

Appendix 22 – Customer research on ODI range: Report from Turquoise

Wessex Water

March 2019

Scope

Overall approach

In terms of the techniques we propose, you have probably done some acceptability testing (stated preference) within your submission to Ofwat and we do not want to repeat or replicate this.

It will be important that customers understand what is included within the Performance Commitments that you have proposed on their behalf e.g. what targets you are proposing within the environment and safe/reliable supply, etc. They will need some understanding of this in order to assess whether to support/not support the proposed outperformance and/or underperformance payments.

We believe that what you require is to test the acceptability of the overall bundle of commitments and whether customers will support outperformance and/or underperformance payments, accepting that Ofwat wants to introduce these from a customer perspective, as a way of incentivising or penalising performance.

The stimulus used within the study *will be critical*, making things as simple and as easy as possible for respondents to understand, accepting that respondents will need to read and respond to things. It is likely that we would have to work very closely with you on this to bring this to life; my timings may underestimate how much time will be required to get this together and, it will require time. What we used within the groups is too in depth to use in any quantification.

At an overall level, there are two ways in which we could approach the quantification of the overall bundle of outperformance and underperformance payments...

1. Online
2. House to house

Whichever route is chosen, we ideally want to keep the questionnaire to a maximum of 10 to 12 minutes duration – costs are provided on this basis. Whichever is your preference we would recommend a minimum sample of 400 bill payers aged 18+ and an ideal sample of 1,000.

A sample of 400 is accurate to $\pm 4.9\%$ at the observed 50% response level and a sample of 1,000 is accurate to $\pm 3.1\%$ at the observed 50% response level; you need to quadruple the sample size to halve the sampling error.

Online

Is the quickest and cheapest. It means that we can incorporate gamification techniques within the survey i.e. visually appealing images, drag and drop type questions, etc. An online route using your own data is easy, but would not necessarily be demographically representative of the Wessex Water area. However, it would be possible to weight responses to be in line with the area representation.

We anticipate a response rate of around 7% to 8% for outbound email surveys. We are able to send the survey links but higher response generally occurs where the Client sends the survey links and email reminders – Wessex and Turquoise to discuss. Turquoise would provide a web portal for the online survey, such that Wessex can see live updates and print their own reports 24/7.

Indicative online costs

Online with Clients own data	Quantity	Unit Cost	Total for 400	Total for 1,000
Survey design	1 day	£500 per day	£500	£500
Scripting and hosting	1.5 days	£500 per day	£750	£750
Sample 400 or 1,000 Adults aged 18+ who are bill payers. Management and administration.	400 1,000	£2 each £2 each	£800	£2,000
Coding of open-ended responses (5 open ends x 400 or 1,000 surveys = 2,000 or 5,000 fields)	1.5 days (400) 3.5 days (1,000)	£400 per day	£600	£1,400
Data Analysis & Weighting	1.5 days	£500 per day	£750	£750
Report	2.5 days	£500 per day	£1,250	£1,250
Total cost Excl. VAT			£4,650	£6,650
VAT at 20%			£930	£1,330
Total cost incl. VAT			£5,580	£7,980

Online Timings

From approval of costs by Wessex and provision of a PO Number, outline timings are as below. If Wessex was to approve the approach by the end of this week, week 1 would be w/c 18/02/19...

Online with Clients own data	Week	Dates	Total for 400	Total for 1,000
Questionnaire design	1	w/c 18/02/19	1	1
Provision of client data	1	w/c 18/02/19	1	1
Scripting of survey	2	Early w/c 25/02/19	2	2
Sign off by Client	2	Late w/c 25/02/19	2	2
Soft launch (test response rates - 1,000 records)	2	End w/c 25/02/19	2	2
Hard launch (full survey) sample of 400	3	w/c 04/03/19	3	3
Hard launch (full survey) sample of 1,000	3 and 4	w/c 04/03/19 & 11/03/19	3 & 4	4
Web portal for live results		24/7		
Fieldwork updates	Ongoing	weekly		
Data coding (sample of 400)	4	w/c 11/03/19	4	
Data Analysis & Weighting	4	w/c 11/03/19	4	
Report	5	w/c 18/03/19	5	
Total time for a sample of 400		5 Weeks		
Data coding (sample of 1,000)	5	w/c 18/03/19		5
Data Analysis & Weighting	5	w/c 18/03/19		5
Report	6	w/c 25/03/19		6
Total time for a sample of 1,000		6 weeks		

House to house

If you want the results to be demographically representative of the area, we would suggest a house to house approach with quotas for gender, age, social class and geographic location. Our fieldworkers have tablets for data collection which means that we can replicate the gamification elements, etc, although not quite as comfortable for the respondents. However this is considerably more expensive.

Indicative house to house costs

House to House	Quantity	Unit Cost	Total for 400	Total for 1,000
Survey design	1 day	£500 per day	£500	£500
Scripting and hosting	1.5 days	£500 per day	£750	£750
Sample 400 or 1,000 Adults aged 18+ who are bill payers. Management and administration.	400 1,000	£17 each £16.50 each	£6,800	£16,500
Coding of open-ended responses (5 open ends x 400 or 1,000 surveys = 2,000 or 5,000 fields)	1.5 days (400) 3.5 days (1,000)	£400 per day	£600	£1,400
Data Analysis & Weighting	1.5 days	£500 per day	£750	£750
Report	2.5 days	£500 per day	£1,250	£1,250
Total cost Excl. VAT			£10,650	£21,150
VAT at 20%			£2,130	£4,230
Total cost incl. VAT			£12,780	£25,380

House to House Timings

From approval of costs by Wessex and provision of a PO Number, outline timings are as below. If Wessex was to approve the approach by the end of this week, week 1 would be w/c 18/02/19...

House to house	Week	Dates	Total for 400	Total for 1,000
Questionnaire design	1	w/c 18/02/19	1	1
Provision of client data	1	w/c 18/02/19	1	1
Scripting of survey	2	Early w/c 25/02/19	2	2
Sign off by Client	2	Late w/c 25/02/19	2	2
Fieldwork for 400	3 & 4	w/c 04/03/19 & 11/03/19	3 & 4	
Fieldwork for 1,000	3, 4 & 5	w/c 04/03/19 to w/c 18/03/19		3, 4 & 5
Fieldwork updates	Ongoing	weekly		
Data coding (sample of 400)	5	w/c 18/03/19	5	
Data Analysis & Weighting	5	w/c 18/03/19	5	
Report	6	w/c 25/03/19	6	
Total time for a sample of 400		6 Weeks		
Data coding (sample of 1,000)	6	w/c 25/03/19		6
Data Analysis & Weighting	6	w/c 25/03/19		6

Report	7	w/c 01/04/19		7
Total time for a sample of 1,000		7 weeks		

WESSEX WATER OUTPERFORMANCE PAYMENTS ACCEPTABILITY TESTING QUESTIONNAIRE

Thank you for your interest in this survey which we are running on behalf of Wessex Water. The survey should take no longer than 10-12 minutes to complete.

Before you enter the main survey, we have provided some background information on the topic we are covering today. Please take the time to read this background information carefully as it is very important that the decisions you make are well-informed.

SCREENER QUESTION

1. Please can we confirm whether you are responsible, either solely or jointly, for the payment of the water bill in your household?

Yes, solely responsible

Yes, jointly responsible

No → **CLOSE**

SECTION ONE: EXPLANATION

Over the last two years, water companies in the UK have been talking to the government about what their performance targets should be for 2020-2025. As part of this, the water companies and government are discussing how much people's water bills should be.

The current average annual water bill in the Wessex Water region is £479. However, Wessex Water want to get this down to the equivalent of £460 (i.e. excluding inflation rises). At the same time, Wessex Water has committed to deliver its biggest ever programme of improvements to services and the environment.

*As part of the review process, OFWAT want to use an element of competition, and for customers to consider the idea of incentives (called **outperformance payments**) and penalties (called **underperformance penalties**); in other words, water and sewerage companies being paid by results.*

Under this system, Wessex Water agree a plan with OFWAT for what it will deliver between 2020-2025. This will include a whole range of measures from how pure the drinking water is to how clean the beaches are to how many leaks are fixed in a day.

If Wessex Water simply meet their agreed outcomes, your water bill will be unaffected. However, if Wessex Water deliver above and beyond the agreed plan on these measures, Wessex Water will be allowed to increase your bills a little (this is called an outperformance payment). On the other hand, if Wessex Water doesn't live up to its plan, you would get a reduction in your bill and Wessex Water would take the financial hit for not performing properly (this is called an underperformance payment).

Nearly all of Wessex Water's activities are assessed for an underperformance penalty, thus potentially reducing your bill if targets are not met. However, some targets are only

considered for underperformance penalties (i.e. there is no option for overperformance payment on these), these are:

- *The number of water mains bursts*
- *How often water treatment works are taken out of service unexpectedly*
- *Number of sewers collapsed*
- *Number of hosepipe bans imposed*
- *Proportion of sewage treatment works meeting required standards*
- *Amount of greenhouse gases emitted*
- *Proportion of solids from sewage treatment works safely disposed of*
- *Improving local rivers to the legal standards required*
- *Risk of sewer flooding*

In summary:

Underperformance Penalties:

If Wessex Water fails to meet, or falls below, agreed targets Wessex Water will be penalised by having a lower bill allowance imposed on them each year by OFWAT. In other words, your bill may be lower.

Outperformance Payments:

If Wessex Water exceeds agreed targets, and customers value those improvements, they will be rewarded by OFWAT by being allowed to increase your bill. In other words, your bill may be higher.

We would now like your input into choosing which performance commitment areas you, the customer, **would support an outperformance payment for**. Overall, please note that if customers value additional investment in an area and Wessex Water perform really well in these areas, then the **bill may increase**.

