suggested changes to the operation of the AIM scheme

¹³⁵ document 69 Appendix 5

The company reported that it had given presentations to three local groups (Ver Valley Society, Colne Valley Fisheries and Dacorum Environmental Forum) on the benefits assessment of sustainability reductions (presumably those already made rather than proposed) and a National Environment Programme (NEP) study relating to the Bulbourne catchment

The company showed us a list of 20 locations that it was at that time considering including within its AIM scheme.

It was apparent that the company had not at that point completed either its stakeholder engagement or dialogue with the environment agency on the specifics of AIM. Stakeholder engagement on the WRMP has also been conducted at a very general level and it was not apparent from the presentation given to the CCG that many local stakeholders in the 20 specific locations identified for the AMP7 AIM scheme had been approached by the company directly.

The Environment Agency indicated to the CCG during our review and challenge session with the company in May 2018 that it thought the company needed to undertake more work on this issue and undertake clearer engagement with stakeholders. We therefore rated this issue as 'Amber' until the EA could provide us with advice that there had been further engagement and consultation, including with the EA. At 17 August we noted that Version 4 of the company's Business Plan said that it had submitted final details of its AIM proposals to the Environment Agency. The EA member who represents the EA has advised us on 23 August 2018 that during July and August they have been in discussion with AWL with regard to the AIM incentives and they were able to confirm the statements made in V4BP concerning AIM. On this basis we are content to rate this test area as Green.

16. Leakage – has Affinity taken customer views into account in its proposed five year PC levels? (see also response to Q14 above)	Green
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Yes the company has taken customer views on leakage into account. The company has sought customer views on the issue of leakage, as well as stakeholder views through both qualitative and quantitative research. For example as part of its Business Plan acceptability testing with a representative sample of customers¹³⁶ the company set out 3 different business plan options which included proposals for two different possible performance commitments to percentage reductions in leakage – 11% or 15%. The company has also shared with the CCG the various research findings and insight it has considered and taken into account on the question of customer views on leakage by means of a 'triangulation' report which was presented to the CCG on 18 July¹³⁷. The triangulation report we were shown on 18 July showed relevant evidence from customers, stakeholders and other research that supported, or potentially contradicted, the company's proposals for each performance commitment the company was proposing – at that time - to include in its business plan. In relation to leakage we have noted the following findings which the company has taken into account:

- Leakage is important to customers – the 'triangulation report' we have seen says it is "an emotive issue' and that 'customers are shocked at level of leakage, perceive it as 'very

¹³⁶ Ipsos MORI phase 2 business plan report

¹³⁷ Refer to document in our Appendix 5 Arup, July 2018, *Customer Engagement Programme, Triangulation Phase 2 Appendix 3 Annex Ph2.1 to AWL BP*

high' and do not appreciate being asked to save water or temporary restrictions because of this'. (*phase 0 signpost focus group, phase 1 online community –leakage survey, phase 2 future customers schools survey*).

- Customers feel their responsibility is to not waste water, but it is the water companies' responsibility to avoid excess wastage from burst mains or leaks (*phase 1 online community –leakage survey*)
- Leakage is seen as a visible sign of underperformance and a key part of the 'contract' between company and customers. (*phase 1 online community –leakage survey, phase 2 dWRMP/BP qual research*)
- 71% of customers strongly back continuing to find ways to reduce leakage, (*phase 2 dWRMP survey*).
- A large proportion of customers [taking part in an on-line community/panel the company established in phase 1 of its customer engagement] think that Affinity Water should meet or exceed Ofwat's leakage expectations (*phase 1 online community –leakage survey*)
- operational data for 2017/2018 shows that 27% of customers claim that external leaks is the main reason for contacting the company, and this proportion has increased (*VfM2017/2018 Summary*).

However, customer views on what the appropriate *level* of a performance commitment should be varied, particularly when they were presented with proposals including bill impacts. For example, whilst many participants in focus group discussions about the proposed business plan options felt that both 11% and 15% leakage reductions were too modest.¹³⁸ by contrast the responses to quantitative research found more support for an 11% reduction in leakage, in both cases when customers were presented with the likely costs of achieving reductions:

- 38% of customers preferred Option 1 -reducing leakage by a further 11% -compared to 31% who choose the more expensive Option 2 which would target a further 15% reduction. [*phase 2 dWRMP survey*]
- 78% of customers preferred Plan J – which included reducing leakage by 11% compared to 74% who preferred Plan L, the more expensive plan [*phase 2 BP acceptability survey*]

This perhaps reflects the nature of the research within which questions were asked. In the business plan acceptability testing customers were asked to choose between three differently priced service 'packages' with a total bill cost for all the items, and it is clear from the report on the related focus group discussions that not all elements of those 'packages' were well understood by customers.¹³⁹ Also the company has reported to us – as reflected in the 'triangulation report' – that:

- Customers want more comparative information to be shared on leakage. (*phase 1 on line community –leakage survey*)

We appreciate that the company has responded to the views of customers **and** stakeholders' in preparing its business plan. Stakeholder views from Ofwat and the EA were both clear that the

¹³⁸ Ipsos Mori/Arup Phase 2 Business Plan Acceptability focus group report .

¹³⁹ Reference for focus group report

highest of the two leakage reduction targets were preferred by them.¹⁴⁰ There is evidence that customer views on leakage have been sought and considered.

17. Transparency – are company plans for reporting on performance 2020 – 25 suitable	Green
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Reporting performance to customers effectively is important to Affinity delivering its business plan commitments – it needs to be more effective at engaging customers to join with it in meeting the challenge to reduce demand. It knows that customers are more likely to ‘do their bit’ if the company is seen to and known to be doing its bit, particularly on leakage reduction. It is also asking customers to accept an increase in bills to 2025, albeit small, in an economic climate that is difficult to predict post Brexit. The areas Affinity Water serves are heavily reliant on London and the services economy, and arguably tourism, and there is a degree of uncertainty about what the impacts of Brexit may be on those areas and markets. Other factors such as customer trust and satisfaction are all informed by knowledge. Finally, the company is proposing to share gains from its level of gearing with customers and this will require reporting and transparency.

We have challenged the company to set out clearly and succinctly its plans for reporting on performance between 2020 and 2025 so that we could arrive at a view on whether the plans are suitable. Through the three drafts of the Business Plan which different members of the CCG have reviewed we have observed different information presented – and in different parts of those draft business plans.

For example, in the 23 July version of the Business Plan the company seemed to be planning to continue with its present approach of reporting information about its performance according to its 8 water resource zones [WRZs]. This approach consists of publishing monthly reports in-year on the company website showing results against each of the performance commitments in the business plan. An annual report on overall performance, which includes details for each WRZ is published in July each year alongside the company annual report and accounts. On page 72 of the 23 July BP draft the company said ‘*this approach works for us operationally and we will continue in this way*’. This continued to appear in the Plan at V4BP, page 129 of Version 4.

However, in the 23 July version within the chapter called ‘Community Model’ there was some discussion of a number of points relevant to reporting which arguably contradict the approach outlined above, including that customers ‘struggle to relate’ to the 8 WRZ areas the company uses for performance reporting. We also recognise that problem. We note that Version 4 of the BP includes the same discussion.

The 23 July draft of the Business Plan also included a section called ‘Increasing transparency of reporting’ (p77 in 23 July draft and p193 of 31 July draft). This draft section was largely discursive however and indicated that the company had not yet finalised its reporting framework

¹⁴⁰ EA Representation on AWL draft WRMP, 17 May 2018 p6 (which says ‘we would expect the company to comply with Ofwat’s challenge of reducing leakage by 15% by 2025’) and Ofwat representation on AWL’s draft WRMP 23 May 2018 p3 (which says ‘the draft plan presents limited ambition’... ‘only includes leakage reduction of 10% by 2025’)

for AMP7. The company said, in the 23 and 31 July versions, that it wished to do more to understand what data customers want to see and to encourage them to pull data from the company rather than have it pushed at them. The company also said it wanted to make it easier and more accessible for communities to get hold of the most up to date data and it sees the benefits of the Discover Water website for providing customers with a *'solid set of standard information'* allowing them to compare AWLs performance with that of other companies.

As the company issued further drafts of its Business Plan in August we asked them to highlight clearly for us where we could locate information in the Plan about their plans for reporting on performance so we could make a judgement on suitability of the proposals. In relation to Version 4 of the Plan – received on 16 August – we were advised to go to page 115 to find details of the company's proposals for reporting performance to customers. Paragraphs 38 – 40 page 115 of Version 4 describe the company's current approach and the indication is therefore that this will continue. The current approach includes the role of the CCG in reviewing and reporting on company performance, publication of monthly performance information and an annual performance report and events held in each WRZ based community. The only change the company is proposing for the future is to *'promote mini-reports which are more accessible on social media channels'* and it is *'piloting customer engagement sessions in each community'*. (p115 Version 4)

With our AMP6 role we have challenged the company a number of times to evaluate the effectiveness and use of its online and offline reporting to customers. We have also suggested that the annual performance report for 2017/18 includes information about governance and financial performance to improve transparency to customers. We note that Ofwat amended its PR19 methodology on 31 July 2018 stating that it expected companies to *'boost transparency around dividends and levels of executive pay'*,¹⁴¹

On 26 August AWL sent the CCG Chair by email updated text relating to transparency and reporting which it expected to include in Section 3.8 of Chapter 3 of the BP. To an extent this repeated what we had noted in earlier drafts of the Business Plan as mentioned above but made it clearer that the company does wish to develop and improve its approach to reporting – to understand what customers and community partners want to see, providing more tailored data in a relevant and accessible way and using the comparative data available from the Discover Water website. The company outlined a list of third party organisations and individuals that it would like to work more closely with to make its data available and said it wishes to develop natural capital approaches to assessing its impact and effectiveness, and to work with the CCG to develop its reporting for 2020 onwards, including testing the approach with customers in 2018.

It would have been helpful if AWL had put forward in V4BP some specific and worked up details for improvement and change in reporting that is required to help it to engage with customers and engage them with the delivery of its business plan. For example the V4BP says that the company will succeed in its plans if it has raised awareness and engaged customers effectively. However, the company has indicated an ambition to develop and innovate in its reporting and transparency beyond its current approach and to have tested new approaches with customers in 2018.

Transparency, accountability and effective communication will be key to the company realising its vision of being the leading community focussed water company in the UK. The company

¹⁴¹ Ofwat Press Notice PN 32/18 31 July 2018

seeks a relationship of trust with customers and stakeholders and more importantly engagement with customers, and other stakeholders is required if the company is to meet its significant practical challenges of achieving reductions in demand for water. In this context the company has described appropriate ambitions to develop and improve its reporting and transparency to customers. It has yet to draw up an operational plan for this, which will require some research and testing with customers as well as stakeholders but has made a commitment to this before 2020.

<p>18. Resilience – has the company’s assessment of resilience been informed by engagement with customers so as to understand their expectations on levels of service, their appetite for risk and how customer behaviour might influence resilience</p>	<p>Amber</p>
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Prior to circulating drafts of its BP from 23 July 2018 onwards AWL had not outlined to the CCG how its assessment of resilience would **be informed by engagement with customers and understanding of their behaviour**. The company’s assessment of resilience, underpinning its draft Water Resources Management Plan, has largely been a technical and engineering process and a dialogue with political and regulatory stakeholders. The three drafts of the BP circulated to CCG members have all contained chapters dealing with resilience, although there have been substantial changes to the drafting and presentation between V2BP and V4BP.

From Chapter 9 of V4BP (Ensuring long term resilience) the company sets out a range of resilience issues including operational, financial and ‘corporate’ and risks from climate change, economic and social change, technology and cyber threats. Chapter 9 explains the methodology the company has gone through to assess 78 potential shocks and stresses and then assess risks and resilience and identification of interventions and solutions. AWL states that in determining intervention options it

‘analysed customer and operational data and consulted with customers and CCG on our plans’ (p149 V4BP)

It is also said, in V4BP, that assurance of its ‘risk-based approach to increasing resilience’ was obtained from engagement with customers in Phase 3 of the customer engagement programme and that ‘for ease of consultation with our communities and customers these shocks and stresses were grouped together into 12 categories based on their impact on customer outcome delivery’ (p149 V4BP).

