1. EXECUTIVE SUMMARY

This paper covers specific customer research, engagement and participation initiatives undertaken since our last update (26 January 2018) to develop policy or for business planning.

We have received the results of our Service Valuation research and are feeding these into our Cost Benefit Analysis work with Frontier Economics. This will help us determine our Performance Commitments (PCs) and any associated Outcome Delivery Incentives (ODIs).

Our Acceptability research is being designed and will be delivered in two phases during Spring 2018.

We had an excellent response to the consultation on our Strengths, Risks and Weaknesses, and Draft Assurance Plan with over 4,000 customers replying.

Formal triangulation of all our customer insights with Water Forum members took place on 13 February 2018. This was a very useful session where members provided excellent constructive challenge on our interpretation of results and proposed Measures of Success (MoS) and associated PCs.

2. SERVICE VALUATION RESEARCH

The formal fieldwork for our Service Valuation research was carried out through 14 hall tests which was managed by Explain Market Research on our behalf. A representative sample of 1,600 household (HH) customers completed our service valuation tool. This was supplemented by around 3,000 additional customers who we contacted via email or through Flo. 144 non-household (NHH) customers also took part in a specially tailored version of the tool which focused only on wholesale services via a recruitment panel.

All of the results are being analysed and they will be used to help us determine our PCs and ODIs. Summaries of the results for NW and ESW are shown below.

NORTHUMBRIAN WATER	HH Representative		NHH Panel		HH Email	
Aspect of service/Sample	**% slider**	**Rank**	**% slider**	**Rank**	**% slider**	**Rank**
Pollution	81	1	68	4	81	1
Wider water environment	76	2	71	2	75	3
Interruptions to supply	70	3	85	1	70	5
Consumption	67	4	63	5	65	6
Leakage	64	5	69	3	72	4
Discoloured water	62	6	52	8	77	2
Response to flooding	62	7	62	6	65	6
Internal flooding	51	8	53	7	55	7

ESSEX & SUFFOLK WATER	HH Representative		NHH Panel		HH Email	
Aspect of service/Sample	**% slider**	**Rank**	**% slider**	**Rank**	**% slider**	**Rank**
Wider water environment	74	1	78	2	76	2
Interruptions to supply	74	1	80	1	69	4
Consumption	63	2	64	3	62	6
Response to leak	62	3	62	4	65	5
Leakage	53	4	64	3	82	1
Discoloured water	49	5	47	5	74	3

3. ACCEPTABILITY RESEARCH

Our Acceptability research is currently being designed, with piloting of different approaches for the questions to ask underway, and it will be delivered in two phases during Spring 2018. The first phase will focus on discretionary enhancements (mainly resilience schemes) with the second phase covering full acceptability of our Plan.

4. OTHER RESEARCH AND ENGAGEMENT

We have received the results of three projects which concluded late 2017/early 2018.

4.1 Behaviour Change and Funds

The concept of a behaviour change scheme had a divided response; the reward element was positively received by participants, whereas the penalties element was disliked to the extent that participants want it to be excluded from the tariff. More affluent and environmentally engaged participants felt a reward scheme for behaviour change would have a positive impact on the environment and local area and community. This was a much stronger motivation for this segment than financial reward. Financially stretched and disengaged participants felt that they would be willing to make behaviour changes only if it saved them money.

The majority of customers were initially not very enthusiastic about being asked to contribute to a Green Fund. There were marked differences between segments, with affluent and environmentally conscious customers being much more willing to contribute - on the assumption the amount would be in the region of £5-10. Financially stretched and disengaged participants suggested that the biggest barrier to acceptance was the concept of ‘paying extra’ on top of their water bill, especially when some begrudged their existing charges. The suggestion that the contribution could be based upon ‘rounding up’ their monthly bill to the next £1 grew the appeal of the Fund significantly as perceptually, this level of contribution felt like a much less significant amount.

4.2 Tariff Structures

Participants were surprised to learn that an unmeasured bill is calculated based on Rateable Value (RV) which was felt to be an unfair and irrelevant way to calculate unmeasured charges. There was low awareness that metered customers are charged a fixed amount on their bill, but this was largely accepted on the basis that metered customers should have more of their bill influenced by usage. The majority agreed that metering was the fairest way to calculate charges, however, participants wanted to retain both options as, depending on their circumstances, an unmeasured charge may be more attractive (eg households with large families).

Participants were asked to create a poster about how they would like NW and ESW to charge customers. The majority of posters contained a metered and unmetered charge; the majority stated that metered charges are fairest, but that unmeasured charges are still an important option. RV was not put forward as a way of calculating unmeasured charges. Participants wanted an unmeasured charge to be calculated on the basis of number of occupants, size of property and income. The majority of posters also referenced specific customer groups who should receive discounted or capped charges:

- people with a long-term illness or disability;
- people who consume high volumes of water due to a medical condition;
- low income customers in employment;
- single parent families; and
- those who demonstrate water efficiency.

Two additional workshops are being arranged to explore differences in views of large and small households (number of occupants).

4.3 Bespoke Measures of Success

The research provided insight into our customers understanding of, and agreement with, each individual bespoke measure. Two broad themes around making language and numbers comprehensible also emerged:

i. Language

We learnt that it is challenging to balance our customers' needs for short, simple and clear explanations with sufficient information for them to fully understand and interpret each measure. Wordy and technical titles and descriptions were off-putting. Industry jargon and acronyms need to be avoided.

ii. Numbers

A quantifiable, technical, scientific or actual measure of experience is preferred over a perception score. There was a divide in opinion over whether a number or a percentage is the best way to present information. If percentages are used, participants felt these should be rounded up for simplicity. Numbers should be framed in a context (eg of overall of properties served, annual or industry performance). Whichever approach is taken, participants wanted to see consistency across the measures to make it easier to digest information and make comparisons.

5. DRAFT ASSURANCE PLAN

Our consultation on our Strengths, Risks and Weaknesses, and Draft Assurance Plan closed in January 2018. We received over 4,000 responses from customers and are analysing them to help shape our final Assurance Plan for 2018/19, which will be published in March 2018.

6. TRIANGULATION

A very constructive workshop with Water Forum members was held on 13 February 2018 where we presented our summaries of customer research, engagement and participation that we have used to inform our PR19 business planning. We also presented the outputs of our triangulation of customer research, participation and engagement insight for each of our proposed MoS.

Water Forum members discussed this collectively in the morning, focusing on our overall approach and high level principles, before splitting into three workgroups to discuss specific subject areas in detail. These areas aligned with our structure for our business plan, the groups covered:

- reliable and resilient water services;
- reliable and resilient wastewater services;
- working with others to improve the environment;
- affordable and inclusive services; and
- unrivalled customer experience.

A number of actions were taken away from the workshop and we are planning a follow up session with a Water Forum sub group in April where we will focus on areas where we have conflicting customer and other insights.

7. NEXT STEPS

Members will be presented with a summary of our proposed PCs and the reasons why they have been set where they are in March 2018. We will also highlight any areas of contention, explaining how we are addressing them – for example areas where customer evidence is contradictory.

A Water Forum working session on ODIs will be scheduled for April 2018. In particular it will focus on incentive rates, their rational and any areas of contention.

In May 2018, an update on our Acceptability research will be provided to the Water Forum.

If members have any questions relating to our customer research, engagement and participation, please contact Elaine Erskine via email (elaine.erskine@nwl.co.uk) or phone 07792 835724.

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