You should also be aware that Wessex Water has committed, in its plan to OFWAT, that if it does achieve outperformance payments then at least 20% of this will be paid into an independent community fund to be spent on good causes locally.

The performance commitments have been grouped into four areas: **Core Service, Water Quality, Environment and Community**. The four areas cover the following performance commitments:

Core Service	Water Quality	Environment	Community
Reducing the amount of water leakage	Avoiding water quality incidents and managing any issues well	Improving local river quality above the legal minimum standards	Engaging children to teach them about the water environment
Minimising interruptions to water supply	Replacing more lead pipes	Supporting projects with local communities that help protect water sources, rivers and bathing waters	Fixing reported leaks within a day
Minimising the number of sewage flooding incidents	Improving the appearance / taste of water	Improving habitats for plant and wildlife on our land	Increasing the number of successful applications to help with affordability of bills
Minimising pollution incidents	Helping customers improve water quality in the home		Reducing the number of properties that are receiving services but are not being billed OR are not known to the water company
Reducing the average amount of water used per person	Minimising water quality sample failures		Helping customers use less water
Ensuring excellent customer service			Helping customers on our low rate social tariffs

Thank you for taking the time to read the background information. We would now like to ask you a few questions based on what you have read.

SECTION TWO: OUTPERFORMANCE ACCEPTABILITY

For all performance commitment groups, Wessex Water would have to reduce your bill if they don't perform well enough. But are there any for which you'd support Wessex Water getting extra money if they outperform? Let us know by ticking whether you support or do not support each level of outperformance payments for each grouping.

Please note that to achieve an outperformance payment, Wessex Water would need to have been more successful at beating its targets than any water company has achieved to date.

2. Now please consider the Core Service group and the potential Outperformance Payments. Based upon the information provided, please indicate whether you would be in support of each level of performance overpayment.

'Core Service'

The amount of water leakage	The number of interruptions to water supply	The number of sewage flooding incidents	The number of pollution incidents	The average amount of water used per person	Customer service
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	Core Service Outperformance Payment			
	If Wessex was to meet agreed performance commitment targets	If Wessex was as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	If Wessex was twice as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	The maximum amount Wessex could be rewarded. They would need to be three times more successful than the best company to date in beating their targets to achieve this
Increase Per week	£0	£0.14	£0.29	£0.44
Increase Per year	£0	£7.50	£15.00	£23
Average Bill 2020-2025 will be £460	£460	£468	£475	£483
I would be in support of this				
I would not be in support of this				

3. Now please consider the Water Quality grouping and potential Outperformance Payments. Based upon the information provided, please indicate whether you would be in support of each level of performance overpayment.

'Water Quality'

Avoiding water quality incidents and managing any issues well	Replacing more lead pipes	Improving the appearance / taste of water	Helping customers improve water quality in the home	Minimising water quality sample failures
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	Water Quality Outperformance Payment			
	If Wessex was to meet agreed performance commitment targets	If Wessex was as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	If Wessex was twice as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	The maximum amount Wessex could be rewarded. They would need to be three times more successful than the best company to date in beating their targets to achieve this
Increase Per week	£0	£0.13	£0.25	£0.38
Increase Per year	£0	£6.56	£13.12	£19.68
Average Bill 2020-2025 will be £460	£460	£467	£473	£480
I would be in support of this				
I would not be in support of this				

Now please consider the individual performance commitments within the Water Quality grouping (e.g 'Replacing more lead pipes')

'Water Quality' which encompasses.....

Avoiding water quality incidents and managing any issues well	Replacing more lead pipes	Improving the appearance / taste of water	Helping customers improve water quality in the home	Minimising water quality sample failures
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4. Are there any individual performance commitments, within the Water Quality grouping, for which you think that an outperformance payment should not apply if Wessex Water exceeds the agreed target?

Yes

No **GO TO 6**

5. Please indicate which individual performance commitments within this grouping you think an outperformance payment should not be applicable to? *Please select all that apply*

Avoiding water quality incidents

Replacing more lead pipes

Improving the appearance/taste of water

Helping customers improve water quality in the home

Water quality sample failures

6. Now please consider the following Environment grouping and potential Outperformance Payments. Based upon the information provided, please indicate whether you would be in support of each level of performance overpayment.

'Environment'

Improving local river quality above the legal minimum standards

Supporting projects with local communities that help protect water sources, rivers and bathing waters

Improving habitats for plant and wildlife on our land

	Environment Outperformance Payment			
	If Wessex was to meet agreed performance commitment targets	If Wessex was as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	If Wessex was twice as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	The maximum amount Wessex could be rewarded. They would need to be three times more successful than the best company to date in beating their targets to achieve this
Increase Per week	£0	£0.01	£0.02	£0.03
Increase Per year	£0	£0.59	£1.19	£1.78
Average Bill 2020-2025 will be £460	£460	£461	£461	£462
I would be in support of this				
I would not be in support of this				

Now please consider the individual performance commitments within the Environment grouping (e.g. 'Improving local river quality above the legal minimum standards')

'Environment'

Improving local river quality above the legal minimum standards

Supporting projects with local communities that help protect water sources, rivers and bathing waters

Improving habitats for plant and wildlife on our land

7. Are there any individual performance commitments, within the Environment grouping, for which you think that an outperformance payment should not apply if Wessex Water exceeds the agreed targets?

Yes

No **GO TO 9**

8. Please indicate which individual performance commitments within this grouping you think an outperformance payment should not be applicable to? *Please select all that apply*

Improving local rivers above the legal minimum standards

Projects with local communities that help protect water sources, rivers and bathing waters

Improving habitats for plants and wildlife on our land

9. Now please consider the Community grouping and potential Outperformance Payments. Based upon the information provided, please indicate whether you would be in support of each level of performance overpayment.

‘Community’					
Engaging children to teach them about the water environment	Fixing reported leaks within a day	The number of successful applications to help with affordability of bills	Reducing the number of properties that are receiving our services but are either not being billed or we don’t know about	Helping customers use less water	Helping customers on our low rate social tariffs

	Community Outperformance Payment			
	If Wessex was to meet agreed performance commitment targets	If Wessex was as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	If Wessex was twice as successful as the best company to date at beating its targets, they may be rewarded by increasing the bill	The maximum amount Wessex could be rewarded. They would need to be three times more successful than the best company to date in beating their targets to achieve this
Increase Per week	£0	£0.01	£0.01	£0.02
Increase Per year	£0	£0.33	£0.66	£0.99
Average Bill 2020-2025 will be £460	£460	£460	£461	£461
I would be in support of this				
I would not be in support of this				

Now please consider the individual performance commitments within the Community grouping (e.g 'Fixing reported leaks within a day')

'Community' which encompasses.....					
Engaging children to teach them about the water environment	Fixing reported leaks within a day	The number of successful applications to help with affordability of bills	Reducing the number of properties that are receiving our services but are either not being billed or we don't know about	Helping customers use less water	Helping customers on our low rate social tariffs

10. Are there any individual performance commitments, within the Community grouping, for which you think that an outperformance payment should not apply if Wessex Water exceeds the agreed targets?

Yes

No **GO TO 12**

11. Please indicate which individual performance commitments within this grouping you think an outperformance payment should not be applicable to? *Please select all that apply*

- Teaching children about the water environment
- Fixing reported leaks within a day
- Successful applications to help with affordability of bills
- Increasing the proportion of properties billed
- Helping customers use less water
- Number of customers we get on our low rate social tariffs

12. As a reminder, Wessex Water has said that it will reduce bills in 2020 and that, even if they meet all their targets by 2025, average annual bills will be £19 less than they are today (before inflation).

Taking into consideration your answers to the previous questions we have worked out that if Wessex Water is able to deliver all of these improvements, the maximum possible impact on the annual bill for the period 2020-2025 will be an increase of £X.

Is this acceptable to you?

Yes **GO TO 14**

No

13. If no, would you happy with a lower level?

Yes

No

14. If yes, is this affordable to you?

Yes

No

And finally, a little about yourself.....

SECTION FOUR: DEMOGRAPHICS & ATTITUDES

15. Could please indicate which ONE of the following statements best reflects your attitudes towards the water and waste water industry? (statements will be rotated)

I believe the services that are provided by my water and waste water company are high quality and good value for money

The service I receive from my water and waste water company is reasonable value for money, but I would like to see improvements in some areas.

The service I receive from my water and waste water company is poor value for money and needs to improve in all areas.

I don't believe water companies should have been privatised in the first place.

16. What is your gender?

Male

Female

Other

Prefer not to say

17. Age

18-24

25-34

35-44

45-54

55-64

65+

18. Do you have any children living at home as dependants?

Yes

No

19. Please indicate which occupational group you belong to, or which group fits best.

Unemployed or retired and in receipt of state benefits/pension only

Semi-skilled or unskilled manual work (e.g. manual workers, all apprentices to be skilled trades, caretaker, Park keeper, non-HGV driver, shop assistant)

Skilled manual worker (e.g. skilled bricklayer, carpenter, plumber, painter, bus/ambulance driver, HGV driver, AA patrolman, pub/bar worker)

Supervisory or clerical / junior managerial / professional / administrative (e.g. office worker, student doctor, foreman with 25+ employees, salesperson)

Intermediate managerial / professional / administrative (e.g. newly qualified (under 3 years) doctor, solicitor, board director small organisation, middle manager in a large organisation, principle officer in civil service / local government)

Higher managerial / professional / administrative (e.g. established doctor, solicitor, board director in a large organisation (200+ employees), top level civil servant / public service employee)

Student

Home-maker

Full-time carer of another household member

Retired **GO TO Q21**

20. Which occupational group best fits your working status in your last job?

Semi-skilled or unskilled manual work (e.g. manual workers, all apprentices to be skilled trades, caretaker, Park keeper, non-HGV driver, shop assistant)

Skilled manual worker (e.g. skilled bricklayer, carpenter, plumber, painter, bus/ambulance driver, HGV driver, AA patrolman, pub/bar worker)

Supervisory or clerical / junior managerial / professional / administrative (e.g. office worker, student doctor, foreman with 25+ employees, salesperson)

Intermediate managerial / professional / administrative (e.g. newly qualified (under 3 years) doctor, solicitor, board director small organisation, middle manager in a large organisation, principle officer in civil service / local government)

Higher managerial / professional / administrative (e.g. established doctor, solicitor, board

director in a large organisation (200+ employees), top level civil servant / public service employee)

Thank and close

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Wessex Water Outperformance Payments Research Report

Full Colour Thinking from Turquoise for Wessex Water

March 2019



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Introduction.

