Appendix 19 – The link between customer research and performance commitment targets

Wessex Water

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Wessex Water
YTL GROUP

Contents

1. Introduction

This appendix sets out the performance increments/decrements tested for willingness to pay (WTP) with customers and the extent to which these are consistent with the plausible range of performance associated with the relevant performance commitment (PC) in our business plan. The customer research analysed here incorporates all the various techniques used, namely a MaxDiff WTP survey, sliders, a conjoint analysis and the Supercharge online game. The detail on each of these methods is included in section 1 of our September 2018 business plan submission and the associated appendices.

We detail all our PCs for which WTP is appropriate, with graphs and explanations of the results. It should be noted that there are some PCs for which WTP is not appropriate either due to the complexity of the subject matter or the form of the ODI (e.g. non-financial ODIs), which are therefore not listed here.

Whilst some of our PCs were not explicitly tested for WTP, several of these were included implicitly in one of our many pieces of customer research. For example, treatment works compliance was not explicitly tested but the outcome of compliance was implicitly covered in terms of river water quality in our MaxDiff survey, Supercharge game, immersive research, PR14-style questionnaire and our ongoing research.

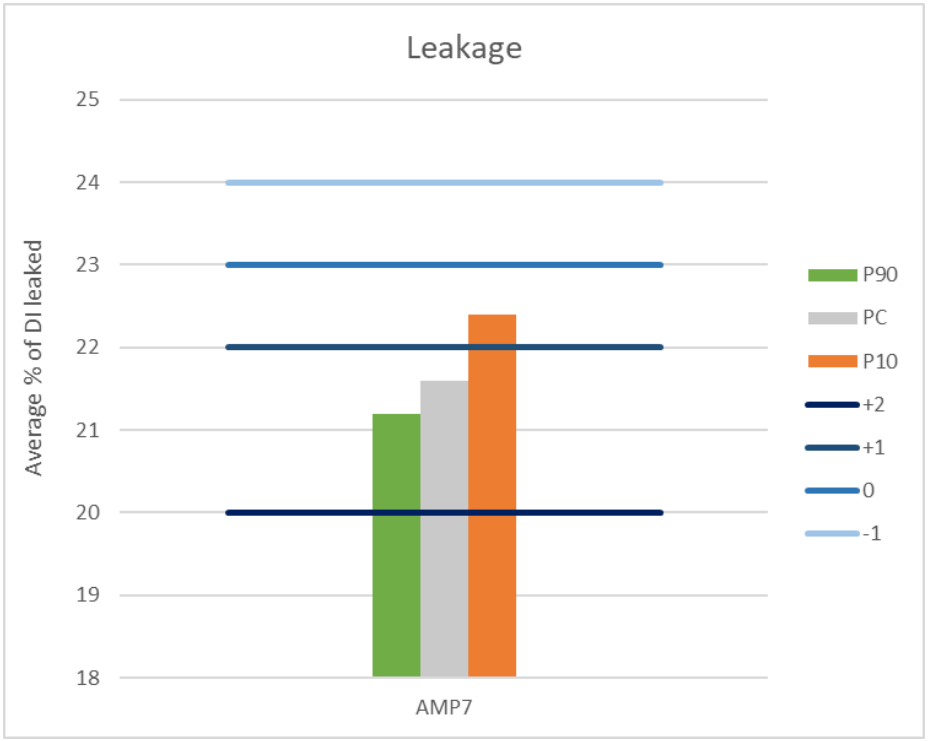
The findings show that the vast majority of our PCs for which we have WTP valuations have been tested consistently with our expected range of performance. The only exceptions are hosepipe bans where the likelihood of an event is so slim that we cannot reflect it in a PC across a 5-year price control but provide customer protection significantly beyond the likely range of performance, and sewer flooding where our expected range of performance is skewed with a higher probability of achieving a level closer to the P10 than the P90 – as is reflected in our PC – meaning that our customer research reflects the range of most likely performance.

2. Outcome: Efficient use of water

2.1 Performance commitment: W1 Volume of water leaked

The question asked in the customer research used the metric '% of DI leaked', with a standard service of 23% DI leaked. As our PC level and P10/P90 performance are measured as a '% leakage reduction', we used a conversion factor which states that a 5% reduction in leakage equates to 1% of DI leaked.