We can see that AWL has referenced customer expectations in its V4BP chapter on resilience as follows:

- *‘Customers expect us to be well-prepared to mitigate the impact of those risks and want us to invest now for the future’ (p138 V4BP)*
- *‘Our community focus vision is driving resilience in the whole business, ensuring that customers take priority in our resilience strategy’*
- *‘Communicating with customers on resilience is best done by framing it in a broader way, asking about long-term priorities and helping them to understand possible risks and trade-off priorities’ p141 V4BP*

The main customer insight/evidence relating to resilience that AWL has obtained from its PR19 customer engagement is outlined on pp142 and 143 of V4BP. There is some qualitative insight that customers expect water supply without interruption, and at good pressure and do not have any immediate concerns about resilience or expect that water supplies will run out – although some of the challenges from climate change and population growth were recognised in some focus group and other qualitative research. The only research finding involving a resilience issue, and customer views about trade-offs, concerned drought management where customers tended to accept temporary restrictions on usage, and support efforts to save water, above increases in water bills.

Engaging with customers on resilience issues connected with water supplies may be complex and challenging, and could require significant effort to establish customers’ views and expectations, and their tolerance of risk. We also acknowledge that the company reported low levels of awareness, and engagement, amongst customers, indeed the company lists ‘disengaged customers and communities’ as a current shock/stress. We would agree that if the company is to achieve the target it has set for per capita consumption between 2020/25 it will need engaged rather than disengaged customers and that customer behaviour change is an important element of achieving the plan outcomes, and delivering a resilient supply over the longer term.

However, notwithstanding the challenges of engaging customers with resilience and risk it is not apparent to us that AWL has engaged with customers in any depth to inform its resilience strategy. Given that one element of the resilience strategy is to embark on investment in ‘additional resilience’ at a cost to customers of £2 - £5 per year (p152 of V4BP) this is the area where customer engagement with the long -term implications, costs and benefits of this investment was most necessary. As discussed in relation to Test area 8 above the depth and nature of customer engagement on this has not yet been sufficient, therefore it is not possible to say that AWL’s approach to resilience, as described in V4BP, is based on sufficient customer engagement.

That is not to say AWL is adopting the wrong approach. We are simply asked to give an opinion on the extent and nature of customer engagement. We expect it would be unlikely that customers would disagree with the company’s commitment to managing risks around IT and third- party incidents that could interrupt supplies. There will be many other service aspects where customers, and stakeholders, are likely to support efforts to increase resilience if engaged appropriately on these issues.

<p>19 Cost efficiency – if there are cost adjustment claims is there evidence that customers support the project? Does the proposal deliver outcomes that reflect customers’ priorities identified from customer engagement? Has the company taken account of customers’ views and is there evidence that the proposed solution represents best value for customers in the long term, including evidence from customer engagement</p>	<p>Green</p>
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Our understanding is that the company submitted one ‘cost adjustment claim’ to Ofwat concerning the expected additional costs of water treatment at a treatment works called ‘Sundon’. This investment appears on p71 of V4BP as an ‘innovative conditioning treatment plant to improve utilisation of imported water’.

The CCG understands that Ofwat's Information Notice 18/02 reminded companies that early submissions were requested on any cost adjustment claims, by 3 May 2018. Companies were asked to submit appropriate evidence to support any cost adjustment claims including:

*'where appropriate, is there evidence-**assured by the customer challenge group (CCG)** – that customers support the project?'*

and

*'does the proposal deliver outcomes that reflect customers' priorities, identified through customer engagement? Is there **CCG assurance** that the company has engaged with customers on the project, and this engagement [has] been taken account of?'*

The company did not notify the CCG before 3 May 2018 of any cost adjustment claims that would require customer support and scrutiny by the CCG. On 29 March 2018 the CCG challenged the company to indicate on this before the cost adjustment claims had to be submitted to Ofwat on 3 May 2018. The company response about a week before cost adjustment claims had to go be submitted to Ofwat was that the company had not decided whether or not to make a submission to Ofwat. It appeared too that the costs of this measure were consequential on one environmental obligation to reduce abstractions in a certain location and as a consequence of using water from Anglian which required more treatment than the groundwater AWL would otherwise have abstracted it is necessary to increase the cost of treatment so as to comply with water quality standards. The company had done no exploration with customers relating to this specific project and was clearly not going to be able to do so before the deadline for submission of cost adjustment claims.

It is debatable therefore whether customer support could influence the decision to invest in these treatment works. The CCG Chair queried if it was likely that customers would have not supported ensuring their water meets drinking water quality standards. If so it was arguably not proportionate to instigate customer engagement on a single investment, particularly if the company was not clear that it would have to make the investment.

Subsequently the company included a single question in its Phase 3 acceptability survey about the costs of water treatment at Sundon.¹⁴² This question explains that the company proposes to import water from Anglian Water to ensure that it has enough water to supply to customers across its whole area and that the water would need to be treated. Customers were told that the cost of this was 'already included in the bill amounts provided in previous questions' (a projected bill of £172.40 in 2020/25 an increase from a projected bill of £168.77 in 2019/20). Overall 82% of customers found this proposed bill acceptable, when expressed without inflation or sewerage charges. We do not know exactly how much this specific investment has added to the proposed bills in V4BP (which are a different amount to that in the Phase 3 Acceptability survey) and have not seen any evidence that AWL has explored alternatives with customers if there are any.

The company did not engage with the CCG in any detail on this cost adjustment claim in sufficient time, as Ofwat had asked companies to do. However, the specific issue in AWL's case is arguably a consequence of environmental and drinking water quality requirements. We are not in a position to evaluate or comment on the cost efficiency of what is proposed, or if there were any alternative options that could have been explored with customers.

¹⁴² See Appendix 3 V4BP Phase 3 Acceptability Survey, Ipsos MORI and Arup

Section 4 Challenges and disagreements

In this section we report on any areas of disagreement between members of the CCG and describe the challenges we have given to the company and any areas of disagreement between members of the CCG. of which there are none. It reminds readers of our primary brief as articulated by Ofwat, sets out the *process* within which we have challenged the company and summarises the *specific content challenges* we have posed. Appendix 4 provides our Challenge and significant enquiry records and Appendix 5 lists all the documents we have received relating to PR19 and AWLs business plan, and customer engagement.

a) *Areas of disagreement*

CCG Members have sought to arrive at a consensus of opinion on the matters we have to report on. There are no matters on which any individual members disagree with the opinions set out in Section 3 and summarised in Section 2

b) *Our brief to challenge the company*

Ofwat has set the brief for CCG's to

'provide independent challenge to companies and independent assurance to us on:

*the quality of a company's customer engagement; and
the extent to which the results of this engagement are driving the company's
decision making and being reflected in the company's business plan.'*¹⁴³

Ofwat expects that the CCG's independent assurance will be provided in the form of an assurance report which will set out the evidence of **how** a CCG has carried out its independent challenge role. This section, when read with section 5 and appendices 4 and 5, and our Annual Reports, aims to address the issue of how we have addressed our brief.

c) *Content specific challenges*

AWL's business planning process has been an iterative one extending over a period of around 18 months. It has involved the production of three different, interlinking, plans between Spring 2017 and August 2018 (the Drought Management Plan, the Water Resources Management Plan and the Business Plan. Over this period of more than a year the CCG was asked to 'review and challenge' a variety of documents and drafts of customer facing material and survey questionnaires as part of the company's iterative process. Comments made on draft material have often arisen in meetings, teleconferences and in emails from individual members of the CCG to the company and not all of these have been recorded as 'challenges' per se, even if they were communicated with a challenging style/approach. Appendix 5 provides a list of the documents we have received, including drafts of materials, relating to PR19.

The Affinity Water CCG has provided challenge to the company on its PR19 customer engagement and business planning since September 2016. We have provided challenges through the following means:

¹⁴³ <https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Aide-Memoire-for-Customer-Challenge-Groups.pdf>

- scrutinising and reviewing proposals from the company at CCG meetings (minutes of which are published on our website page¹⁴⁴);
- scrutinising and reviewing proposals from the company at meetings of sub-groups established to consider performance commitments on environment and resilience issues and vulnerability and affordability issues;
- registering specific 'challenges' on a Challenge Log (which is published on our website page and included at Appendix 4 to this report)
- presenting views of the CCG at meetings of the Affinity Water Limited (AWL) Board and committees of the Board (see Section 5 and Appendix 3)
- Publishing opinions on the company's progress within our Annual Reports for 2016/17¹⁴⁵ and 2017/18¹⁴⁶
- providing challenging comments (often incorporating specific drafting suggestions) on drafts of customer stimulus material;
- raising queries on drafts of the PR19 Business Plan (version up to 14 August 2018) designed to challenge the company to explain and justify proposals and aspects of proposals clearly, and to help us finalise our assessments and assurance report for Ofwat;
- providing the company with two drafts of our report (on 31 July and 14 August 2018) giving them the opportunity to comment on our assessments and provide further evidence where we have not been able to assess their customer engagement and proposed business plan elements as 'green' or meeting the requirements set out by Ofwat.

Our Challenge Log (see Appendix 4) records challenges we have registered on a range of issues including the following:

- how and when the company planned to engage with customers to prepare its PR19 business plan, how it would use the results and how it would reach a diverse range of customers— see for example challenges 4,7,8a,10
- how the company would consult with customers about the draft Water Resources Management Plan (WRMP) and draft Drought Management Plan (DMP) – see for example challenges 5, 8a,8b
- capability of the company to deliver its customer engagement programme – see for example challenge 18 and 2016/17 Annual Report
- how the company is engaging with business customers – in relation to the DMP and WRMP particularly – see for example challenge 20b and
- whether the company was showing in its customer engagement material how its performance compared with that of other companies – see for example challenge 31
- the appropriateness of AWL's proposal not to consult customers about its proposed business plan 'outcomes' – see for example challenge 22
- the company's decision not to conduct willingness to pay research – see challenge 24

¹⁴⁴ <https://stakeholder.affinitywater.co.uk/ccg.aspx>

¹⁴⁵ <https://stakeholder.affinitywater.co.uk/docs/CCG-Annual-Report-Final-Jan2016-March2017.pdf>

¹⁴⁶ <https://stakeholder.affinitywater.co.uk/docs/CCG-Annual-Report-April2017-March2018.pdf>

- whether the company was intending to submit any cost adjustment claims, and if so if it was going to engage with customers on the issue in sufficient time before submission – see challenge 27
- how the company was intending to follow Consumer Council for Water’s guidance on acceptability testing – see challenge 28
- whether the evidence and insight from customers was ‘genuinely driving’ the development of AWL’s business plan – see challenge 29 and provisional assessment presented to March 2018 AWL board meeting.
- whether the company’s proposed performance commitments are stretching and what evidence the company can present to the CCG to prove this – see for example challenge 32 and specific queries raised with the company between 23 July and 14 August in relation to three different versions of the Business Plan.
- What the company’s proposals for ODIs actually are, and what evidence there is that the proposals reflect customer preferences – see notes of CCG meeting on 18 July and specific queries raised with the company between 23 July and 14 August
- The appropriateness of proposals for research with customers in August 2018 on what the company has called ‘additional resilience’ elements of expenditure it was considering adding to its plans subsequent to acceptability testing of service and bill packages with customers in Spring 2018.

The detail of the recorded challenges, and queries, can be found in our published minutes, in Appendix 4 and in 111 documents listed in Appendix 5 which are available on request.

In addition to the above the following challenges appeared in our Annual Reports for the past two years which were presented to the AWL Board before publication.

‘..... the CCG is concerned about an overly complex approach with risks of slippage and compression in the timetable. We have challenged the company to simplify the outline proposals for customer engagement. The full design and delivery of the customer engagement element also remains dependent on the appointment of a contractor to take responsibility for managing, as well as further designing and delivering, this strand of activity. The company appears to lack the in-house skills to direct and manage the customer engagement strand of the business planning process. Whilst an approach to the PR19 customer engagement has been outlined by the company, a definite plan will not be available to share with the CCG before July 2017. Slippage or compression in the customer engagement programme within 2017 could reduce the influence that customer insight will have on other strands of the business planning process. (Annual report 2016/17)

‘The CCG is concerned that the delivery of the customer engagement programme became significantly delayed within the period September 2017 to March 2018 compared to plans presented in Autumn 2017. The consequent compression of timescales leads us to question whether the company will be able to demonstrate to us that customers’ views have genuinely driven key decisions on the plan.