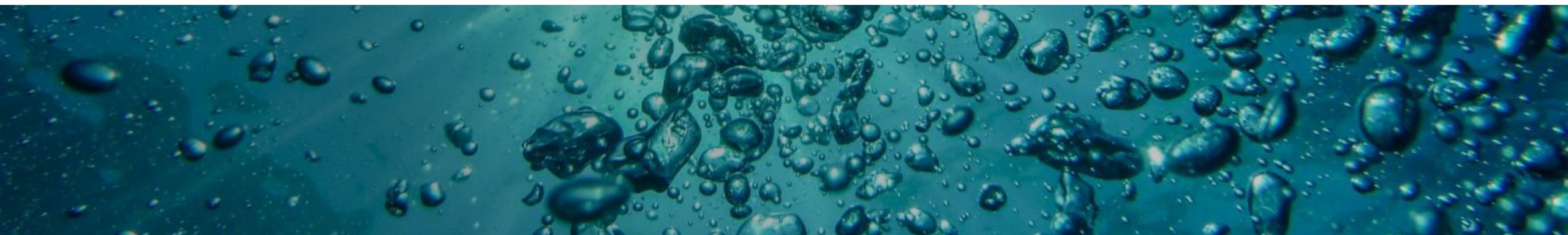
Introduction and background.

Every five years, water companies submit business plans to OFWAT setting out what they intend to deliver for customers and the environment. The current submission is for the 2019 Price Review (PR19) which agrees targets and charges for the period of 2020-25.

Across the last two years, Wessex Water has undertaken an extensive consultation programme with customers and stakeholders to feed into its submission. The current plan proposes that bills will fall by £19 (excluding inflation rises) from £479 to £460. At the same time, Wessex Water has committed to deliver its biggest ever programme of improvements to services and the environment.

For PR19, OFWAT have introduced an element of competition by allowing performance to be incentivised, i.e. if Wessex Water delivers more than the agreed level of service and improvement detailed in its business plan, it can earn a financial reward; however, if it does not meet these promises, it can be financially penalised.

The broad objective of this piece of research is to quantitatively test the acceptability, and affordability, of the overall package of rewards with customers. To keep the survey manageable, only measures for which Wessex Water have proposed rewards, or positive incentives, have been tested. Customers were, however, informed that some measures can only carry a penalty to ensure that they were aware of the whole picture.



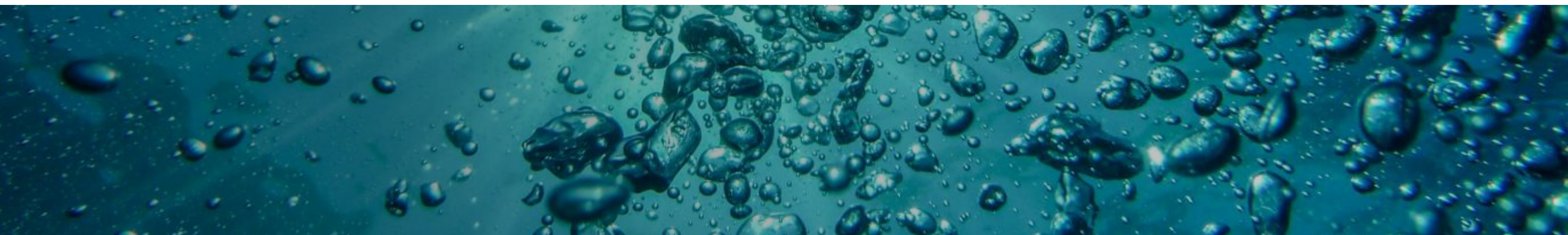
Introduction and background (continued).

In order to ensure customers knew what they were getting for their support of incentive payments, three possible levels were tested each with an explanation of what Wessex Water would need to achieve to reach this level. Customer support for the proposed 2020-25 bill of £460 was also tested.

For the purpose of this report, and given it's the most likely level of outperformance payment that Wessex Water would reach, support for the lowest level of outperformance payment has been taken as support for the mechanism in principle.

During the qualitative study that Turquoise Thinking conducted for Wessex Water on underperformance and outperformance payments, it became evident that prior attitudes to Wessex Water and the water industry had a whole, rather than the potential cost, was driving support or lack of support for the mechanism.

It is apparent that there is a minority of customers who are negative towards Wessex Water and/or they don't believe that water companies should have been privatised; this tranche of customers are unlikely to support any form of outperformance regardless of the level of bill increase.



Methodology.

The survey was designed by Turquoise Thinking in close conjunction with key stakeholders at Wessex Water.

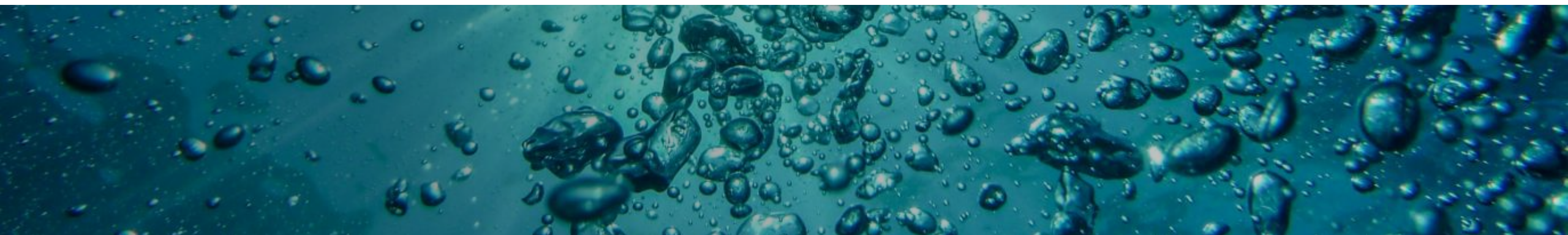
The methodology used was online and an invitation to complete the survey was emailed to a random selection of Wessex Water customers.

The target number of completes was 1,000 which was achieved within seven days. Average completion time, excluding outliers, was just under eleven minutes.

Given the nature of the topic, customers had to be provided with a considerable amount of stimulus material before completing the survey so that they were in a position to give well-informed responses.

Whilst it was vital that customers had this background knowledge, it was equally important that they understood the topic. During the survey design, best efforts were made by Turquoise Thinking and Wessex Water to find the right balance in this regard.

To ensure that the results are representative of Wessex Water bill payers, and considering the complexity of the subject and the self-selecting nature of email surveys, the results have been weighted. The weighting used can be seen in the following section and the demographic breakdown of the original sample can be found in the appendix of this report.