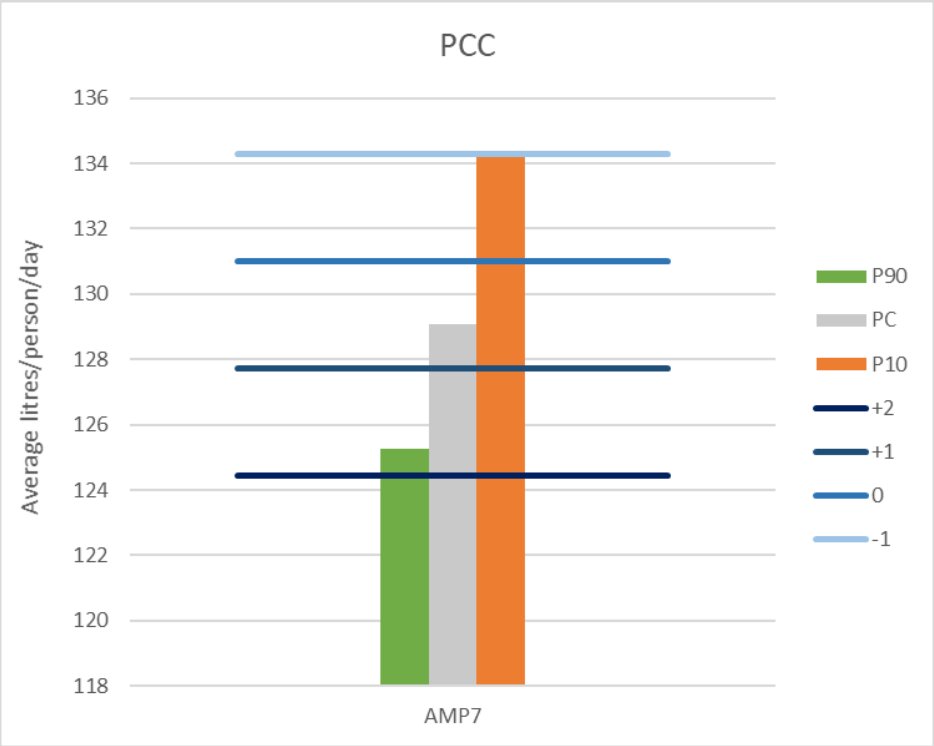
Our PC (equivalent to an AMP7 average of 21.6% of DI leaked) is more stretching than the first level of increased service that was described in our customer research (22%).



2.2 Performance commitment: W2 Volume of water used per person

Our PC (equivalent to an AMP7 average of 129.1l/person/day) lies between the maintained service level (131l/person/day) and first level of improved service (127.7l/person/day) that were described in the customer research.

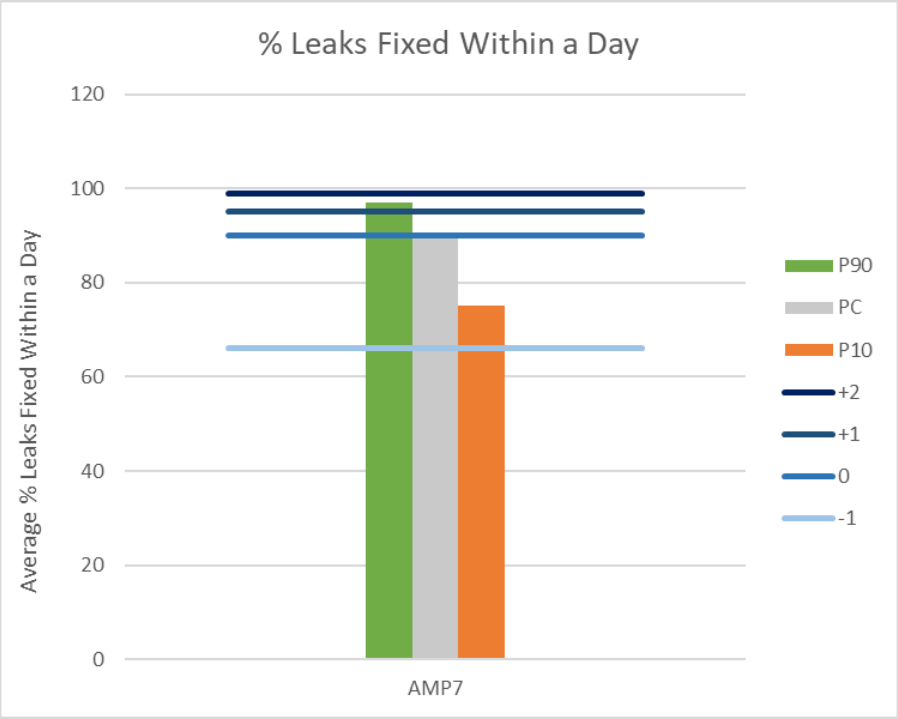
Our P10 performance (134.4l/person/day) compares to the first level of decreased service (134.3l/person/day) and our P90 performance (125.3l/person/day) is almost as low the second level of increased service (124.5l/person/day).