In March 2018, we provided the Affinity Water Board with a provisional assessment of the customer engagement programme, although the most substantive results had not been received at that time. We highlighted five areas where we were not confident at that time that the company was fully addressing the issue, and we needed to see more evidence and/or the company needed to take corrective action to address our concerns in full.’ (Annual report 2017/18)

d) Process challenges

We have been challenged in carrying out our brief by the process within which AWL's BP has been developed, in particular the timeliness of completion.

It is important to understand the context and process that the CCG has been working in, both in terms of the general characteristics of the process and the specifics of the process adopted by AWL for its PR19 business plan production. There are a number of features to the work of the CCG in this process which make the task of providing 'assurance' challenging.

First, a professional audit and assurance function will assure a completed activity or assess an activity at a particular point in time, reviewing all the evidence available. Ofwat has asked us to give an opinion on

*'the extent to which the results of this [customer] engagement are driving the company's decision making and **being reflected in the company's business plan**.*¹⁴⁷

However, we are also asked to provide a report assuring a business plan regardless of whether we have actually seen the final version of that plan.

The CCG wished to have been able to review an entire and complete business plan before making this report. This would also have enabled the CCG to actually challenge the AWL board before it 'signed off' the BP for submission. That has not been in practice been possible. The company set out plans in September and December 2017 which would have enabled us to review a draft BP in June 2018 before it was considered by the AWL Board. But those timetables were not met.

At the time when the CCG needed to produce and agree this report – during August 2018 - the CCG members had not actually had a realistic or meaningful opportunity as a group to consider and challenge a complete version of the company's business plan. It is difficult to assure something that is not actually finished, and which one has not actually seen. It is not really possible to say if the customer engagement is reflected in the company's business plan if the completed business plan is not available to the CCG with a realistic opportunity for the group members to review it before we have to agree our own report.

The CCG has been undertaking its challenge and assurance role in effect in relation to component activities and building blocks and other 'work in progress' by the company on the way to producing its business plan document and taking a view on what is probably included in the final business plan submission. The CCG has, been presented with a panoply of materials and analysis relating to the different plans AWL has been producing¹⁴⁸ at different times and with many moving parts. It has not been easy for members of the CCG to see 'the whole thing' or 'how it all fits together', particularly where analysis that should ideally have been presented

¹⁴⁷ <https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Aide-Memoire-for-Customer-Challenge-Groups.pdf>

¹⁴⁸ DMP,dWRMP and BP

early in the project of developing the business plan was presented quite late.¹⁴⁹ the company was also designing and commissioning some further customer engagement surveys after our last scheduled meeting in July 2018, results of which were circulated mid-August.

This is an unusual position for an assurance function to be in. We are asked to assure a business plan but have only, in effect, seen background material and working papers and drafts.

The company was aware well in advance that most members of the CCG had very limited availability during August 2018 to be able to read or comment on drafts and that the August period did not provide a meaningful opportunity for the CCG to fulfil its challenge role in relation to the Business Plan submission.

The CCG could have taken the view that it was not able to provide any assurance report if it had not actually seen the BP, or a substantially complete and near final version of it without sufficient time to be able to meaningfully challenge the company on it. The Chair consulted Ofwat about this, setting out the reality that the CCG's report would need to be largely based on evidence available to members by the end of July 2018. Ofwat were not prepared to consider the CCG delaying its report until after it had been able to review the complete BP.

In the circumstances of late availability of near final versions of the AWL BP and very limited availability of CCG members in the second half of August 2018 we agreed to develop our draft report and opinion based on the best information we had available to us at the end of July 2018. Members have therefore been asked to use as the 31 July 2018 draft of AWLs BP, and the information they have had through the process of the company developing its plans the basis for their opinions.

The 31 July version of the AWL BP was therefore made available to all members, but it was still very much work in progress, being over 200 pages at that point without the Finance section – or proposals for bill levels - and none of the detailed annexes relevant to the CCG's interests were available at that date. The Chair and statutory organisation members of the CCG have all, however, reviewed additionally the company's 14 August 2018 version 4 of the draft BP, and sought to keep abreast of the company's plans in relation to proposed bills, enabling them to make some late changes to the CCG report at the end of August to reflect an awareness of the company's likely proposals for customer bills between 2020 and 2025.

Nevertheless, this report is made without all CCG members having had what we would consider to be a reasonable opportunity as a group to review, consider, challenge and assure the final AWL BP before it was submitted.

Second, The CCG role includes a strong degree of advisory activity into the process that is being assured – suggesting redrafts of survey questions and research and consultation stimulus material for example. It is unusual to provide assurance of a process or activity one has influenced and helped to shape. The role of the CCG therefore combines elements of advice and influence as well as opinion forming and assurance.

Third, CCG members are predominantly volunteers who have primary commitments to jobs and family and it would be unreasonable to expect them to be available for many days to review hundreds of pages of draft BPs at the height of the summer holiday season. Some of the

¹⁴⁹ This was particularly apparent when some different – fuller - analysis of operational data was produced in Spring 2018 compared to that presented to us as an output from the first phase in Summer 2017. It was difficult to connect up the evidence and place it in a clear narrative.

working papers presented to the Group in 2017/18 have been voluminous and overly complex. The model and practice of CCG assurance, including the many detailed questions Ofwat has set in its methodology seems ill suited to the nature of such groups. For the model to work effectively requires companies to deliver draft plans and supporting evidence in sufficient time to allow the group to satisfactorily and fully complete its task. It also requires Ofwat to simplify its requirements and amend its processes to allow CCG's to submit their assurance reports after they have actually been able to review the final business plan submission. This was recommended by some CCG Chairs after PR14. The case for it seems stronger at PR19 as Ofwat has provided quite prescriptive and detailed expectations on the issues CCG's are to challenge and assure.

board. On this basis the CCG members planned their work for the year, noting that most members are lay, part-time and volunteers.

However, the timetable presented by the company in September 2017 which was advised to still be on track in December was not delivered. Although the CCG programmed an additional meeting on 18 July 2018 a draft Business Plan was still not available at that date, and

Section 5

Our Work and Processes on PR19 2016-18

This section reports the activities of the CCG relating to the PR19 business plan customer engagement between Summer 2016 and August 2018. It is drawn largely from the CCG's 2016-18 Annual reports and Minutes which are published on our website page¹⁵⁰

Between June 2016 and the end of August 2018 the Customer Challenge Group (CCG) and its members:

- held a total of 17 full meetings and other 'specific issue' meetings at which PR19 matters were considered and attended a range of events on PR19 related issues hosted by Ofwat and CCWater. A list of all the meetings held or attended by CCG members relating to PR19 matters is at Appendix 3.
- took part in 3 triangulation and 'workshop' sessions with AWL to meet their selected PR19 customer engagement contractors and review the outputs from the first two phases in the company's PR19 customer engagement programme.
- formed two PR19 related working groups to advise the company on their proposals for bespoke performance commitments to address issues of Affordability and Vulnerability and Environment and Resilience.
- attended and observed a range of focus groups and stakeholder events with customers,
- raised 28 challenges and 33 queries in relation to PR19 and AWL's draft BP, a list of which can be found at Appendix 4.
- received a total of 111 documents relating to PR19 ranging from customer engagement plans and timetables to presentations and board papers, draft customer survey questionnaires and focus group stimulus material and drafts of publications aimed at customers and stakeholders relating to variously the Drought Management Plan (dDMP) the draft Water Resources Management Plan (dWRMP) and the draft Business Plan itself (dBP). A list of all the PR19 related documents received is at Appendix 5.
- The CCG Chair attended 5 meetings of the AWL Board and its Regulatory Working Group and in March, June and August 2018 briefed the AWL board on the expected content of the CCG report as the Group's opinions developed.
- An independent member of the AWL board was included in papers for and attended a number meetings of the CCG in 2017/18. The Chief Executive and Chair of AWL also met with CCG members in December 2017 and July 2018 respectively.

Processes

In its policy statement on customer engagement for PR19¹⁵¹ Ofwat said that it wished to be assured that the CCG operates at arm's length from the company so that it can provide independent challenge. Ofwat has asked for transparency in the running and governance of CCGs, including management of conflicts of interest, access to non-executive Board members, process and secretariat support.

¹⁵⁰ <https://stakeholder.affinitywater.co.uk/ccg.aspx>

¹⁵¹ Customer engagement policy statement, Ofwat, May 2016

- Minutes of the meetings and other selected papers and reports, including a Challenge Log which is updated after every meeting, are published on the CCG area of the company's website. All meeting agendas include the opportunity for members to declare any conflicts of interest.
- Since September 2016 the Group has clearly identified the issues on its agenda relating to PR19 as distinct from the issues relating to the delivery of the current business plan and items on our challenge log are similarly labelled. This will facilitate the audit trail for our work on PR19, which is Ofwat's area of interest.
- In June 2017 the CCG agreed a Protocol with the company¹⁵² which supports our Terms of Reference in relation to PR19 by setting out points of contact and arrangements for managing and recording information and queries between the company and the CCG. A key feature is the designation of a member of AWL's staff to act as the CCG Manager, who is the main working level contact between the CCG and the company.
- Throughout 2017/18 one of AWL's independent non-executive board members has acted as a link between the Board and the CCG and been invited to attend meetings of the CCG, including the Triangulation workshops. The CCG Chair has also been attended meetings of the AWL Board and its Regulatory Working Group.

The CCG considers Ofwat's requirements have been met in the revisions to the Terms of Reference agreed by the AWL Board in July 2016. Ofwat has made no comment on or raised any concerns about the CCG's Terms of Reference and governance arrangements.

The rest of this section describes our activities in 2016/17, 2017/18 and so far in 2018/19. It is supported by appendices to this report covering the following:

- CCG Terms of Reference and the Protocol for PR19 (Appendix 1)
- Membership (Appendix 2)
- List of meetings held and attended and agenda items relating to PR19 (Appendix 3)
- Challenge records (Appendix 4)
- List of PR19 related documents received (Appendix 5).
- Assessment framework agreed March 2018 (Appendix 6)

2016/17 - PR19 related activities

The Customer Challenge Group was formed from the Customer Scrutiny Group that the company had retained following PR14 with terms of reference concerned with monitoring the company's performance for customers and advising on the effectiveness of communication with customers, including the reporting of performance. A new Chair for the group was recruited in Spring 2016 and a number of new members were also recruited.

During 2016/17 our PR19 related activity was mainly concerned with putting the Group into a state of readiness to deliver the PR19 element of its role, although the company did undertake some customer engagement that would feed into its PR19 business plan in this year, particularly in Autumn 2016 and Spring 2017, and the CCG was briefed and consulted about those activities.

¹⁵² <https://stakeholder.affinitywater.co.uk/docs/CCG/Protocol-Mar-18.pdf>

In May 2016 Ofwat issued guidance to companies on customer engagement for PR19, and the role of CCG's in the process.¹⁵³ Ofwat's policy and guidance made it clear that amongst other things companies are expected to demonstrate a step change in their customer engagement at PR19. Ofwat's guidance also set out a wide range of issues that Ofwat expected the CCG to report on in September 2018. CCG members were briefed on the Ofwat guidance in June 2016.

In Summer 2016 we established appropriate governance, protocols and support arrangements, initial briefing and training for new members, established a forward plan of meetings and topics for us to consider and identified links with the AWL Board. The CCG Terms of reference were redrafted to reflect Ofwat's requirements, of May 2016, the CCG members were consulted and these were then agreed by the company board in July 2016 and published. The Terms of Reference are summarised in Appendix 1 and are published on our website page¹⁵⁴.

From Spring 2016 the Chair was invited to attend quarterly meetings with Ofwat to which all 18 CCG Chairs across England and Wales are invited. These meetings brief and consult the CCG Chairs on Ofwat's emerging policy on aspects of PR19. The Chair reports back to CCG members on the issues that have been covered and discussed. A number of members attended training sessions on PR19 offered by CCWater in Autumn 2016.