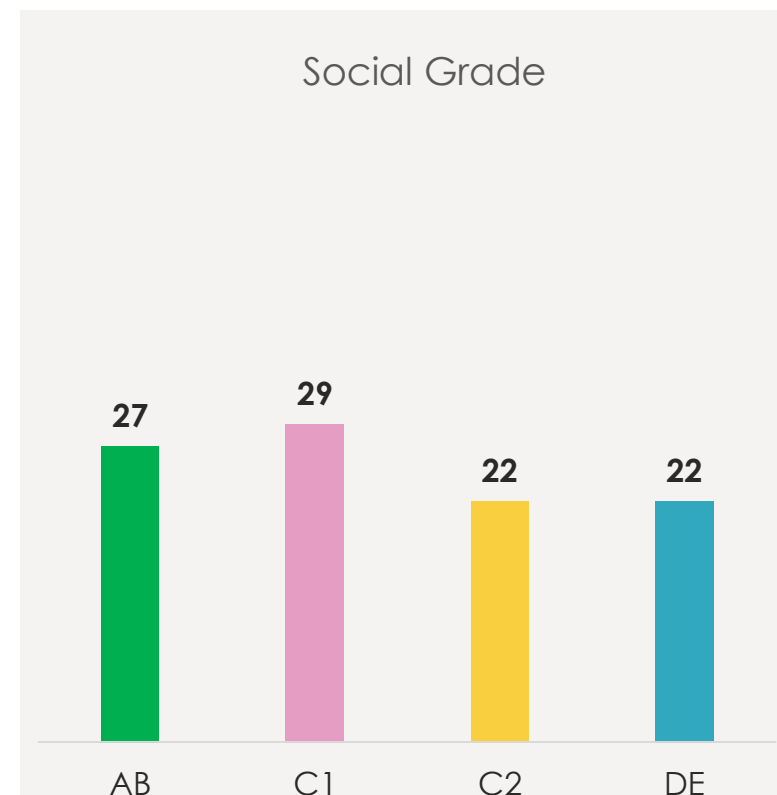
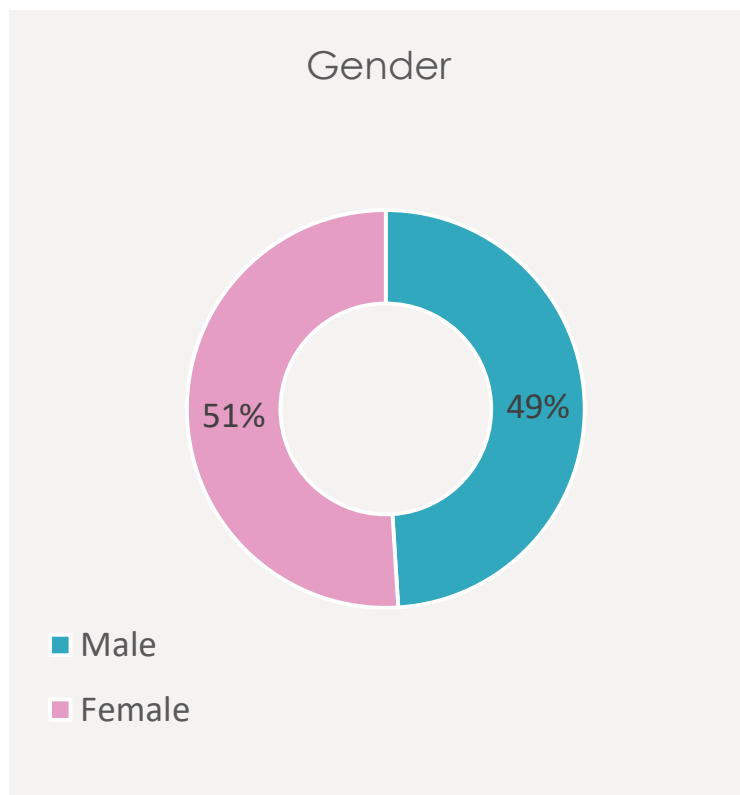
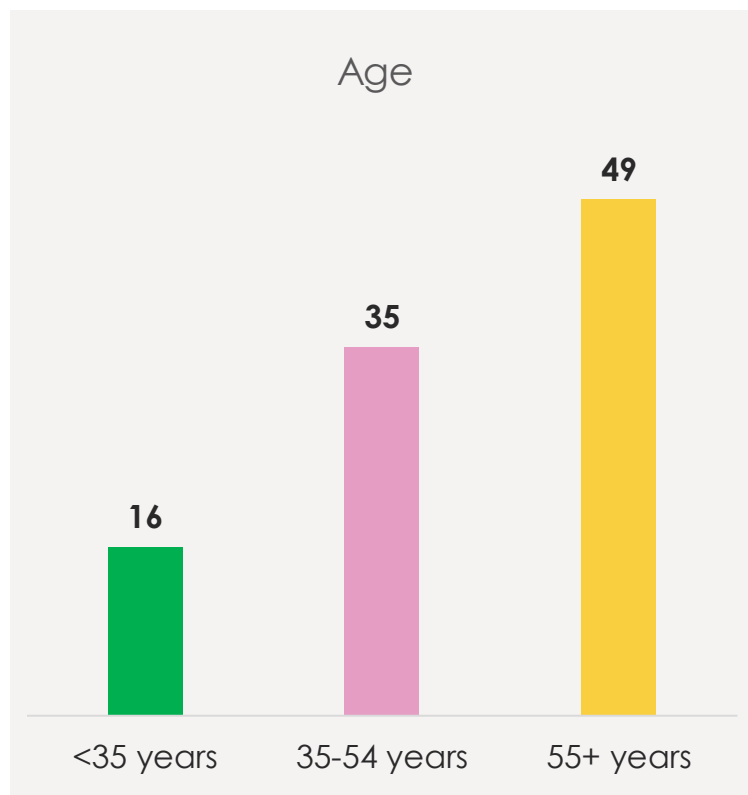


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Demographics and
Attitudes.

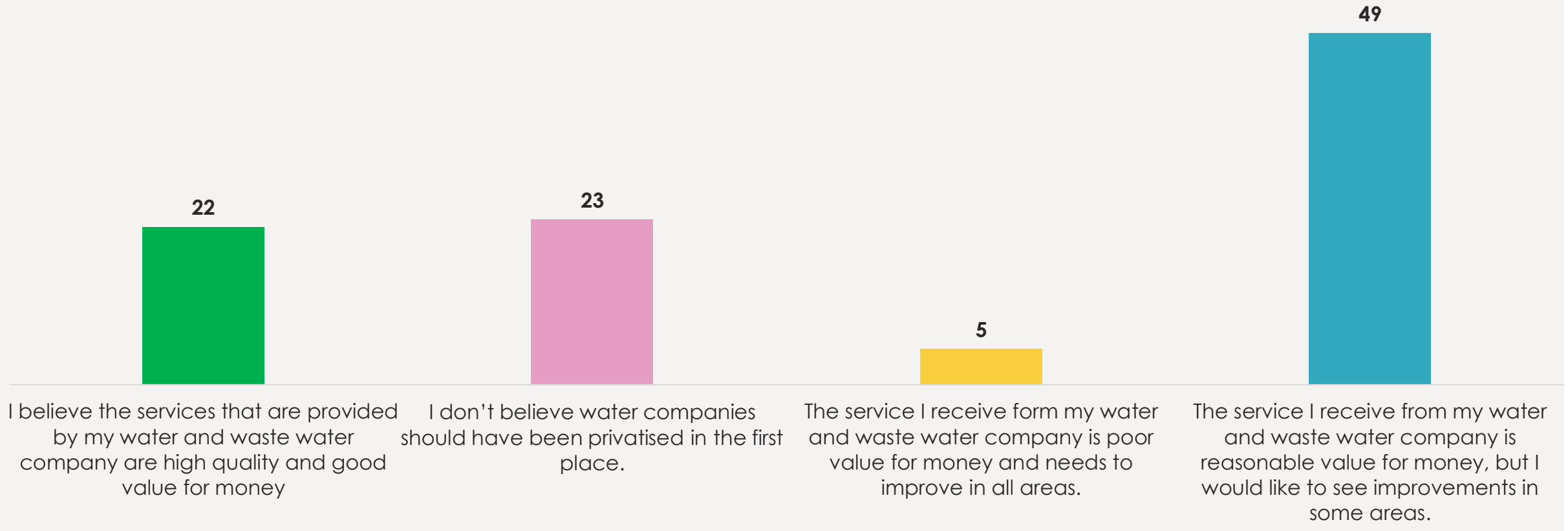
Weighted demographics.

The data in this report has been weighted to age, gender and social grade. The weighting used for this report is built on the 2011 Census data but with the age profile adjusted to be reflective of the low percentage of bill payers in the under-35 years bracket.



Attitudes towards the water industry.

Which of the following statements best reflects your attitudes towards the water and waste water industry?





trionex

Outperformance
Acceptability Summary.

Performance commitment groupings.

- To keep the survey manageable for customers, the individual performance commitments were grouped into the four areas seen below.
- Customers were asked whether they support, or do not support, three different levels of outperformance payments for each grouping and the agreed average bill for 2020-25 of £460.

Core Service

1. The amount of water leakage
2. The number of interruptions to supply
3. The number of sewage flooding incidents
4. The number of pollution incidents
5. The average amount of water used per person
6. Customer service

Water Quality

1. Avoiding water quality incidents and managing any issues well
2. Replacing more lead pipes
3. Improving the appearance / taste of water
4. Helping customers improve water quality in the home
5. Minimising water quality sample failures

Environment

1. Improving local river quality above the legal minimum standards
2. Supporting projects with local communities that help protect water sources, rivers and bathing waters
3. Improving habitats for plants and wildlife on our land

Community

1. Engaging children to teach them about the water environment
2. Fixing reported leaks within a day
3. The number of successful applications to help with affordability of bills
4. Reducing the number of properties that are receiving our services but are either not being billed or we don't know about
5. Helping customers use less water
6. Helping customers on our low rate social tariffs

Outperformance payment levels.

- Customers were made aware of the bill impact for each level along with what Wessex Water would have to achieve in terms of its targets to reach that level.

		Core Service	Water Quality	Environment	Community
		<p>Bill impact</p> <p>↓</p> <p>+£0</p> <p>If Wessex Water was to meet agreed performance targets</p>	<p>Bill impact</p> <p>↓</p> <p>+£0</p>	<p>Bill impact</p> <p>↓</p> <p>+£0</p>	<p>Bill impact</p> <p>↓</p> <p>+£0</p>
Level 1	If Wessex Water was as successful as the best company to date at beating its targets	+£7.50	+£6.56	+£0.59	+£0.33
Level 2	If Wessex Water was twice as successful as the best company to date at beating its targets	+£15	+£13.12	+£1.19	+£0.66
Level 3	If Wessex Water was three times more successful than the best company to date	+£23	+£19.68	+£1.78	+£0.99

Outperformance support summary.

As discussed in the introduction, an indication of support for an outperformance payment at the lowest level (Level 1) for each group of performance commitments has been taken as support. As can be seen below, between 66% and 69% of customers support outperformance payments for each grouping.



* indicates statistically significant differences by demographic.

Male	61%*	59%*	62%*	60%*
Female	70%*	72%*	76%*	76%*
<35 yrs	72%	69%	81%	79%
35-54 yrs	67%	67%	69%	66%
55+ yrs	62%	64%	66%	66%
AB	68%	66%	70%	67%
C1	66%	66%	70%	66%
C2	66%	69%	69%	69%
DE	62%	62%	69%	71%

Average affordable/acceptable outperformance bill increase.

- Note that if Wessex Water achieved a Level 1 outperformance reward for each grouping, the total bill increase would be £14.98.





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Core Service Grouping.