2.3 Performance commitment: W3 Customer reported leaks fixed within a day

Our PC (equivalent to an AMP7 average of 90% of leaks fixed within a day) matches the maintained level of service that was described in the customer research.

Our P10 performance (75%) is still higher than the first level of decreased service (66%) and our P90 performance (97%) is between the first (95%) and second (99%) levels of increased service.

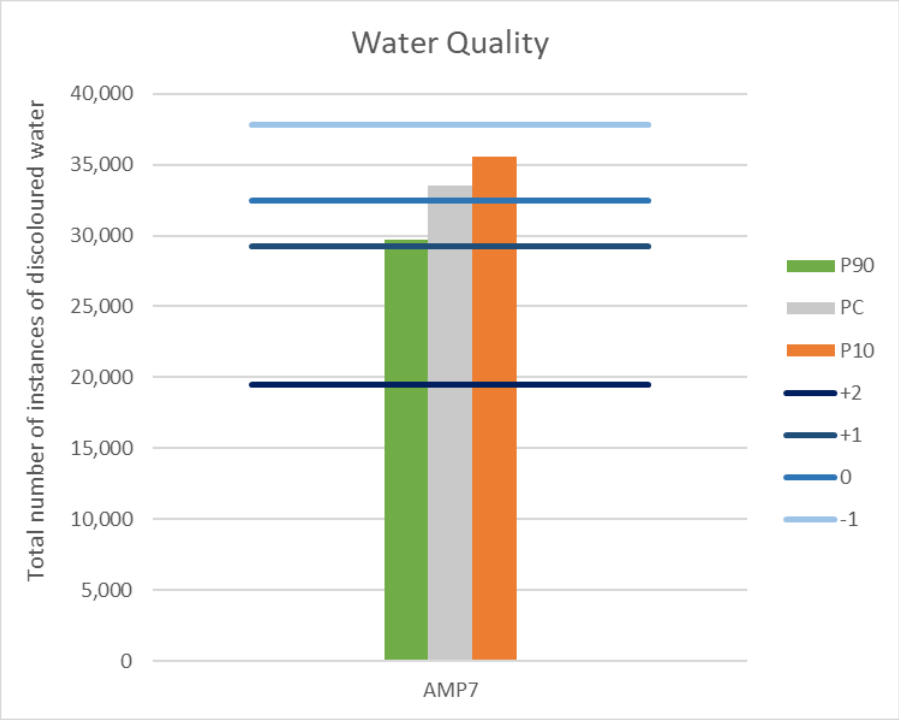


3. Outcome: Excellent drinking water quality

3.1 Performance commitment: Q2 Water quality customer contacts (appearance, taste and odour)

Our customer research asked about the number of instances of discoloured water, with a standard service of 32,500 instances over the course of the AMP. As our PC level and P10/P90 performance are measured in terms of number of customer contacts per 1,000 customers supplied, we used a conversion factor which states that each customer contact per 1,000 supplied equates to 5,676 discoloured water instances.

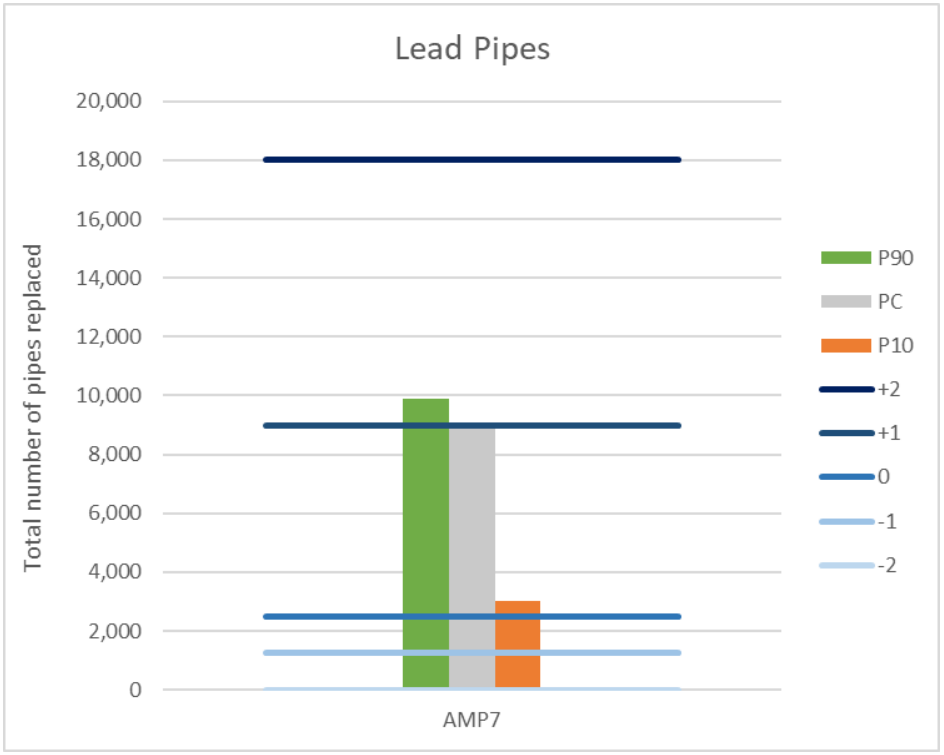
Our PC (equivalent to an AMP7 total of 33,500 instances) compares to the standard service level that was described in our customer research (32,500 instances). Our P10 performance (35,500 instances) is still lower than the first level of decreased service (37,800 instances) and our P90 performance (29,700 instances) is comparable to the first level of improved service (29,300 instances).