As the CCG has a 'dual role' (see Terms of Reference - Appendix 1) we have divided and labelled our agenda items and challenge log between AMP6 and PR19 matters to assist us, the company and our audit trail. Appendix 3 lists all the meeting agenda items since June 2016 that have related to PR19.

The CCG established a Challenge Log to record the challenges it has raised with the company, whether they concern performance under the current business plan or the development of the next business plan (PR19). A copy of the challenge log items relating to PR19 since Summer 2016 can be found at Appendix 4.

We have established and maintained records of all the documents relating to PR19 that we have received, whether at meetings or between meetings, and whether in draft or final form. Many of those documents have been available to CCG members via a secure 'sharepoint' webspace acting as a shared 'filing cabinet' enabling members to retrieve documents at any time they wished. Appendix 5 includes a list of the 111 PR19 related documents that the CCG has been given by the company since September 2016.

During 2016/17 the company was planning its approach to PR19 including the development of a timetable for business planning, evaluation and customer research and engagement. The CCG actively sought out briefing from the company on this. PR19 has been on the agenda of every CCG meeting since June 2016. CCG members were keen to have the opportunity to challenge, and advise, the company at an early stage in this process. The PR14 CCG report¹⁵⁵ showed clearly that by providing challenge before some key engagement activities were undertaken the CCG helped the company to see how it could strengthen the representativeness of its research with customers, amongst other points.

Since September 2016 the company has provided us with briefing on how it intended to approach its PR19 customer engagement since September 2016. This included high level briefing on the

¹⁵³ Customer engagement policy statement, Ofwat, May 2016

¹⁵⁴ <https://stakeholder.affinitywater.co.uk/docs/CCG-terms-of-reference.pdf>

¹⁵⁵ <https://stakeholder.affinitywater.co.uk/docs/CCG-minutes-271113.pdf>

key milestones it had set for the programme, and how the company had approached PR14 in three phases, as is explained in its current business plan. The company indicated early that it was minded to approach PR19 in broadly the same way as PR14, particularly the phasing of the project.

In September 2016, we were briefed on the consultation plans for the Drought Management Plan (DMP) and draft Water Resources Management Plan (dWRMP). Some members of the group reviewed the customer survey material for the DMP. The group was also invited to comment on the content and presentation of a 'pre-Strategic Direction Statement document' (SDS) which, if it had been developed, would have set out a long-term strategic direction for the company within which its 5-year business plan could be positioned.

Early challenges posed by the CCG concerned the extent to which there would be customer engagement plans for the DMP and WRMP – essentially how they 'fit' in the work on the main PR19 Business Plan and whether the customer engagement approach would be consistent across the company's three, interlinked, plans. Members also considered the approach to the pre-SDS signpost was too complex and did not refer sufficiently to the environment.

Our main challenges for the company throughout the discussions in 2016 and the early part of 2017 concerned its plan for activities on PR19 up to September 2018. We asked when and how customers will be consulted, on what issues, and whether the approach taken would ensure representativeness. We sought a road map for our work in the process which gave us early warning of the issues we would be asked to consider, and asked to see that against the road map for the whole project and key decision points so that we could see what decision points our work needed to inform. That would help us plan our work in terms of number and nature of meetings and member time and focus.

The CCG noted in its annual report for 2016/17 that it appreciated that the company had a complex set of plans (the DMP, the WRMP and the BP) that it **had** to produce which had different time horizons for production and delivery, different immediate audiences and some were subject to statutory processes and consultation requirements, whereas others were not. We noted that the company had also decided to produce a Strategic Direction Statement (SDS), and to undertake consultation and engagement about that document before it was finalised alongside work it was doing on its statutory and regulatory plans.¹⁵⁶ In addition the consultation on the DMP needed to start in Autumn 2016 in advance of a plan for the whole customer engagement programme resulting in the Business Plan (PR19) being in place.

The company presented its plan for producing the next Business Plan, including outline proposals for customer engagement, at our March 2017 meeting. This was based on a review of 'what worked' at PR14 and was clearly informed by awareness of Ofwat's requirements and the role of the CCG in the process.¹⁵⁷ We were also briefed on the project governance arrangements the company had put in place, and the CCG was clearly shown in those arrangements and as operationally independent.¹⁵⁸

We reported to the AWL Board, and in our Annual Report for 2016/17 that we were concerned about an overly complex approach with risks of slippage and compression in the timetable. We challenged the company to simplify the outline proposals for customer engagement. We also commented that the full design and delivery of the customer engagement element remained

¹⁵⁶ at some point in 2017 the company decided not to proceed with producing an SDS

¹⁵⁷ See document 8 Appendix 5

¹⁵⁸ See document 11 Appendix 5

dependent on the appointment of a contractor – from Spring 2017 – who would take responsibility for managing, as well as further designing and delivering, this strand of activity. The company appeared therefore to lack the in-house skills to direct and manage the customer engagement strand of the business planning process. Whilst an *approach* to the PR19 customer engagement had been outlined by the company a *definite plan* was not going to be available to share with the CCG before July 2017 after the appointment of the contractor. We warned that slippage or compression in the customer engagement programme within 2017 could reduce the influence that customer insight could have on other strands of the business planning process, particularly if customer insight was expected to drive the planning in any way.

2017/18 PR19 related activities

The CCG considered the company's approach to customer engagement at each of its meetings in 2017/18 through both the main CCG meetings (which also look at current performance issues) and a variety of other specific meetings and correspondence.

In 2017/18 our work on PR19 included the following activities:

- review of a report on 'learning from PR14' produced by consultants (Create 51) - Spring 2017
- Review of the brief for AWL's customer engagement programme contractors- Spring 2017
- AWL pre-strategic direction statement launch/research - review of topic guides for discussion groups with customers on bills-affordability and water resources – June 2017
- meeting with the company's customer engagement programme contractors (Ipsos Mori and Arup) at the start of the programme – July 2017
- Reviewed proposed customer and stakeholder consultation/engagement letters, leaflets and questions on Drought Management Plan (DMP), pre-Water Resources Management Plan (WRMP) and Strategic Direction Statement (SDS) - Summer 2017
- Agreed to work with the company on developing bespoke performance commitments via two working groups on a) vulnerability and affordability and b) resilience and environment – Autumn 2017
- Reviewed and challenged proposals for business plan Outcomes at two sessions with the company – Autumn 2017.
- Discussing the company's decisions in relation to willingness to pay research – December 2017
- Took part in 2 'Triangulation' sessions with the company and their customer engagement contractors looking at the outputs from Phase 0 – September 2017
- Reviewed findings from Phase 1 customer insight 'listening and learning' and proposals for Phase 2 engagement on proposed performance commitments – January 2018
- Reviewed plan for customer and stakeholder engagement on the WRMP – December 2017, January and March 2018
- Reviewed progress on development of bespoke performance commitments - December 2018 and March 2018
- Took part in a 'triangulation' session with the company and their customer engagement contractors to Reviewed analysis of the company's operational data informing the business plan – March 2018
- Reviewed the company's developing high level narrative and strategy for proposed bills – March 2018

During 2017/18 – as in 2016/17 - many PR19 related documents were circulated to CCG members for review and comment between and at CCG meetings and ‘triangulation’ sessions.¹⁵⁹ The range of items included drafts of survey questions – including for Spring 2017 focus group discussions relating to a proposed revision to the Strategic Direction Statement - stimulus material and some findings and results, for example with customers on support for the social tariff in future and drafts of summary documents and stimulus material relating to the WRMP and the business plan consultations that were launched in Spring 2018.

The actual work the CCG has been able to do on PR19 in the past year has been highly contingent on the company taking steps to prepare its future business plan and undertaking related customer and stakeholder engagement activities.

As noted above in our 2016/17 annual report the CCG challenged the company on its capacity to put the customer engagement plan for PR19 into place. We asked for a clear timetable which would assure us that all involved would be able to deliver into the process on time and in an orderly fashion. The company addressed those challenges with the engagement of external contractors (Ipsos Mori and Arup) to design and deliver market research and analysis and produce a plan for a phased approach to building the plan, engaging with customers and engaging with the CCG in each of those phases. We met with the appointed contractors in July 2017 and a detailed programme was presented to us in September 2017 and the company responded to questions from the CCG about it.

The CCG appreciates that any such plans are ‘living’ and dynamic documents and there is a need for responsiveness and flexibility as a project progresses. However, significant slippage in a tight programme limits the opportunity for the company to fully and properly reflect on insight from customers, limiting too the tangible evidence that customer insight has **driven** the development of the plan. There is a big difference between genuinely developing a plan starting with customer insight and producing a plan to simply find out if customers think it is acceptable or not. Ofwat is expecting companies to do both, and for us to give an opinion on how well this has been done.

In November 2017 the Chair attended the AWL Board Regulatory Working Group. She reported on the CCG’s role and activities to date on PR19 and highlighted two key concerns about the PR19 business plan project; slippage and the risk and impact of slippage in the company’s customer engagement plan and the need for clarity about the direction and ambition, and therefore the substantive proposition that would be tested with customers and stakeholders. Without clarity about the company’s intended goals and propositions for performance and delivery improvements in any area, and what the materiality and implications might be for bills, and whether customers are driving that ambition, it was very difficult for the CCG to judge whether the planned customer engagement activities were appropriate and proportionate.

We saw significant slippage in the customer engagement programme between September 2017 and the end of March 2018. For example, in September 2017 the company said that **by** March 2018 it would be presenting the results from testing its proposed performance commitments, performance commitment levels and associated ODIs with customers. The testing was due to take place with customers in January and February 2018. That testing had not commenced by the end of March 2018. Within 7 months of its September 2017 plan at least 2 months slippage had built up in the customer engagement programme.

¹⁵⁹ See Appendix 5 for list of all the PR19 related documents we have received

The company has explained that the slippage primarily resulted from ongoing engagement with stakeholders around the development of the company's draft Water Resources Management Plan. The intended draft consultation for that was delayed impacting not only the Water Resources Management Plan but the development of the draft Business Plan which includes some important features from the WRMP. While the company sought to mitigate this slippage by bringing forward some engagement activities to run in parallel it undoubtedly limited the time for the company and CCG to reflect on the implications of the engagement activities and limited the quality of activities as qualitative and quantitative research was undertaken in parallel on both the WRMP and the Business Plan on issues where insight from the qualitative research should ideally, in our opinion, have informed the design of quantitative research questions. For example, Ipsos/Mori's report of focus group discussions in Phase 2 highlights customer confusion about the different elements of the business plans presented. As the quantitative research, using the same questions, was underway in parallel it was not possible to use this insight to improve the quantitative survey design and give greater assurance that customers are likely to have understood the questions and propositions.

In addition to the general slippage and subsequent compression of customer engagement activities members of the CCG have also felt that insufficient time has been made available for them to comment and challenge on the detail of survey questions before they are put to customers.

Developing our PR19 Assessment framework

Our PR19 Assessment framework was developed in two stages. A draft was first developed in Autumn 2017. This included the test areas set out in our Terms of Reference that had been agreed in Summer 2016 (and these had also been drawn from Ofwat's May 2016 policy statement). We added to that a number of additional items expected to be in Ofwat's PR19 methodology. Ofwat had shared with CCG's a draft of a so-called 'Aide Memoire' listing points the methodology expected CCGs to consider. We agreed our Assessment Framework in early March 2018.

Ofwat subsequently published the document it called an 'Aide Memoire' for CCGs¹⁶⁰ which lists all the issues which Ofwat has asked CCGs to challenge and comment on throughout its PR19 methodology. We undertook a cross referencing exercise between our agreed Assessment Framework and the Ofwat 'Aide Memoire' and are satisfied that our Assessment Framework addresses appropriately all the issues in Ofwat's Aide Memoire, although the issues are not presented in precisely the same order or format. The Chair sought advice from Ofwat on whether our assessment framework seemed to match with their requirements but Ofwat declined to provide any comment or assurance that our approach was likely to address their requirements.¹⁶¹ It would have been helpful to have had a steer from Ofwat if there appeared to them to be any omissions, not least because our assurance role is requested by Ofwat. On the basis that they had no comments we see no reason to think we have omitted anything significant.