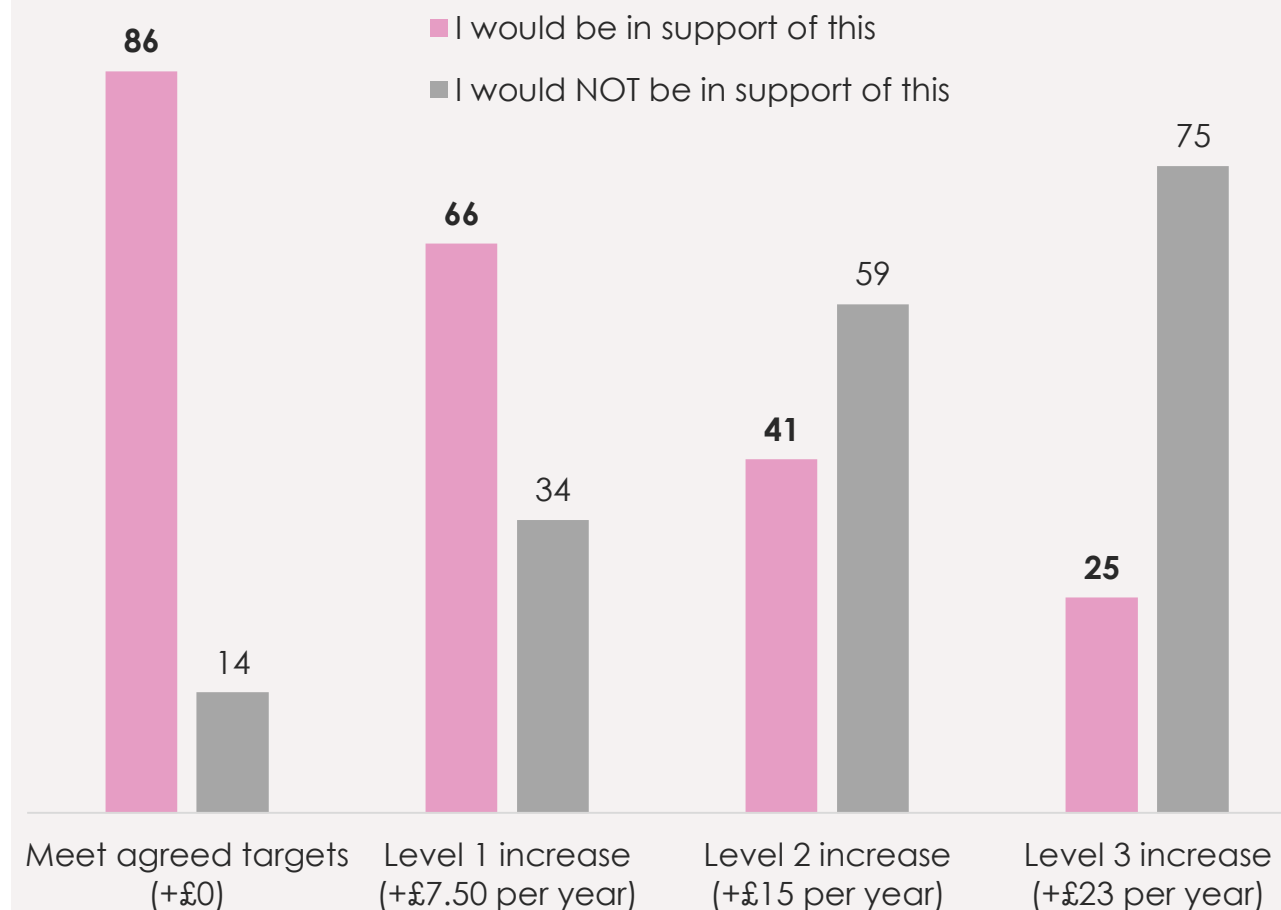
Two-thirds of customers (66%) would support outperformance payments at the lowest level for the Core Service grouping.

Core Service

66%
Support

- Therefore, 66% of customers, in principle, support outperformance payments for the core service grouping.
- Whilst support for Level 1 is taken as support in principle for outperformance payments, customers were also asked to indicate whether they support outperformance payments at two higher levels.
- As one would expect, the proportion of customers in support decreases as the level of outperformance payment rises. 41% of customers support the Level 2 increase of £15 per year, and 25% support the Level 3 increase of £23 per year.
- Interestingly, there are some significant differences by gender: whilst a significantly higher proportion of females are in support at the current bill level (91% vs. 82% of males) and the Level 1 increase (70% vs. 61% of males), the reverse is true at Level 2 and Level 3, though not significantly.
- Whilst there are no significant differences by social grade, support for the Level 1 increase is slightly lower amongst customers with a DE social grade (62%).

Core Service Outperformance Payments Support (%)





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Water Quality Grouping.

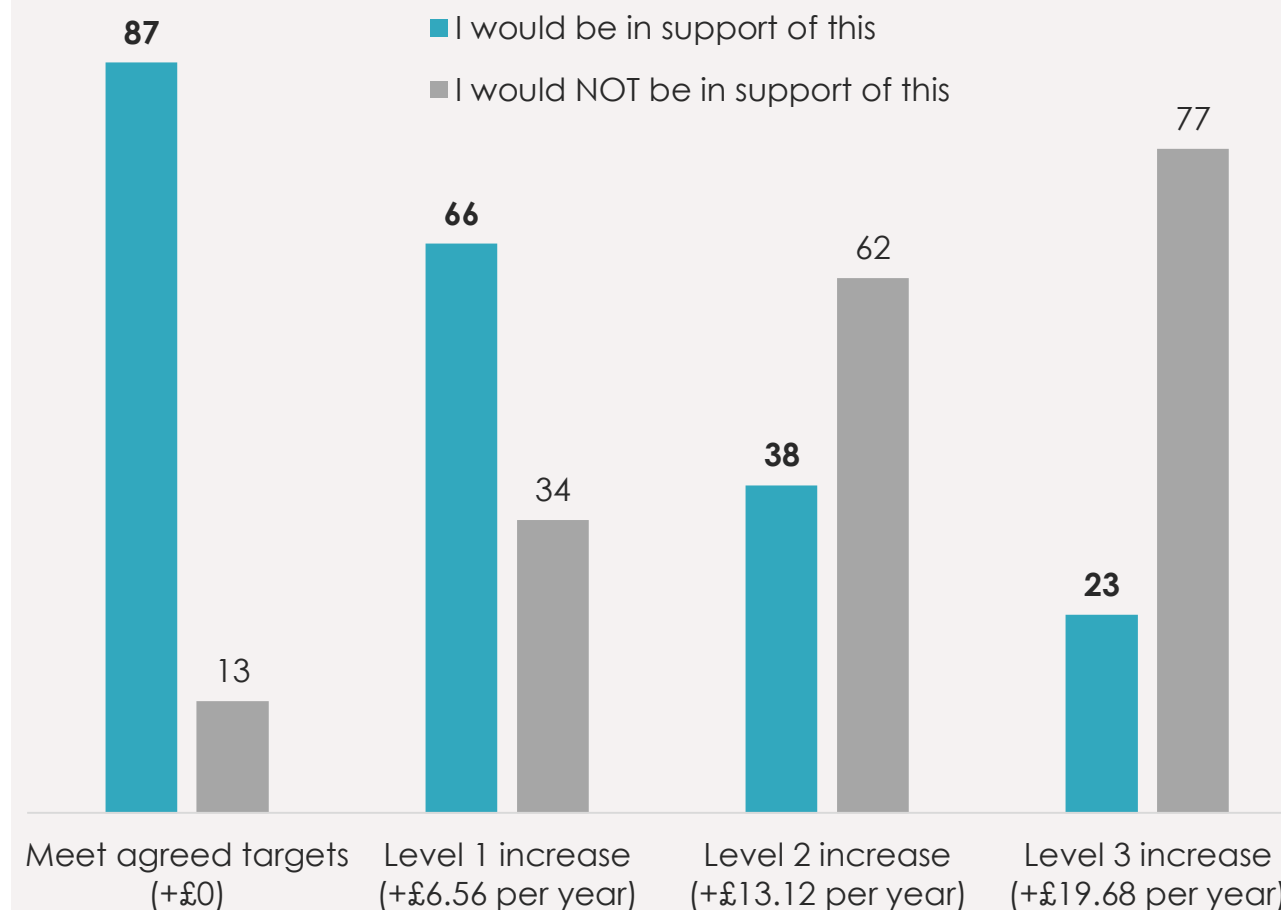
Two-thirds of customers (66%) would support outperformance payments for the Water Quality grouping.

Water Quality

66%
Support

- The same proportion of customers support an outperformance payment, in principle, for the Water Quality grouping as for the Core Service grouping (66%).
- Support for outperformance payments at subsequent, higher levels, are similar to the Core Service grouping. However, support does drop off at a slightly higher rate: 38% of customers support the Level 2 increase of £13.12 per year, and 23% support the Level 3 increase of £19.68 per year.
- Once again, the key demographic differences are based on gender – as with the Core Service grouping, a significantly higher proportion of females are in support of an outperformance payment for this group than males (72% vs. 59%).
- There were no significant differences in support by age or social grade.

Water Quality Outperformance Payments (%)

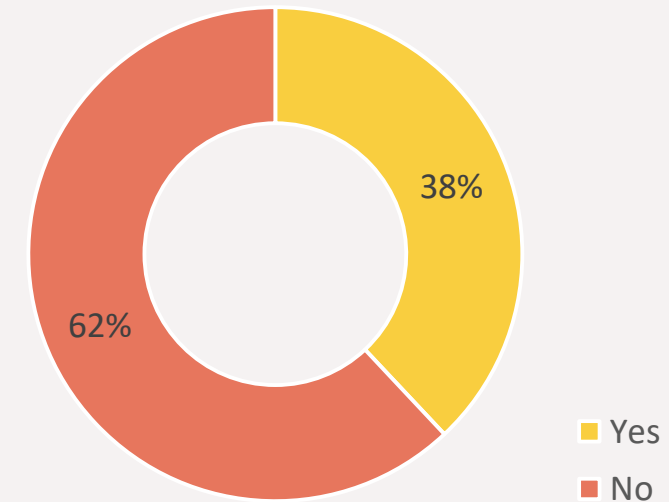


The majority of customers (62%) support outperformance payments for each individual performance commitment within the Water Quality grouping.