3.2 Performance commitment: Q4 Lead communication service pipes replaced (Wessex Water assets)

Our PC (equivalent to an AMP7 total of 9,000 pipes replaced) stretches to that of the first level of improved service that was described in the customer research (9,000 pipes replaced).

Our P10 performance (3,000 pipes replaced) is comparable to our maintained level of service (2,500 pipes replaced) and our P90 performance (9,900 pipes replaced) is greater than our first level of improved service (9,000 pipes replaced).

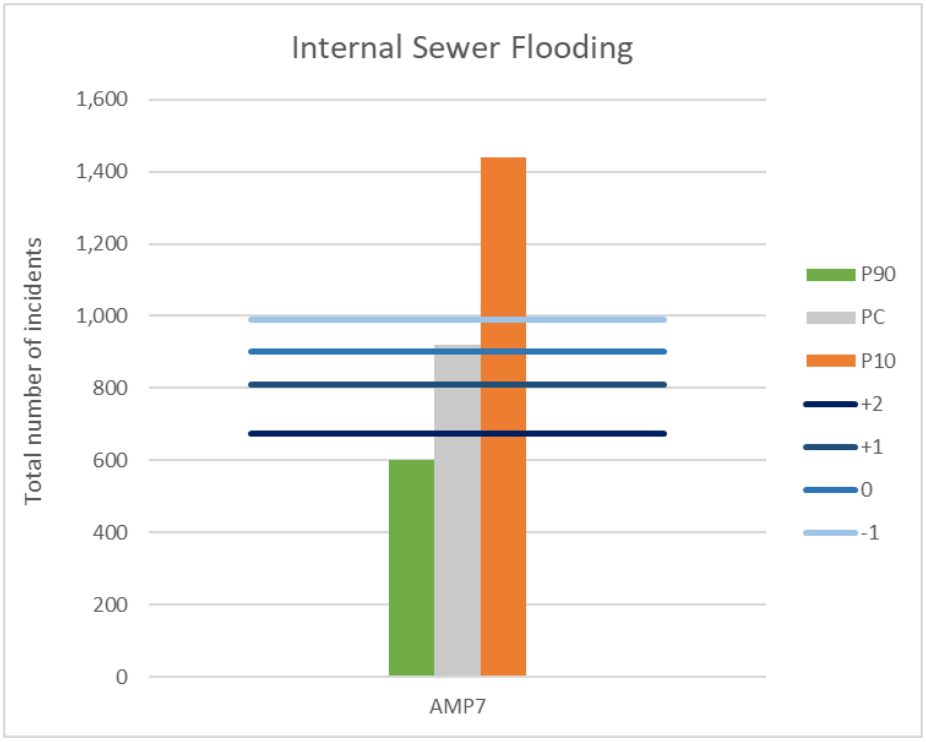


4. Outcome: Minimise sewer flooding

4.1 Performance commitment: F1 Customer property sewer flooding (internal)

Once normalised for the total number of sewer connections (c.1.2 million), our PC (equivalent to an AMP7 total of 920 incidents) compares to the standard service level that was described in our customer research (900 incidents).