Our assessment framework considers 19 different aspects and can be found in Appendix 6 to this report. We conducted a provisional assessment – although we had yet to see the results of substantive customer research on the draft business plan and draft WRMP. The CCG Chair briefed the AWL Board on our views at a strategy meeting in March.

¹⁶⁰ <https://www.ofwat.gov.uk/publication/aide-memoire-customer-challenge-groups/>

¹⁶¹ Email from Jon Ashley 19/02/2018

At March 2018 we considered that for most of the issues we are assessing it was possible, and in some cases highly probable, that the company would fully meet our, and Ofwat's expectations although a complete, finished presentation of all the evidence was not yet available, and it was clear that more work was needed on some significant issues.

We identified five issues where we were not confident in March 2018 that the company was fully addressing the issue, and we needed to see more evidence, and/or the company needed to take corrective action to address our concerns. The issues we highlighted as of most concern were whether:

- evidence and insight obtained from customers has ***genuinely driven*** and informed the development of the business plan?
- the company has engaged effectively with customers on future and long-term issues, including trade-offs and risks, in a way customers could be expected to understand?
- the company has effectively informed and engaged customers about its current performance and how this compares with other companies in a way customers could be expected to understand?
- the company has approached the development of performance commitment levels and ODIs appropriately, including if there has been effective customer engagement, whether the proposed performance commitment levels are sufficiently stretching and whether customers support the proposed costs and rewards (ODIs).
- the company's assessment of resilience has been informed by engagement with customers so as to understand their expectations on levels of service, their appetite for risk and how customer behaviour might influence resilience

By providing a provisional assessment in March 2018 we intended to help the company to identify changes it needed to make to its customer engagement programme in the remaining months of its plan preparation. We said in our Annual Report that we needed to see more evidence and/or the company needed to take corrective action to address our concerns in full.

Finally, in our Annual Report for 2017/18 we said:

- *The CCG is concerned that the delivery of the customer engagement programme became significantly delayed within the period September 2017 to March 2018 compared to plans presented in Autumn 2017. The consequent compression of timescales leads us to question whether the company will be able to demonstrate to us that customers' views have ***genuinely driven*** key decisions on the plan.*

2018/19 PR19 related activities

Between April and August 2018 the CCG has:

- CCG members attended several dWRMP and BP consultation events with stakeholders and observed several customer focus group sessions as part of Phase 2 of AWL's customer engagement programme.
- The whole group met twice – in June and July 2018 – to consider the outcomes of AWL's phase 2 customer engagement activities (which were in the field in April and May), likely final proposals for key elements of the BP and proposals for a Phase 3 acceptability testing with customers. Appendix 3 lists the items covered at those meetings
- The Affordability and Vulnerability sub-group met to review AWL's conclusions and final proposals for Inclusive services;
- The Chair attended the AWL board meeting on 20 June and provided an update on the CCG's assessment for the Board meeting on 20 August.
- The group was circulated a large number of documents during July and August including drafts of survey questions for Phase 3 of the customer engagement programme, top- line results and reports from that research and three drafts of AWL's business plan. Appendix
- The Chair and members raised a number of queries with AWL in July and August relating to the proposed bills and whether performance commitments were stretching.
- The Chair drafted and circulated to members for review 3 versions of the main assessment section (section 3) of the CCG report giving all members an opportunity to contribute their views on the overall assessment and the content of the report during August.

Appendix AV.A4.1

Action ref AFW.AV.A4

BSI 18477 Inclusive Services

Fair, flexible services for all

Inclusive Service Verification demonstrates that our company is compliant to BS 18477 and provides an inclusive service that is available, usable and accessible to all customers equally – regardless of personal circumstances.

How does the standard help customers in vulnerable circumstances?

BS 18477 provides a framework to help companies and their employees understand the underlying factors involved in customer vulnerability, and work to develop processes to help with the problem. Inclusive Service Verification covers topics such as the identification of customer vulnerability, inclusive design of products and services and data collection, protection and sharing.

As a company, we have chosen to comply with the standard and make a serious commitment to providing services that are fair and accessible to all.

The framework followed is:

Policies and planning

- Staff – from senior management to customer-facing staff – are committed to inclusive service and get the training and resources needed to implement this
- Do their best to design services that are flexible and easy to access by as many consumers as possible
- Try to anticipate and prevent potential problems
- Respond to customer feedback and complaints by making changes
- Continually review existing services to see where improvements can be made.

Flexible services

- Give customer-facing staff the power to resolve consumer problems themselves, where possible, so that customers are not passed round different departments and staff
- Allow staff to be flexible when dealing with individual consumer problems – flexible repayment terms for those in financial difficulties
- To never knowingly withdraw basic services, and to thoroughly investigate why bills haven't been paid before taking action
- Have procedures in place to allow third parties (such as carers, or Citizens Advice) to act on behalf of individuals.

Staff training

All customer-facing staff should:

- Be trained in how to recognise signs of vulnerability in individuals, identify their needs and offer appropriate solutions
- Receive full training in relevant legislation, such as the Equality Act, the Disability Act and Data Protection Act

Be told which organisations might be able to help customers with particular issues (for example, debt advice services or Citizens Advice), so that they can tell customers about these.

- Be trained in how to recognise signs of vulnerability in individuals, identify their needs and offer appropriate solutions

Fair marketing

- Make sure that marketing information is clear, jargon free, and not misleading
- Make sure that inappropriate goods and services are not marketed to vulnerable consumers (for example, high interest loans to those in debt)
- Take reasonable steps to ensure that all customers understand their right to cancel contracts.

Contact methods

- Offer several methods for customers to contact the company (for example by email, telephone and post)
- Offer a free or low cost telephone number
- Have a well-publicised procedure for dealing with complaints and target timescales for responding to them
- Keep customers updated on the progress of their enquiry or complaint and when it is expected to be resolved.

Provision of information

- Make sure that bills, letters and other communications are available in a range of accessible formats and do their best to ensure that customers receive information in their preferred format
- To test their products and services for accessibility and usability on end users.

Each year we will be audited by a BSI Auditor to ensure we continue to meet the standard and are able to provide evidence of the services we deliver against the above framework.

Appendix AV.C7.1

Action ref [AFW.AV.C7](#)

Hubbub Campaign 1



ABOUT

In Spring 2017 **Hubbub** was commissioned by **Affinity Water** to research how people's lifestyle choices impact on water use.

National polling was carried out by **Censuswide** by means of an online survey amongst a representative sample of 3,000 UK adults in June 2016.

40 households in Watford and Harlow received a home consultation, followed by a "Water Saving Kit" filled with useful water saving items and ongoing support via a closed Facebook group. At the end of the research period the households completed an online questionnaire.

HUBBUB

 **Affinity Water**



KEY FINDINGS

24%

take water
for granted

76%

not concerned about
household water use

31%

think they could use
less water if needed

68%

leave the tap on when
cleaning their teeth

9.14

average minutes spent
in the shower

39%

have a
washing up bowl

89%

of households found a
home visit useful

1/14

household knew how
to use their dual flush

[See full report for more details.](#)

POLLING

The national polling was conducted with two primary purposes:

1. To generate insights into water usage patterns.
2. To produce new statistics to provide points of interest for media releases.

The polling was conducted by Censuswide by means of an online survey amongst a UK representative sample of 3,000 UK adults in June 2016.



ATTITUDES

24% of people

take water for granted

76% of people

are not concerned about the amount of water their household uses

31% of people

think their household could use less water if needed



BEHAVIOURS

68.2%

leave tap on when
cleaning teeth

68.1%

leave tap on when
washing vegetables

62.4%

leave tap on when
washing up

0.96 mins

Average time leaving
shower running before
getting in

6.95 secs

Average time leaving
tap running before
filling glass

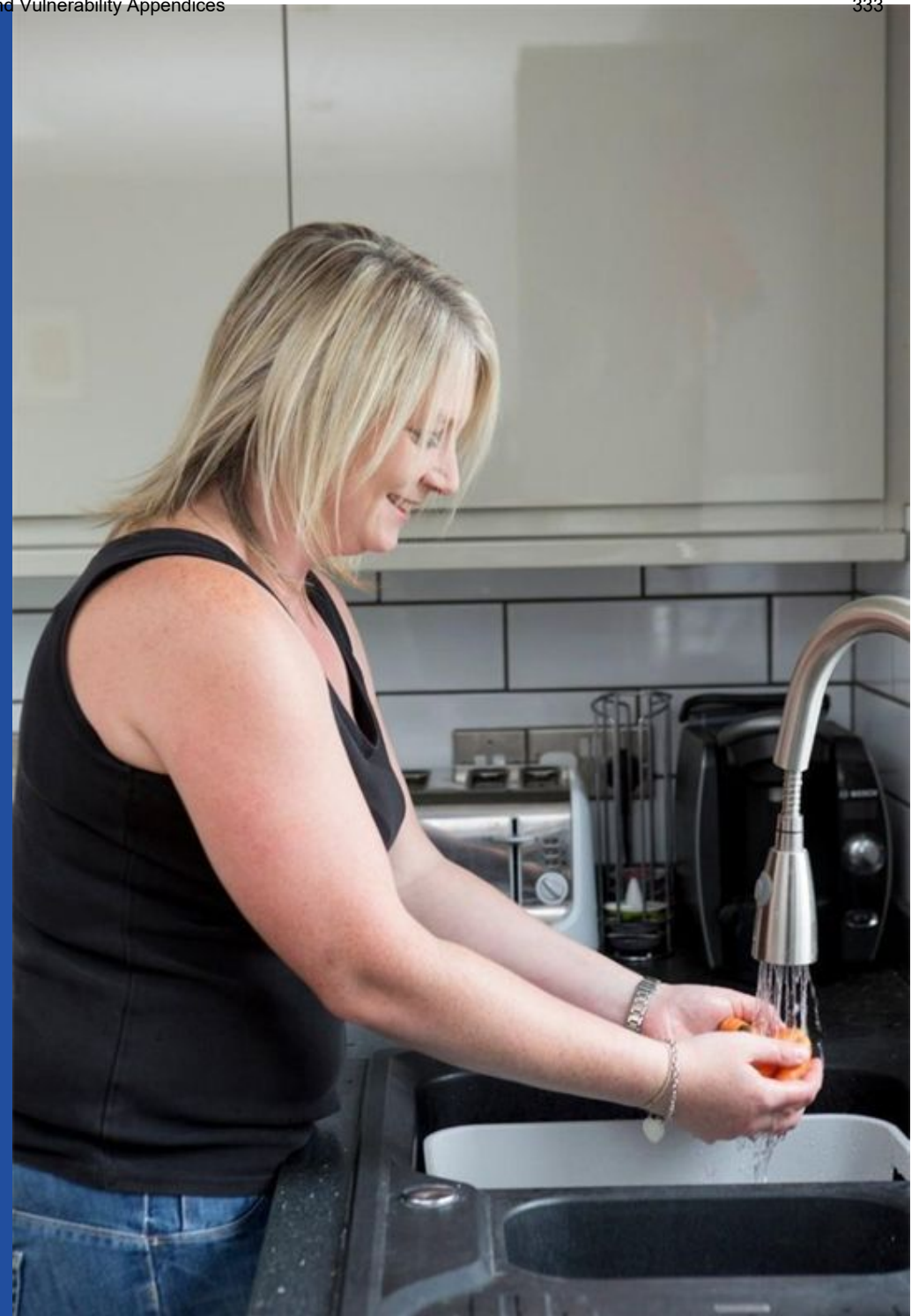


HOME VISIT

Hubbub conducted in-depth home consultations with 40 households in Watford and Harlow to better understand how habits and lifestyle impacts on water consumption.

By encouraging households to talk openly about water habits in a safe environment we were able to assess the advice and support that would be most effective for their particular situation.

The households provided proof of concept that habits is an effective way to approach water efficiency.



DEMOGRAPHIC

LEARNINGS

1. There is a lack of awareness about where water comes from and what activities use the most water.
2. The main cause of excessive water use is a lack of awareness, rather than a lack of willingness to change or do things differently.
3. The majority of people would be open to changing their behaviour to save water, if supported to do so.