Individual Water Quality Performance Commitments

- *Avoiding water quality incidents*
 - *Replacing more lead pipes*
 - *Improving the appearance / taste of the water*
 - *Helping customers improve water quality in the home*
 - *Minimising water quality sample failures*
- Having indicated whether they would support an outperformance payment for the Water Quality grouping as a whole, customers were then asked whether there are any individual performance commitments (listed above) for which they think an outperformance payment should not apply.
 - 38% of customers stated that they do not support an outperformance payment for at least one performance commitment in this grouping. The proportion of customers who objected to each individual performance commitment carrying an outperformance payment can be seen on the following slide.
 - There were no significant differences by demographics.

Are there any individual performance commitments, within the Water Quality grouping, for which you think an outperformance payment should NOT apply?

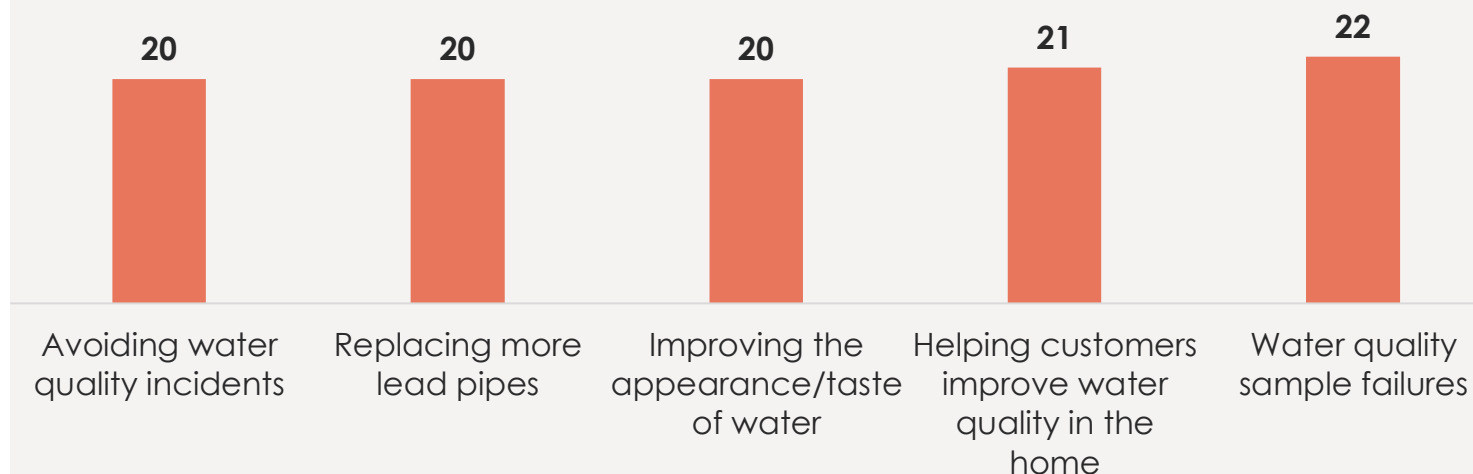


As a proportion of the total sample, 20%-22% of customers believe an outperformance payment should not apply for each performance commitment within the Water Quality grouping.

Water Quality

- Note that the percentages in the chart to the right are of the total sample – this question was asked of the 38% who indicated that they believe an outperformance payment should not apply to at least one performance commitment in this grouping (from previous slide).
- Whilst it may appear, on the surface, that there is a segment of customers selecting all the performance commitments (given the similar percentages), this was not the case. The majority of customers selected just one or two individual performance commitments.
- Evidently, there is no individual performance commitment in this grouping which stands out to customers as one which should not carry a potential outperformance payment.
- There was little difference by demographics; however, replacing more lead pipes was selected by a significantly higher proportion of males (25%) than females (16%) as a performance commitment where an outperformance payment should not apply.

For which individual performance commitments should an outperformance payment not apply? (% of the total sample)





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Environment Grouping.

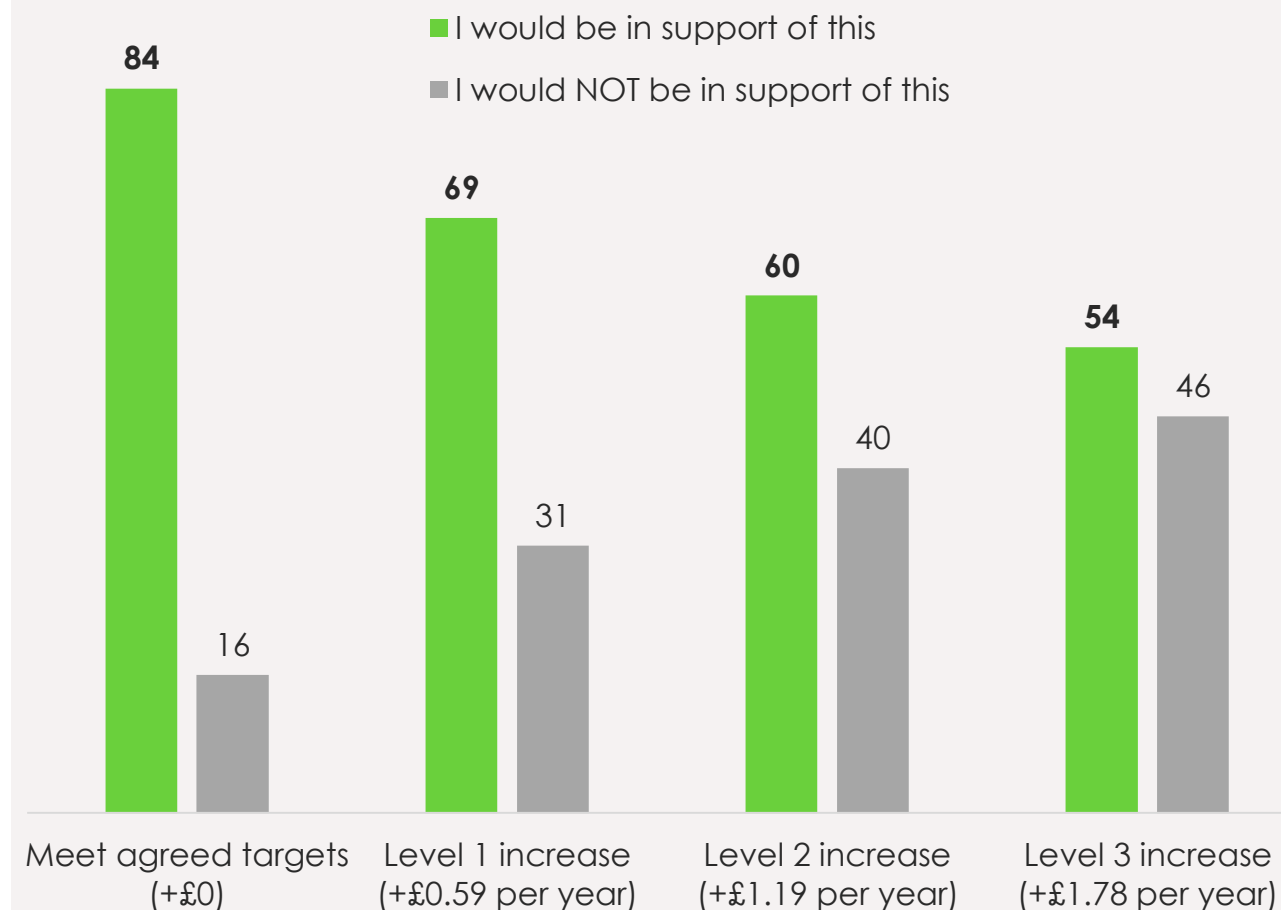
A slightly higher proportion of customers (69%) would support outperformance payments for the Environment grouping.

Environment Grouping

69%
Support

- More than two-thirds of customers indicated support for outperformance payments for this grouping as a whole. This was a slightly higher proportion than for the Core Service and Water Quality groupings (66% for both).
- Given the disparity in the size of the outperformance payments between this grouping and the previous two groupings (Core Service and Water Quality) – i.e. Level 1 increase for this grouping is just 59p per year compared to £7.50 for Core Service, the 4% increase in support suggests that the size of outperformance payment is of less significance to support than other factors.
- Having said that, support at Level 2 and Level 3 for this grouping is significantly higher than for the Core Service and Water Quality groupings. This suggests that while the potential bill increase is a factor, the support in principle of outperformance payments is a more important driver than cost.
- Again, females are significantly more likely to support an outperformance payment for this group than males (76% vs. 62%).
- Whilst there was no significant differences by age, customers aged <35 years indicated higher levels of support at each level (81% at Level 1).

Environment Outperformance Payments Support (%)

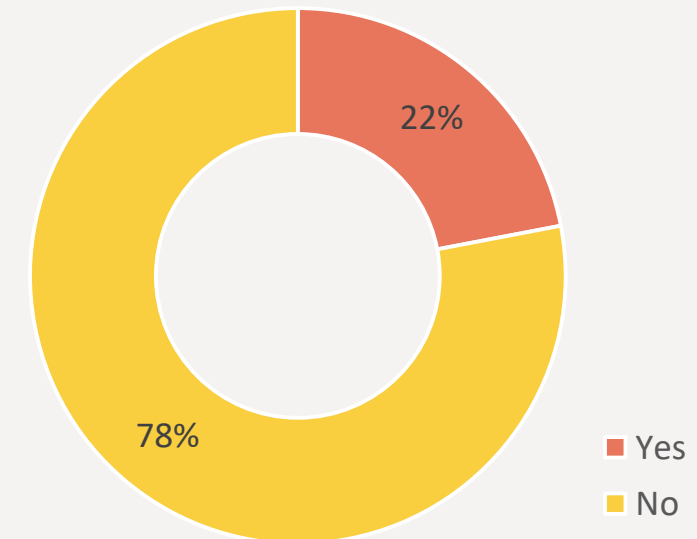


The vast majority of customers (78%) support outperformance payments for each individual performance commitment within the Environment grouping.