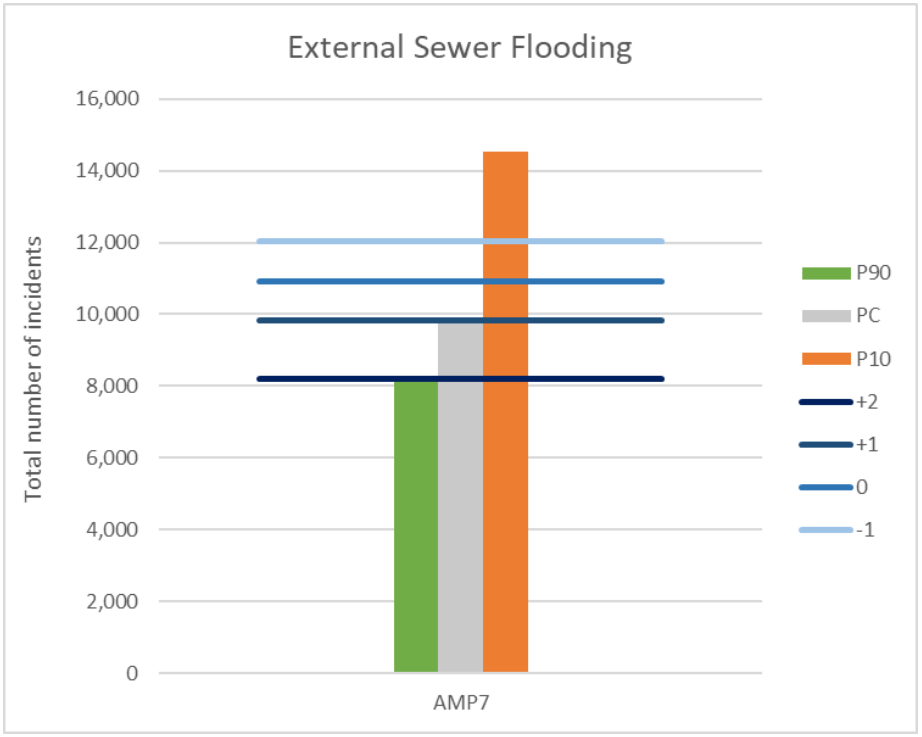
Our P10 performance (1,440 incidents) is greater than the first level of decreased service (990 incidents) but our P90 performance (600 incidents) is lower than the second level of improved service (675 incidents).



4.2 Performance commitment: F2 Customer property sewer flooding (external)

Once normalised for the total number of sewer connections (c.1.2 million), our PC (equivalent to an AMP7 total of 9,800 incidents) has been stretched to match the first level of improved service that was described in our customer research (9,800 incidents).

Our P10 performance (14,500 incidents) is greater than the first level of decreased service (12,000 incidents) but our P90 performance (8,300 incidents) compares to the second level of improved service (8,200 incidents).