How
4



KIT

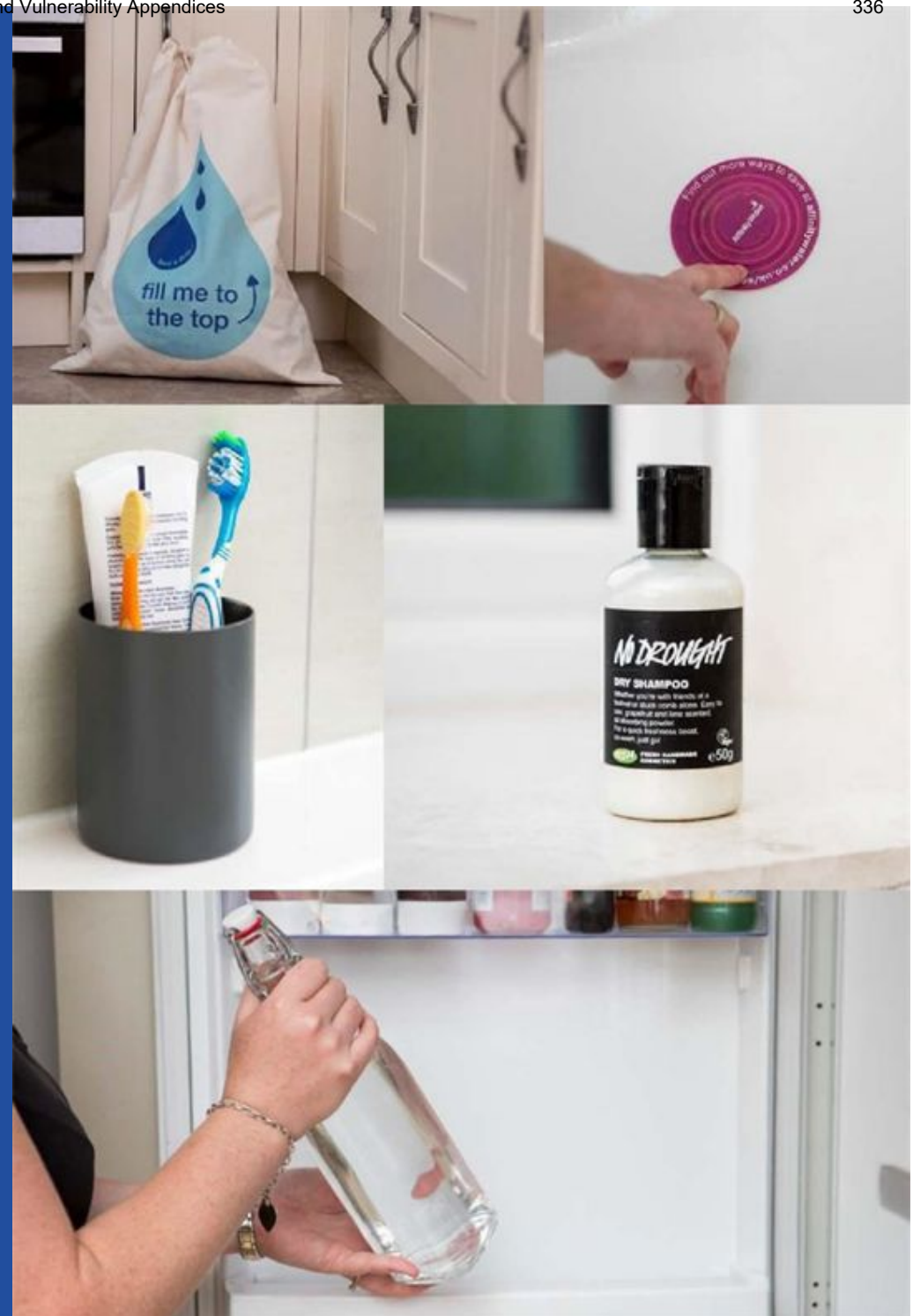
Following the home visit the households Received a “Water Saving Kit” filled with useful items for saving water at home.

The households shared thoughts and feedback via the closed Facebook group throughout the research period.

Providing items proved an effective way to get people excited about adopting new habits.

Feedback on the water saving kit was collected via an online questionnaire at the end of the project period.

The response to the kit was very positive with 92% of the households saying that they found the “Water Saving Kit” highly or quite useful to save water at home.



FEEDBACK-MOST USEFUL ITEMS



1. Water jug

59.46% found it highly useful



2. Toothbrush cup

43.24% found it highly useful



3. Shower timer

41.67% found it highly useful



Sandra Robinson is 😊 feeling happy..
August 16 · Watford

So, really getting into saving water. The biggest shock and eye opener was the cup and the bathroom. I must admit I was a 'Tap runner' whilst brushing my teeth. So I decided to see for myself and do an experiment as to how much water I was actually wasting twice a day, sometimes 3, by running the tap in a basin for 2 mins.....🤔. Omg.....after 2 mins I scooped out the water from the basins. Yes plural, to see how many cups I could fill.....50!!! Yes honestly 50!!! Can u believe it! So my new friend is defo the cups !!!!



Like Comment

Hubbub, Jack Hodgkiss, Anneli Somio and 5 others
Seen by 34

Rachel McGovern
August 7 · Abbots Langley

Started using my kit! Toothbrushes all set up in the cups and the timer ready by the shower!

Like Comment

Rob Green
August 6

I used the washing up bowl for the first time today (we rarely wash up by hand). Pleased to say by doing so I used much less water than I normally use - I tipped the contents of the bowl into the sink when finished - and guess it's about half!

Like Comment

Hubbub
Seen by 27

Write a comment...

Dawn Lewis
August 2

Great my kit has arrived. My daughter has already filled up the bottle for the fridge

Like Comment

Hubbub and 3 others
Seen by 29

View 1 more comment

Dawn Lewis Ooohhhh I like the sound of thst x
Like · Reply · August 3 at 8:01am

Abi Arden I love mint in the water. I've also tried lemon and orange slices - really great and getting my family to drink more water!
Like · Reply · August 7 at 12:14pm

Write a comment...

FACEBOOK

To make lasting change to daily routines, people need to be exposed to reminders and prompts over a period of time



could communicate with each other allowing for peer-to-peer support.

EVALUATION

50%

of households have
seen a reduction in
their daily water usage.

1632

total amount of litres
saved by the cohort.

£28.54

average annual saving
per person.

89%

say the project has
made them more
conscious about how
they use water at
home.



QUESTIONS?

stine@hubbub.org.uk

Appendix AV.C7.2

Action ref [AFW.AV.C7](#)

Hubbub Campaign 2



HUBBUB: WATER SAVING RESEARCH PROJECT REPORT

CONTENT

- About the project
- National Polling
- Household Research ○ Home Visits ○ Water Saving Kit ○ Facebook Group
- Measurement and Evaluation ○ Water Meter Readings ○ Online Questionnaire
- Conclusion

ABOUT THE PROJECT

Hubbub is an award-winning environmental charity that plans effective behaviour change campaigns that are insight-led and relevant for people's everyday lives.

In Spring 2017 Hubbub was commissioned by Affinity Water to create a behaviour change campaign that engaged people in water saving.

The campaign was informed by an **insights phase** consisted of

- National polling carried out by Censuswide by means of an online survey amongst a representative sample of 3,000 UK adults in June 2016.
- In-depth research with 40 households in Watford and Harlow. Households received a home consultation followed by a 'Water Saving Kit' filled with useful water saving items and ongoing support via a closed Facebook group. At the end of the project period the households completed an online questionnaire.

The below describes each element in more detail.



The insights phase informed a wider behaviour change campaign focused on hidden habits. In its first iteration this consisted of a PR campaign focused on shower habits, a social media campaign and community engagement events in Affinity Water’s target areas. Please see separate report for results.

NATIONAL POLLING

UK wide polling on water usage habits was conducted with two primary purposes:

- To generate insights into water usage patterns amongst the population as a whole and demographic subsets in order to inform behaviour change interventions
- To produce new statistics to provide points of interest for media releases

METHODOLOGY

The polling was conducted by Censuswide by means of an online survey amongst a UK representative sample of 3,000 UK adults in June 2016.

KEY FINDINGS

The polling revealed a surprisingly high lack of thought around water usage and a number of areas where savings could easily be made, despite only three in ten respondents believing their household could use less water if needed.

The following findings relate to the UK population as a whole.

- Overall attitudes to water usage/saving
Only 24% said they take water for granted, however:
 - 76% are not concerned about the amount of water their household uses
 - Only 31% said their household could use less water if needed
- Significant numbers acknowledge that they sometimes waste water

Leaving the tap on while:

Cleaning teeth	68.2%
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•	Washing vegetables	68.1%
•	Washing up	62.4%
•	Flushing the toilet after a wee	95.40%
•	Average minutes in the shower	9.14
•	Running shower before getting in (mins)	0.96
•	Running tap before filling a glass of water (secs)	6.95

Few have water saving devices

•	Washing up bowl	39.20%
•	Water butt	39.10%
•	Water reducing shower head	17.70%
•	Brick/water saving device in the toilet(s)	14.40%
•	Tap aerator	12.40%
•	Shower timer	7.30%
•	Water saving gel for soil	6.80%
•	Toothy timer	3.90%
•	Shower save	3.80%

What is 'normal'?

Across the UK the average household weekly water usage includes:

- 10 showers (4 power showers and 6 non-power showers)
- 3 baths
- 5 loads of washing
- 2.5 dishwasher loads
- 2 lots of floor mopping
- 8 sink loads of washing up

The average frequency of less regular water-using activity is:

- Wash bedding – 16 days



Wash bath towels – 11 days

- Wash sports kit – 22 days
- Wash car – 36 days
- Wash all the windows – 39 days
- Fill up a hot tub – 50 days

In addition, the more detailed results revealed:

- Water habits by region, with Londoners highest volume users per person/household
- Water habits by age, with younger people being more likely to waste water due to longer showers and leaving the tap running
- More detail on shower habits, which have been incorporated into the draft media release
- Water usage for gardens, generating a great range of tips for gardeners - we have shared these with the Royal Horticultural Society and have their comments to incorporate into a release for gardening media
- Some interesting findings on parents that could work well for parenting media, for example the more children a woman has, the longer she spends in the shower.

The polling revealed a high lack of thought around water usage and a number of areas where savings could easily be made, despite only three in ten respondents believing their household could use less water if needed. This provided the rationale for an approach that focuses on engaging people in conversation about their water use habits with the aim of getting them thinking about how they use water and make changes that fit their lifestyle.

Please see polling summary for full results.



HOUSEHOLD RESEARCH

HOME VISITS

SUMMARY

- 40 home visits, out of which 12 were BME (Black, Asian and Minority Ethnic)
29 women / 11 men; 12 in Harlow / 28 in Watford
- **89% of the households found the Home Visit highly or quite useful.**

Description:

In July 2017 Hubbub conducted visited 40 households in Watford and Harlow to better understand people's life situations and water use habits. Household was recruited via Roots Research.

The home consultation sought to explore how people's lifestyles and habits impact on water consumptions, as well as how open people are to making changes to daily routines to save water.

The consultation was an opportunity for households to ask specific questions about saving water. Encouraging households to talk openly about habits in a safe environment allowed the interviewers to assess the support and advice that would be most effective for their specific situation.

The face to face home consultation was important to initiate the participants in the project and to make them committed to trialling something new.



Insights

Overall people lack awareness about where water is used or how they can save water. How, where and when we use water is not something people spend much time thinking or talking about. As most water use happens in private, excessive use can go unchecked. As such, social pressure and norms is less of a factor compared to leaving the lights on or using the heating excessively.

The project showed that focusing on habits is an effective way to spark a conversation about water use and efficiency. For example, most households said that it had never occurred to them to turn the tap off when brushing their teeth until a partner or family member asked them why they left it on.