Individual Environment Performance Commitments

- *Improving local river quality above the legal minimum standards*
 - *Supporting projects with local communities that help protect water sources, rivers and bathing waters*
 - *Improving habitats for plant and wildlife on our land*
- Just 22% of customers do not support an outperformance payment for at least one performance commitment within this grouping.
 - This proportion is lower than we saw with the Water Quality grouping; however, bear in mind that there are only three individual performance commitments within this group compared to five in the Water Quality grouping and six in the Community grouping.
 - The only demographic difference to note here was that males were significantly more likely to feel that an outperformance payment should not apply to at least one of the individual performance commitments (26% vs. 18% amongst females).

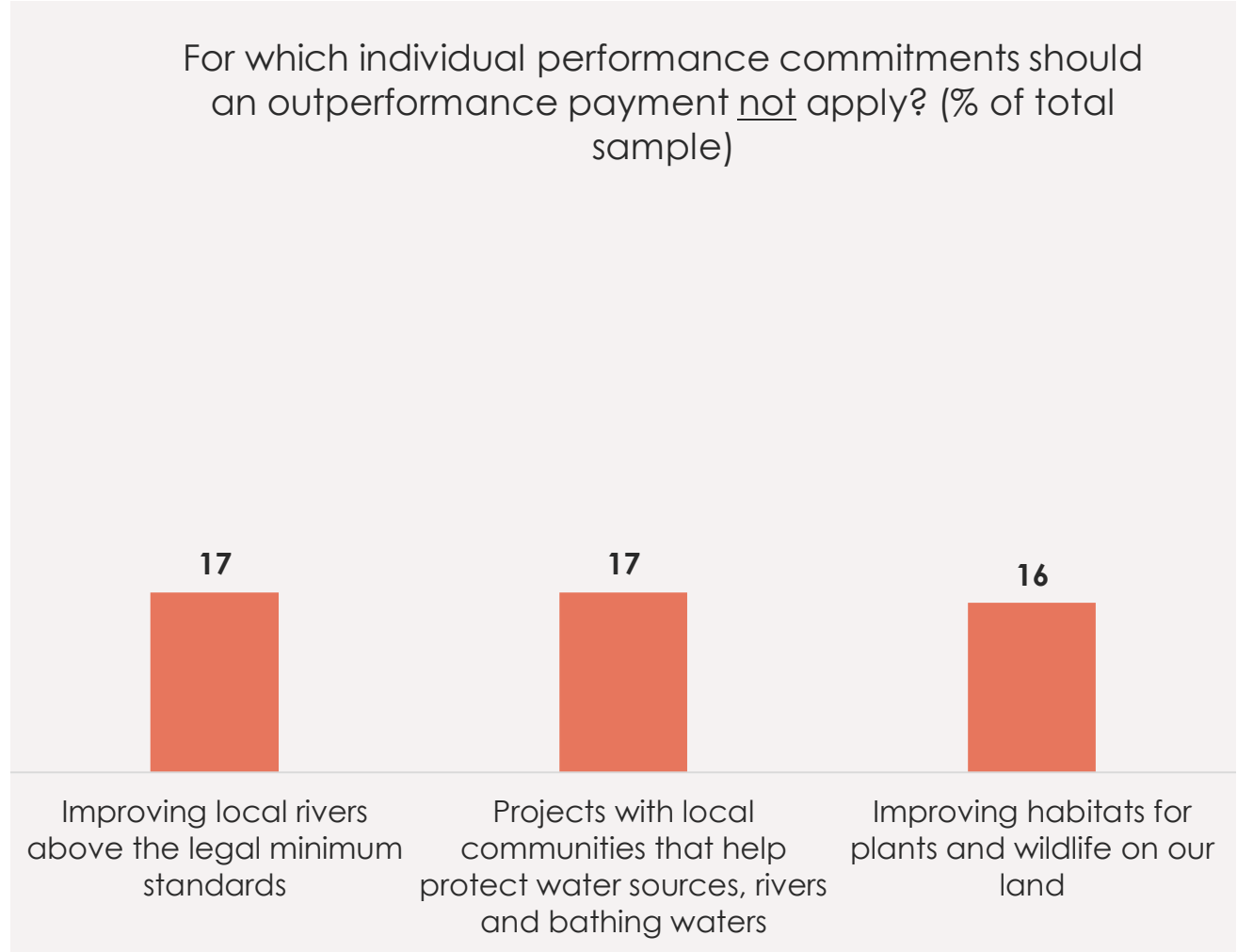
Are there any individual performance commitments, within the Environment grouping, for which you think an outperformance payment should NOT apply?



As a proportion of the total sample, 16%-17% of customers believe an outperformance payment should not apply for each performance commitment within the Environment grouping.

Environment Grouping

- Again, please note that the percentages in the chart to the right are of the total sample - this question was asked of the 22% who indicated that they believe an outperformance payment should not apply to at least one performance commitment in this grouping (from previous slide).
- In contrast with the Water Quality grouping, when a customer believed that an outperformance payment should not apply to an individual Environment performance commitment, they were more likely to select all of the individual commitments in this grouping. In fact, 76%-80% of customers chose each of the three individual performance commitments.
- These results indicate that there is a minority of customers who are strongly opposed to supporting environmental outperformance payments.
- Whilst there was little difference demographically, customers who don't believe that water companies should have been privatised, and customers who feel that the service they receive from Wessex Water is poor value for money were significantly more likely to believe outperformance payments shouldn't apply to the Environment grouping.





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Community Grouping.

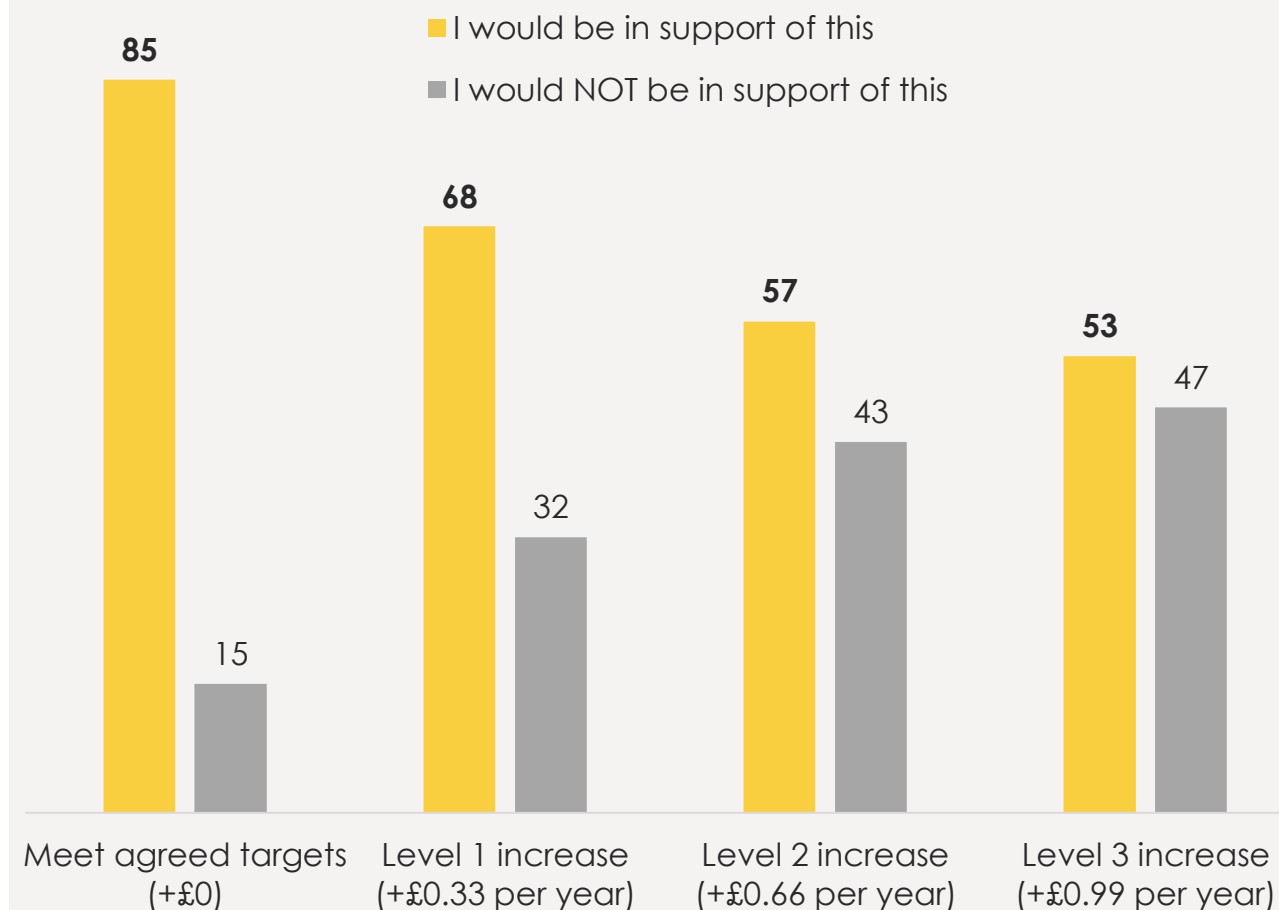
68% would support outperformance payments for the Community grouping.

Community Grouping

68%
Support

- Just over two-thirds of customers indicated support for outperformance payments for this grouping as a whole.
- As seen with the Environment grouping, there is less of a drop-off in support at Levels 2 and 3.
- As with all groupings, females are significantly more likely to support an outperformance payment for this grouping than males (76% vs 60% respectively).
- There was more support for outperformance payments for this grouping amongst customers aged <35 years (79% at level 1; 75% at level 2; 70% at level 3).
- There were no significant differences by SEG.