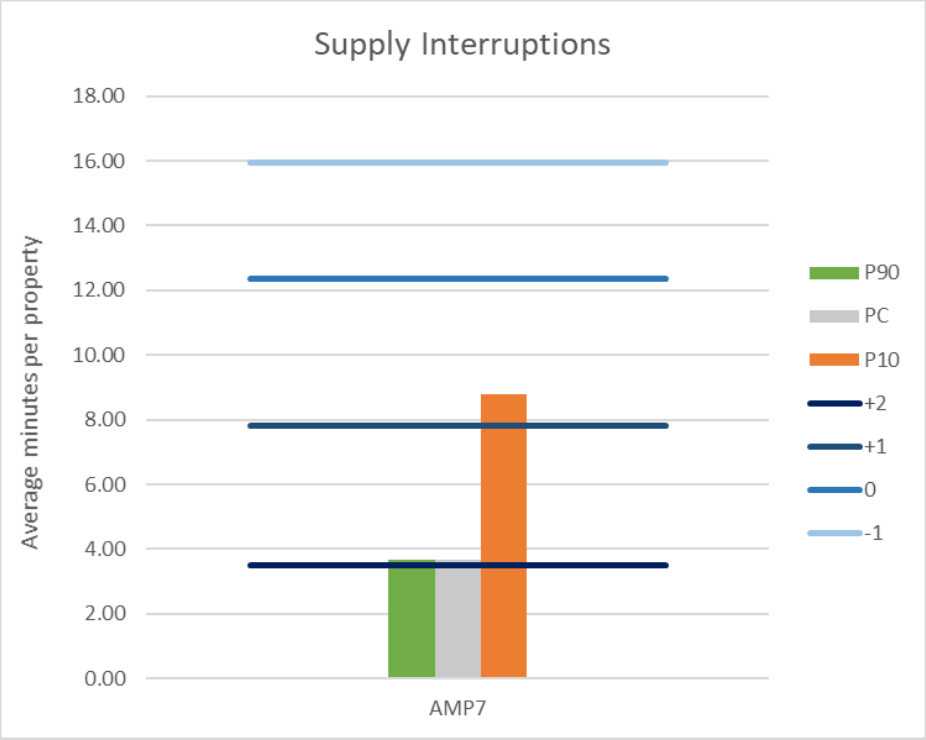


5. Outcome: Resilient services

5.1 Performance commitment: R1 Water supply interruptions

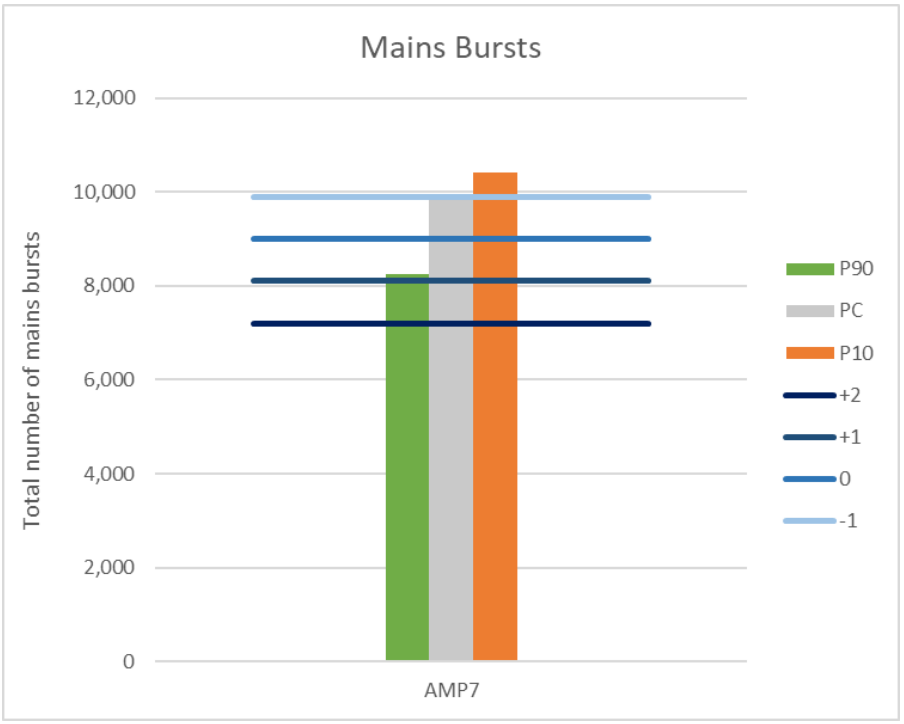
Our customer research asked about the number of instances of supply interruptions of different types (planned/unplanned) and length (3-6 hours, 6-12 hours, etc.). When considering the equivalent average yearly number of minutes per property, our PC level (equivalent to an AMP7 average of 3 minutes and 40 seconds per property per year) has been stretched to match our P90 performance, which compares to the second level of improved performance that was detailed in the customer research (3 minutes and 30 second per property per year).

Our P10 performance (8 minutes and 50 seconds) lies between the standard level of service (12 minutes and 20 seconds) and first level of improved performance (7 minutes and 50 seconds).



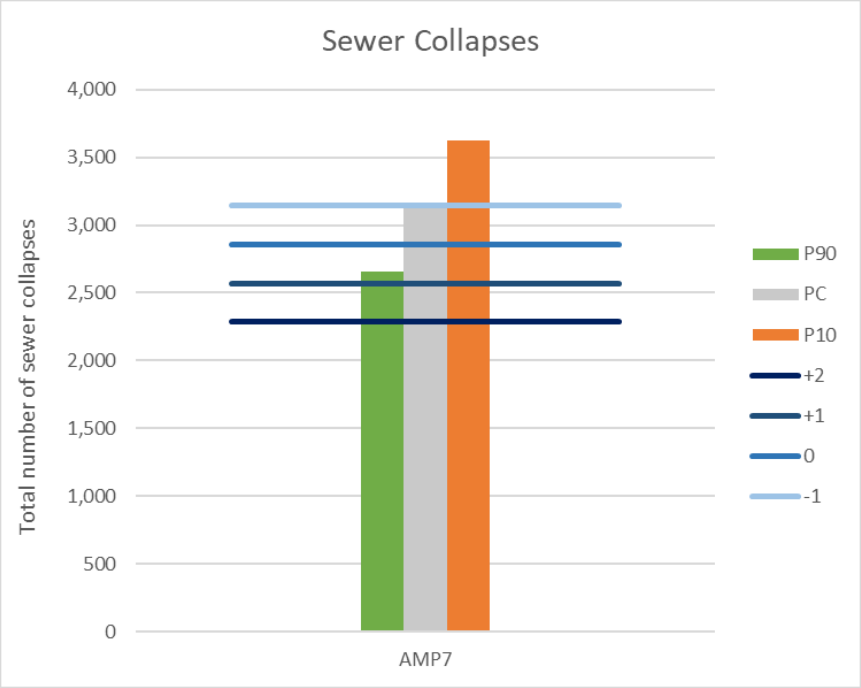
5.2 Performance commitment: R4 Water mains bursts

Once normalised for the total length of water mains (c.12,000km), our PC (equivalent to an AMP7 total of 9,900 bursts) compares to the first level of decreased service that was described in our customer research (9,900 bursts), and our P10 performance (10,400 bursts) exceeds this. Our P90 performance (8,300 bursts) compares to the first level of improved service (8,100 bursts).