The majority of people have little or no knowledge of where water comes from and how much water different activities use. Most households were unaware that a power shower uses more water than a normal shower, or that flushing the toilet is a key water use activity. Even when water saving devices were in place, most people were unaware of how to make use of these to reduce consumption. For instance, 13 of 14 households that had dual-flush toilets didn't know what the buttons were for. Similarly, none of the households were aware that their



water supplier offers free water efficiency products or home visits. Only 1 out of the 40 households had a water saving showerhead installed and this had not been supplied by Affinity Water. Only a couple of households could recall seeing communications about water saving from Affinity Water. Similarly, none of the households were aware that there was a water shortage in the South East.

Despite the lack of awareness, the majority of households seemed willing to change daily routines in order to save water. The main motivator was saving money and a sense that using more than what is necessary was “wasteful”, “unnecessary”, or “stupid”. The habit that most people felt ready to change was leaving the tap on when brushing teeth. Having shorter showers was another common habit that people mentioned. People who had made a change in the past said that being nudged by a family member or partner had been the main reason for altering their behaviour.

Many people pointed to the problem of getting other members of households involved as a key barrier to reducing water consumption. This was especially the case in households with teenagers or where there was one person responsible for paying the bills. Lack of awareness about how much water they actually use presented another barrier, with many households



□ saying they'd be interested in a more direct way of monitoring their water use, i.e. smart meters. The infrequency of bills meant that people were less likely to compare bills and spot irregularities. Families with young children seemed the least optimistic about their chances of saving water.

About a third of the households had requested a water meter to be installed themselves. Saving money was the main motivation for doing so. All the households said that the experience of having a meter had been positive. However, only a couple of households could say for sure that they had saved money after getting a meter. Again the infrequency of bills meant that people are not aware of how much they spend on water.

Across the cohort people were excited about taking part in the project, referring to it as a good opportunity to try something new and get other members of the household involved. People were particularly excited about testing the water saving items.

Only one participant mentioned leakage or faulty pipes during their home visit.

Recommendations

- The project showed how water saving products or fittings is not enough to ensure water savings. Devices have to be accompanied by information, prompts and ongoing support to ensure lasting change. This was indicated in different ways:
 - Only 1 of the 14 households that had a dual flush toilet knew what the two buttons were for. Rather than using the little button for liquids, most households said they *always* pushed both buttons.
 - Majority had never tested a different function / setting on their dishwasher or washing machine than the standard setting. When asked, they were interested in experimenting with different settings including the shorter cycle / eco setting.
 - Several houses had a water butt in their garden that was not used, i.e. it wasn't maintained or had been left over from a previous owner.



- **Interventions have to be simple and fit with people's everyday lives.** Communication has to be fun, positive and memorable. Humour is an effective way to get people talking about water habits.
- **Lack of awareness.** Overall people are unaware about where they use water. Simple, visual communication that illustrate how much water is used on different activities is needed. Infographics and simple statistics was useful to spark an interest in water use.
- **Mixed bag.** The activities that people seemed to associate with excessive water use were doing laundry, car washing, having a bath, doing the dishes (dishwashing) and gardening. When told how much water showering, teeth cleaning, toilet flushing and washing dishes use people were surprised and prompted to rethink their habits.
- **Open to change.** Majority of people were open to changing behaviour to reduce water consumption. The home visits suggested that the main cause of excessive water use is a lack of awareness, rather than a lack of willingness to change or do things differently. In fact, the project strongly suggested that people want to save water and think they can if supported.
- **Catch people at times of change.** People are more likely to change habits or become more aware at times of change such as moving house, buying their first property, moving in with a partner, or starting a family.
- **Water meters give a sense of control.** The households liked the sense of control that being on a water meter gave them. Many households had requested a meter on their own initiative. However, though getting a meter inspired a temporary change of habits getting a meter was not enough to create lasting change. Increased interested in water use was often short-lived and/or limited to the person paying the bills. **There is a need for ongoing communications and support to ensure lasting change.**
- The financial incentive is the main driver for why people want to save water.
- **Products have to nicely designed, aspirational and easy-to-implement for people to want to have them in their home.**
- The project provided proof of concept for an approach that focuses on lifestyle and habits. People enjoy talking about and comparing habits to other people's. The conversations showed that there's no shared understanding of what's "normal". For example, people who spend 10 minutes in the shower might describe themselves as "very quick", while others who spend 3 – 5 minutes in the shower might describe themselves



as “slow”. **Focusing on hidden habits is an effective way to approach water saving.**

WATER SAVING KIT

SUMMARY

Following the home visit the households received a ‘Water Saving Kit’ filled with useful items for saving water at home. In total, 40 kits were sent out containing:

- Water-saving showerhead (not for households with power showers)
- Washing up bowl
- Toothbrush Cups
- Shower Timers
- Save a flush bag (not for households with dual-flush toilets)
- Laundry Bag
- Mirror Stickers
- Dry Shampoo
- Clothes Freshener
- Live Lagom booklet from IKEA

In addition, 5 households received a water butt for collecting rainwater in their garden.

The kit had a dual objective:

- a) act as an incentive and reminder for people to rethink their habits / daily routines
- b) gain insight into what products / items might help households reduce water consumption

Participants were encouraged to post feedback about the items on the closed Facebook group throughout the research period. This proved an effective way of getting people to engage with the group and each other.

Feedback on the water saving kit was collected via an online questionnaire at the end of the project period.



The response to the kit was very positive with 92% of the households saying that they found the “Water Saving Kit” highly or quite useful to save water at home.

The survey asked participants to reflect on how useful the different items in the water saving kit had been. This showed that the items that the participants had found to be most useful for saving water was:

- Shower Timer (41.67% found it highly useful)
- Toothbrush Cup (43.24% found it highly useful)
- Water Jug (59.46% found it highly useful)

The survey revealed that the items that the participants found to be the least useful was:

- Mirror Sticker
- Live Lagom Brochure
- Dry Shampoo

How useful did you find the different items in the "Water Saving Kit" for saving water in your household?				
	Highly useful	Quite useful	Not that useful	Not useful at all
Water Saving Shower Head	16.67%	30.56%	19.44%	33.33%
Shower Timer	41.67%	22.22%	25.00%	11.11%
Dry Shampoo	16.22%	13.51%	35.14%	35.14%
Washing Up Bowl	22.22%	33.33%	22.22%	22.22%
Laundry Bag	25.00%	27.78%	19.44%	27.78%
Clothes Freshener	28.57%	42.86%	8.57%	20.00%
Leaky Loo Strip	29.41%	29.41%	20.59%	20.59%
Save a Flush Bag	21.62%	29.73%	18.92%	29.73%
Mirror Sticker	11.11%	33.33%	8.33%	47.22%
Toothbrush Cup	43.24%	24.32%	10.81%	21.62%
Water Jug	59.46%	16.22%	2.70%	21.62%
Live Lagom Brochure	6.06%	30.30%	24.24%	39.39%

Interestingly, several households said that the mirror sticker acted as a helpful reminder for having shorter showers and flushing the toilet less, as well as turning the tap off when brushing their teeth. This



suggests that having reminders around the house is sufficient to nudge people to change their behaviour.

FACEBOOK GROUP

Following the home visits participants were invited to join a closed Facebook group. The group was the main platform for communicating with household during the project period. The group saw a lot of activity with members asking questions, posting updates and commenting on each other's posts.

SUMMARY

- 39 members form the project, 29 ranked active by Grytics.
- The group provided a space for participants to share tips, ask questions and engage with each other.
- **75.67% of households found the Facebook group highly useful or quite useful.**

Learnings:

To achieve lasting change, people need to be exposed to reminders and nudges over a period of time. Facebook was used as the main platform for communicating with the households during the project period. The majority of the cohort used the group actively to ask questions, post updates about their experience, and to communicate with each other. The group provided a unique platform for peer-to-peer support and two-way communication.

The high level of activity on the group indicates that Facebook groups is an effective way of communicating with people and for gaining insight into people's behaviours and perceptions. The relative anonymity of Facebook seemed to make people more open to sharing personal details and habits.

The group offered a platform for testing campaign messaging, which informed the wider communications campaign. Specifically, the group showed that sharing results from national polling was a good way for getting people to talk about their own habits, i.e. people enjoy comparing how their habits compare to the "average". Moreover, the group showed that digital tools, such as polls, is a good way to get people to talk about their habits. Similarly, "myth-busters" and "fun facts" was an effective way to get people to "confess" to own behaviours and habits.



MEASUREMENT AND EVALUATION

WATER METER READINGS

From July to September, Affinity Water conducted water meter readings with a 2 weeks interval. As one of the participating households had a faulty meter, the analysis below is based on 39 sets of readings.

HEADLINE OUTCOMES

- 50% (19/39) of households have seen a reduction in their daily water usage from the start of the project to the end of the project.
- Of the 19 households that have seen a reduction, 8 (21%) households have seen a reduction of 20% or more.
- Out of the 19 (34%) households that have seen a reduction, 13 households have seen a reduction of 10% or more.
- Combined, the cohort is using 1632 litres less water per day at the end of the project than at the beginning.

See Measurement Framework for full results.

Notes

The robustness of water meter readings conducted in this way is questionable as there are multiple factors that can influence change in consumption. Majority of households saw considerable fluctuation in their readings during the project period. When communicated to households, many responded to say that they had been travelling or had family visiting, etc.

Majority of households were interested in having more immediate updates about their water consumption.

ONLINE QUESTIONNAIRE

At the end of the project period, participants were asked to complete an online exit survey. 37 out of 40 participants completed the survey (response rate: 92.5%). Feedback was very positive with the overall majority of people saying that the project had given them an incentive to and