5.3 Performance commitment: R6 Sewer collapses

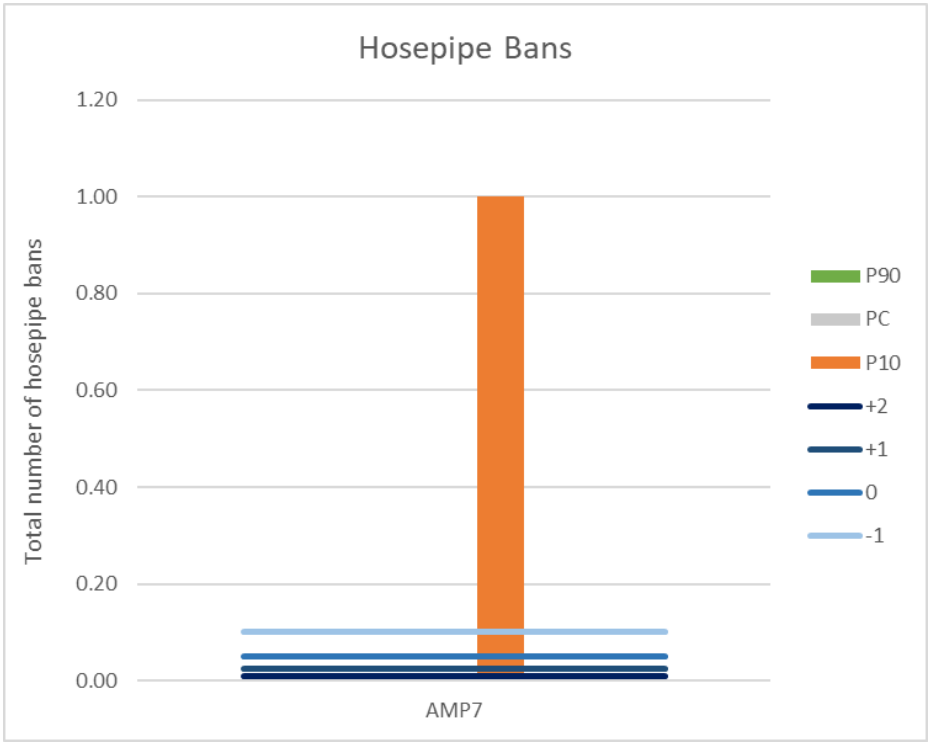
Once normalised for the total length of sewers (c.35,000km), our PC (equivalent to an AMP7 total of 3,100 collapses) compares to the first level of decreased service that was described in our customer research (3,100 collapses), and our P10 performance (3,600 collapses) exceeds this. Our P90 performance (2,700 collapses) compares to the first level of improved service (2,600 collapses).



5.4 Performance commitment: R7 Restrictions on water use (hosepipe bans)

Our PC and P90 performance assume that there will be no need for a hosepipe ban at any point throughout the AMP, whilst our P10 assumes a single ban within the five-year period.

The customer research that we carried out asked a question in relation to the chance of a hosepipe ban. The standard level of service equated to a single ban every 100 years, whilst the other service levels ranged from once every 50-500 years. These figures have been converted into the chance of a ban within the five-year period for the purposes of the below graph.

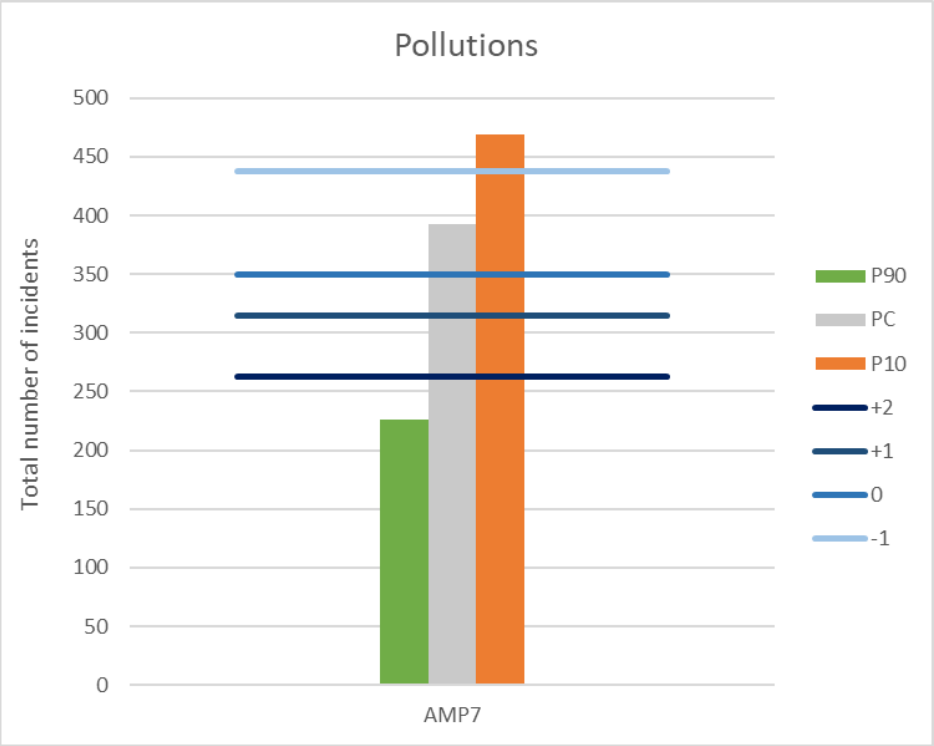


6. Outcome: Protecting and enhancing the environment

6.1 Performance commitment: E2 Wastewater pollution incidents – category 1-3

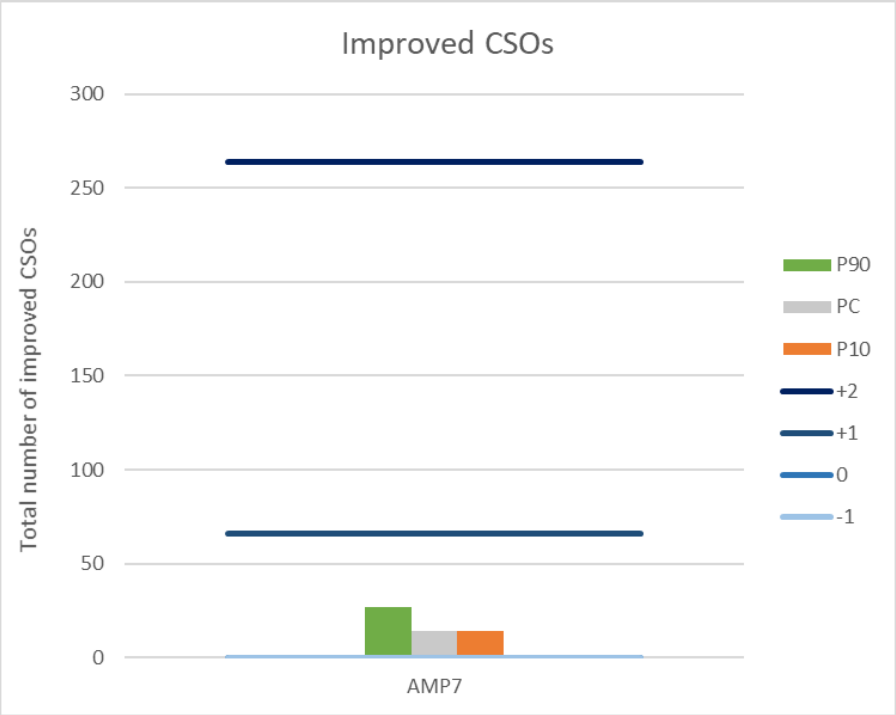
Once normalised for the total length of sewers (c.35,000km), our PC (equivalent to a PR19 total of 390 incidents) is comparable to the standard service level that was described in our customer research (350 incidents).

Our P10 performance (470 incidents) is comparable to the first level of decreased service (440 incidents) and our P90 performance (230 incidents) is even lower than the second level of improved service (260 incidents).



6.2 Performance commitment: E9 Reduce frequent spilling overflows (non-WINEP)

This was combined with WINEP delivery for the purpose of customer research, at which point we were expecting our WINEP delivery to be much larger. Now that much of this is expected to be delivered within the following WINEP, our P10, PC and P90 for PR19 all fall within the band between the standard level of service and first level of improved service.



6.3 Performance commitments: E10 and E11 Length of river with improved water quality through WINEP and non-WINEP delivery

These two performance commitments were combined for the purpose of customer research. Our combined PC for WINEP and non-WINEP delivery (equivalent to a PR19 total of 630km of improved rivers) and P10 performance (560km) are both greater than that of the first level of improved service that was described in the customer research (370km). Our P90 performance (1,100km) is comparable to our second level of improved service (970km).