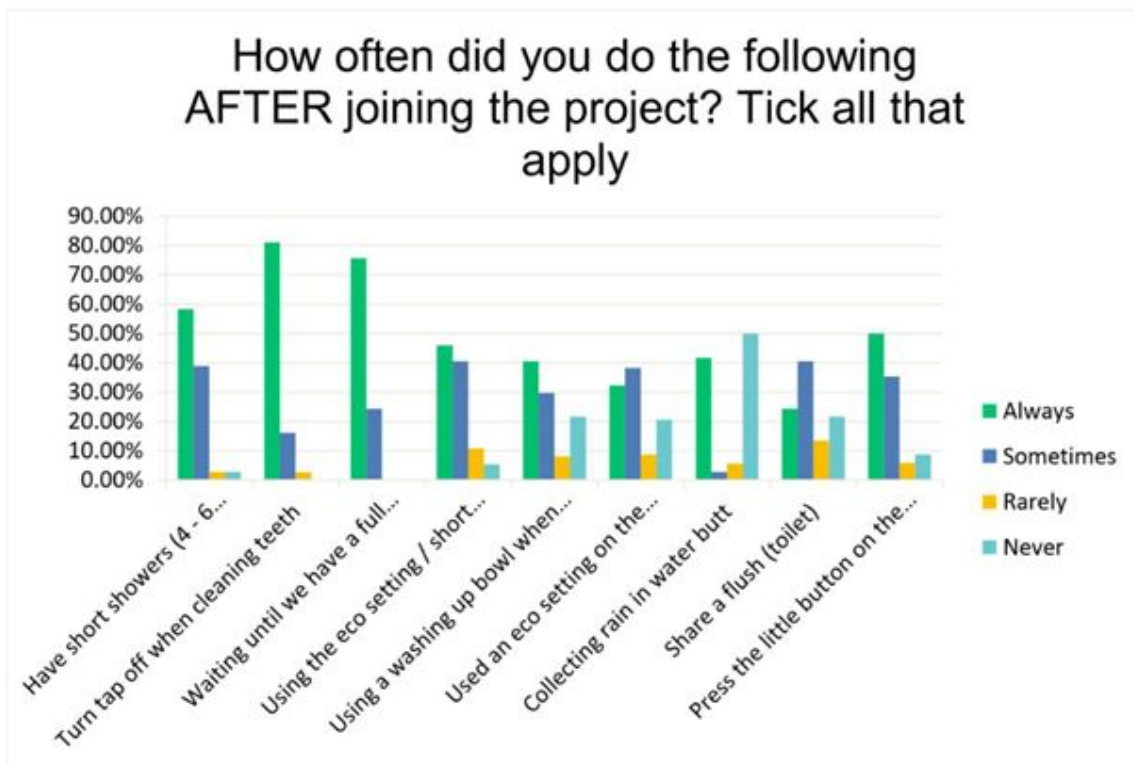
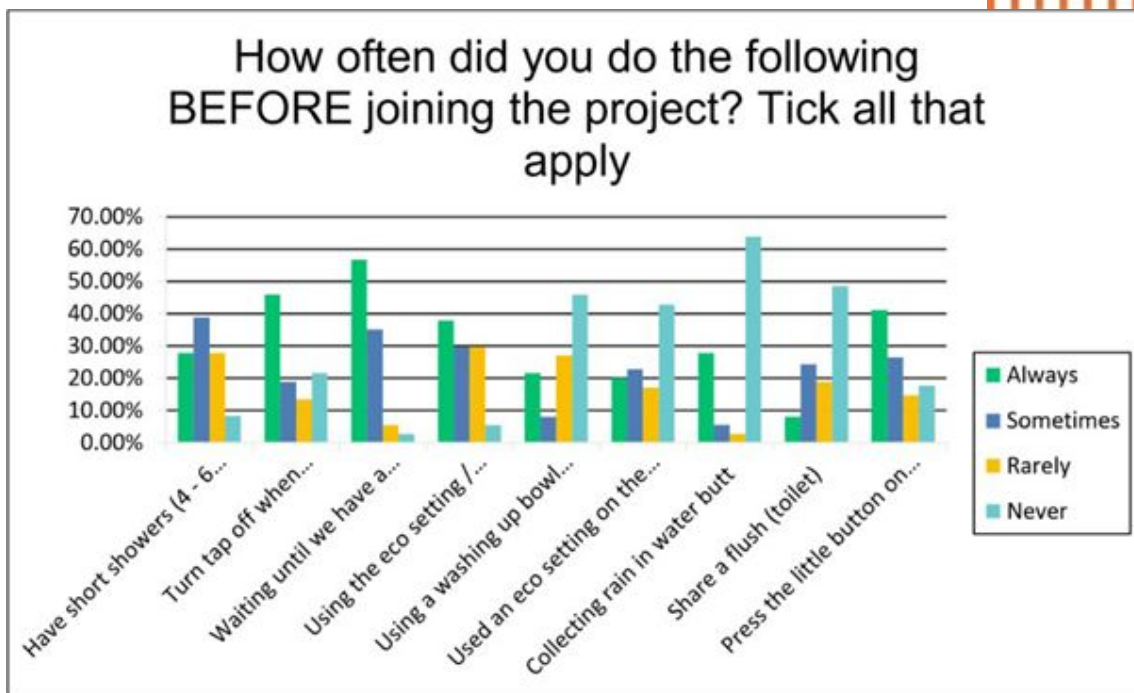
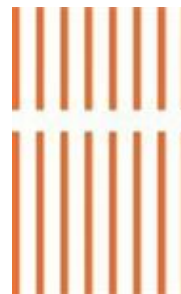
ideas for saving water at home. The survey provided rich insight into people's perceptions and useful feedback on the water saving items and support offered. The below sections presents some key findings from the survey.

For the full report please visit: <https://www.surveymonkey.com/results/SM-HD5ZHSWS8/>

Change in behaviour

The survey asked participants to compare their usage before joining the project to after the project. This revealed that:

- The number of people who said they always had short showers (4 to 6 minutes) more than doubled (increased from 27.78% to 58.33%).
- The number of people who said they always turned the tap off when brushing their teeth nearly doubled (increased from 46% to 81%).
- The number of people who said they never press the little button on the dual flush toilet when appropriate nearly halved (reduced from 17% to 9%).
- The number of people who said they always waited until they have a full load before doing laundry increased from 56% to 76%.
- The number of people who said they always "share a flush" increased from 8% to 24.5%
- The number of people who said they always use the eco setting / short cycle on the washing machine increased from 38% to 46%.
- The number of people who said they always use a washing up bowl when cleaning crockery doubled (increased from 21.5% to 40.54%).
- The number of people who said they always use an eco-setting on the dishwasher increased from 20% to 32%.
- The number of people who said they always collect rain in water butt increased from 28% to 41.5%.





Selected comments: *Before I gave my daughter a bath daily now she alternates between shower and bath.*

- *Using water collected in condenser drier to water plants. Using water spray bottles for kids to water plants. Using watering can more.*
- *Use the garden hose less*
- *Using rain water to water my indoor plants*
- *Using less water when washing the car and not watering the garden as much*
- *Timing my kids to take shorter showers*
- *Using the water jug instead of running the tap for cold water*

Selected comments on specific water use activities

Shower

- *The timer is great and also got the children into the shower as they liked the timer.*
- *Being more aware of how much showering saves compared to baths and the timer.*
- *Knowing the fact how much water is being wasted*
- *The shower timer definitely helped to keep me on track and also ten mirror sticker was a constant reminder.*

Toothbrush

- *Just by having the cups in front of you.*
- *Thinking about the amount of water that gets wasted and the cups are a great idea.*
- *My partner now turns off the tap, after mentioning it to her :-)* *The mirror sticker.*
- *Cup, then habit now.*
- *Cup.*
- *Seeing how much watch I waste by leaving it running!!! This was the most eye opener for me and my family.*

Promisingly, several participants stated that the mirror sticker was a good reminder for having shorter showers and using the right button when flushing, as well as turning the tap off when brushing.



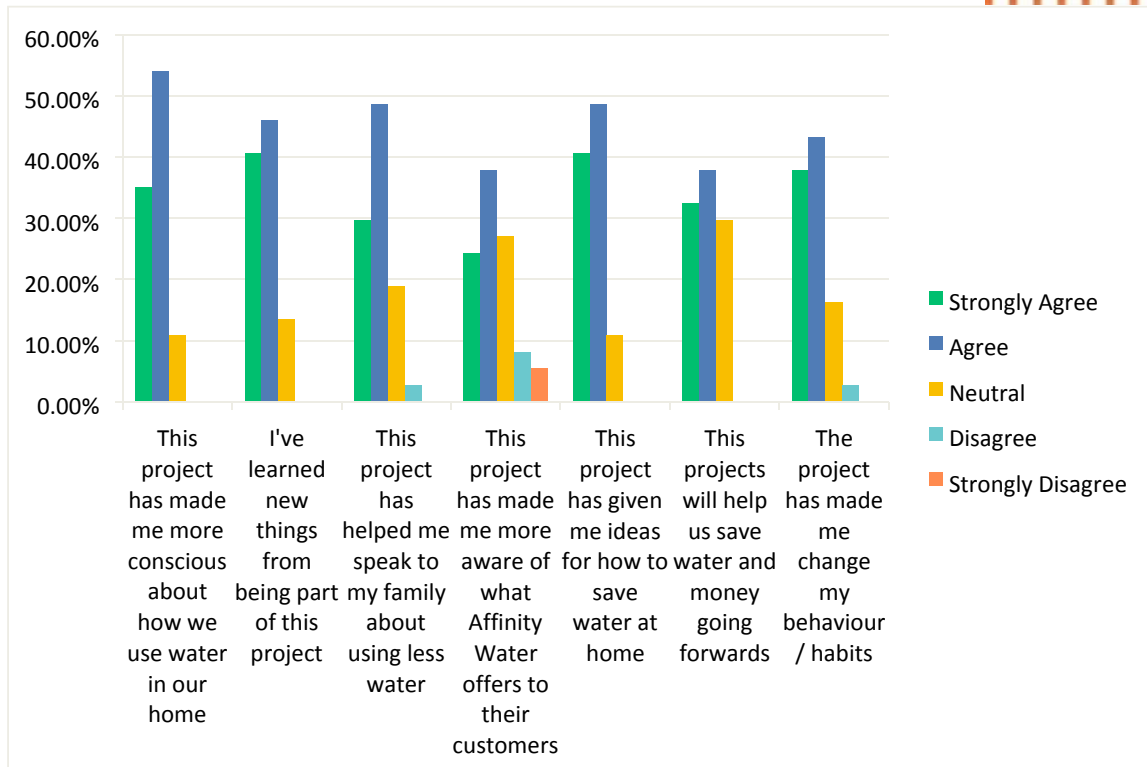
- **General**

- *Being part of the project has made me reflect on our [water] usage.*
- *Consciously knowing every little change can make a big difference to the pocket and the environment.*
- *My awareness. Having discussions and gaining knowledge has helped me overall*
- *Just realising that I can make a difference didn't think I could before*
- *Just being made to stop and think by project*
- *Facts and figures and being part of the group on Facebook*
- *Being part of the project has made us more aware of how we can save water*

Change in perceptions

The project asked participants to reflect on how the project had influenced other parts of their daily lives. This revealed how:

- 89% of people strongly agreed or agreed that the project had given them new ideas to save water at home.
- 89% strongly agreed or agreed that the project had made them more conscious about how they use water at home.
- 59.5% of people strongly agreed or agree that the project had made them think more positively about Affinity Water.



Additional support

The survey asked participants to reflect on the form of information and support that would influence how they think about Affinity Water's motives and messaging around saving water. Selected responses:

- *Their investment in water saving options.*
- *The literature they send through is backed up by actions, which I have seen.*
- *The images that show how many litres each activity uses has been useful. The availability of the water saving items has made me think more positively about Affinity.*
- *The leaflet that comes with the water bill explaining about things you can buy to help save water.*
- *I didn't really think about it before but like that they are promoting this project and look forward to hearing more from them in the future.*
- *The free kit.*
- *These projects (first I've heard of a water company doing this).*



- *I think I have taken water for granted previous to the project. Reading about it and the Facebook group has been great to share the experience and wake up about water consumption and its importance*

Other feedback / comments

- *The project has helped. I tell friends about it and how somethings I have changed*
- *We've enjoyed being part of the project. We're continuing to use many of the water saving items. It has been a positive experience for us and has increased our awareness of how we use water. Would recommend project to family and friends.*
- *A very interesting subject that I was already aware of, but it still gave me new ideas to save water, so thank you!*
- *I enjoyed the project and have liked some of the water saving items received as part of project.*
- *Amazing project if everybody did one thing in their household we could all save so much.*
- *Just thanks for including me. It's been an eye opener.*

CONCLUSION

The insights phase provided rich insights into people's perceptions and attitudes towards water use and water efficiency. Below are some key learnings and possible implications for future approaches.

- **Key learnings**
 - Water use is not a theme that people spend time thinking and talking about. As most water habits happen in private, excessive usage tends to go unchecked. In general people lack awareness about where they use water and simple ways of reducing consumption. The infrequency of water bills means that most households are unaware of how much they use on water. This is particularly the case in households where one person is responsible for paying the utility bills.
 - Despite the lack of awareness people are open to making changes to daily routines to save water. People were surprised by and interested in the amounts of water spent on different activities, and requested tips to reducing water consumption.



- Saving money stood out as the main incentive for wanting to reduce water consumption (note that all the households were on a meter). Saving time by doing less laundry, having shorter showers, etc., and a concern about environment and water security are other reasons why people want to save water. Feeling that using too much water is wasteful or unnecessary was another key motivator.
- People are more likely to make changes to their daily routines / habits at key “life change” moments such as buying their first home or moving in with a partner. Some households named getting a water meter as a key moment when they started thinking about water.
- Providing people with items is a good way to initiate change, though doesn’t necessary equal water saving. It’s clear that households need ongoing support and reminders to make the most of water saving devices.
- Any call to action has to be simple and solutions fit into people’s everyday lives. There’s no size fits all solution. People have to be given a range of solutions, and adopt those that suit their lifestyle. To increase impact initiatives should be designed to engage all the members of the households.
- Devices and products have to be aspirational, attractive and something that people want to have in their home. Messaging has to be clear, positive and playful to grab people’s attention. Presenting stats in a visual way and focusing on a single issue (i.e. turn the tap off when brushing) is an effective way to start a conversation.
- Peer to peer support is an effective way to continue a conversation about water saving.
- People enjoyed talking about their habits and were intrigued about how lifestyle choices impacts on water consumption. Focusing on habits is an effective approach for getting people thinking and talking about water use.

Learnings from the above insights informed a wider behaviour change campaign that focuses on hidden water habits to engage people in water saving. Please visit bit.ly/TapChat for more information.