Community Outperformance Payments (%)

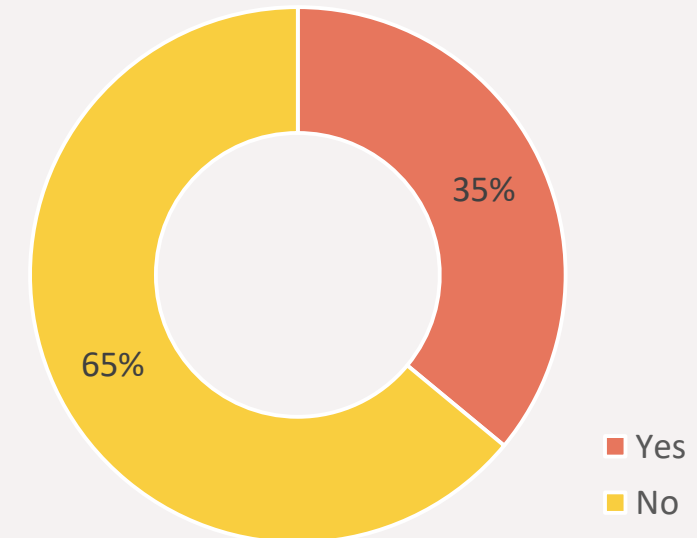


The majority of customers (65%) support outperformance payments for each individual performance commitment within the Community grouping.

Individual Community Performance Commitments

- *Improving local river quality above the legal minimum standards*
 - *Supporting projects with local communities that help protect water sources, rivers and bathing waters*
 - *Improving habitats for plant and wildlife on our land*
- 35% of customers do not support an outperformance payment for at least one performance commitment within this grouping.
 - There were no differences for this question by gender or social grade, however, those aged under-35 were less likely to object to a single performance commitment carrying a potential outperformance payment (45%).

Are there any individual performance commitments, within the Community grouping, for which you think an outperformance payment should NOT apply?

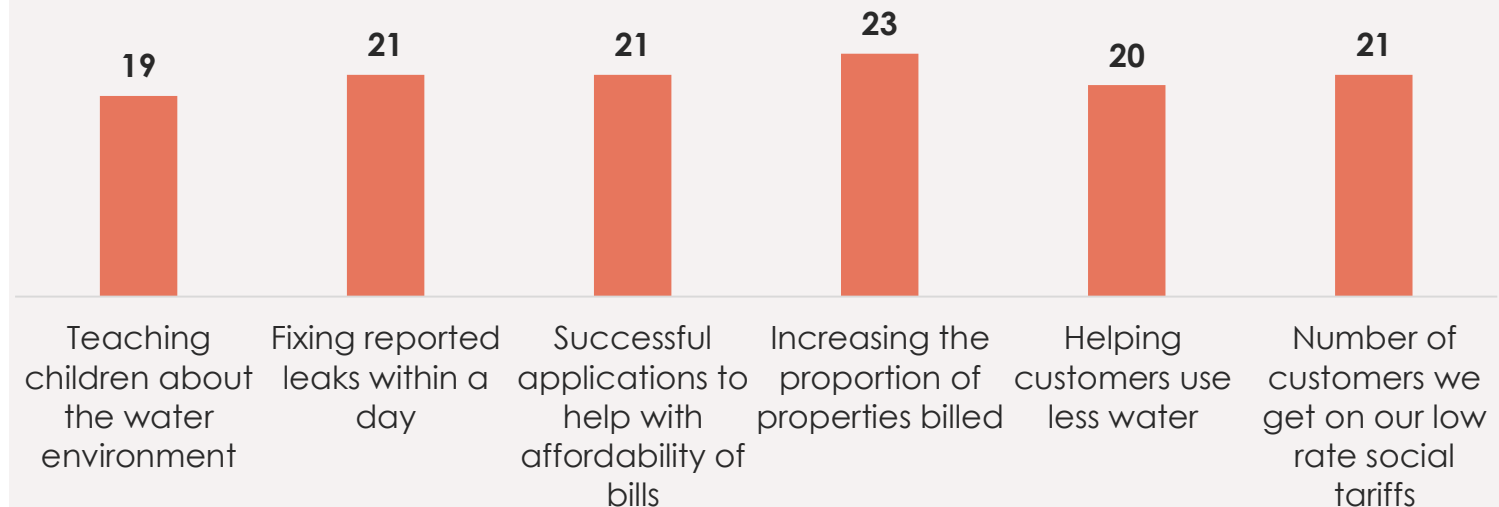


As a proportion of the total sample, 20%-21% of customers believe an outperformance payment should not apply for each performance commitment within the Community grouping.

Community

- Again, please note that the proportion in the chart to the right are of the total sample - this question was asked of the 36% who indicated that they believe an outperformance payment should not apply to at least one performance commitment in this grouping (from previous slide).
- As with previous grouping, no single performance commitment was selected by a significant proportion of the sample, however, 'increasing the proportion of properties billed' was selected by a slightly higher proportion.
- There were no significant demographic differences.

For which individual performance commitments should an outperformance payment not apply? (% of total sample)





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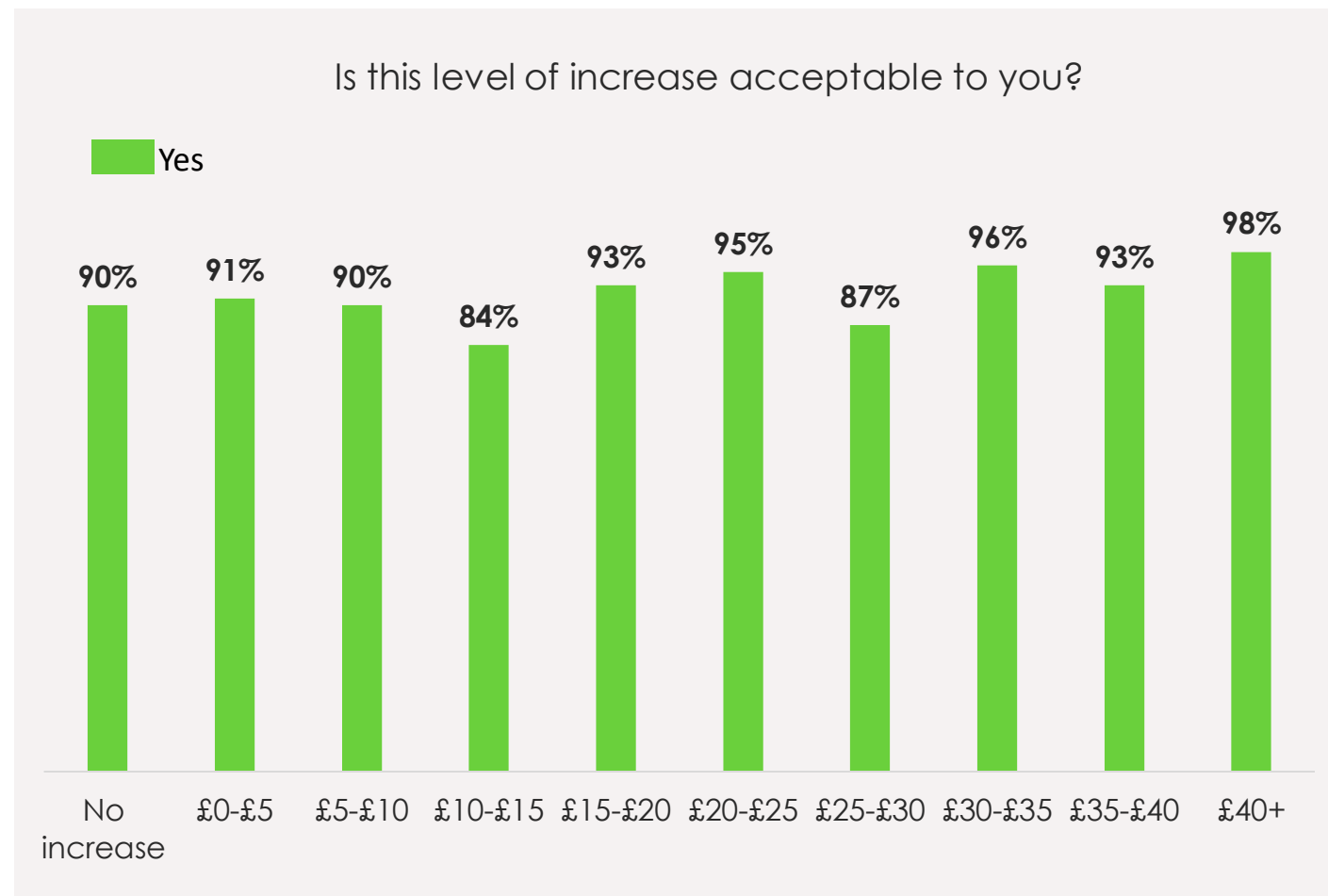
The Potential Bill Impact and
Affordability.

The vast majority (92%) of customers find the maximum potential impact on their bill acceptable.

Potential Bill Impact

92%
 Acceptability

- Based on the maximum level each customer would support for the four groupings (Core Service, Water Quality, Environment and Community), a total bill increase was calculated and shown to the customer.
- 92% of the sample found the maximum potential impact on their bill acceptable; however, this figure includes customers who would have no increase based on their answers – i.e. would not support any outperformance payments. Amongst these customers, the proportion was slightly lower (90%).
- If we look at customers who did support at least one level of outperformance payment; in other words, their bill would potentially see an increase, the proportion who found the increase acceptable rose slightly to 93%.
- Amongst customers who would support a potential increase of over £40, 98% found this acceptable.
- High levels of acceptability at each of these price intervals suggests that the current level of outperformance payments is reasonable. Furthermore, given that there is no significant difference in acceptability at each interval, it is unlikely that a reduction in the bill increase at each level would produce an increase in support, at least not proportionally.

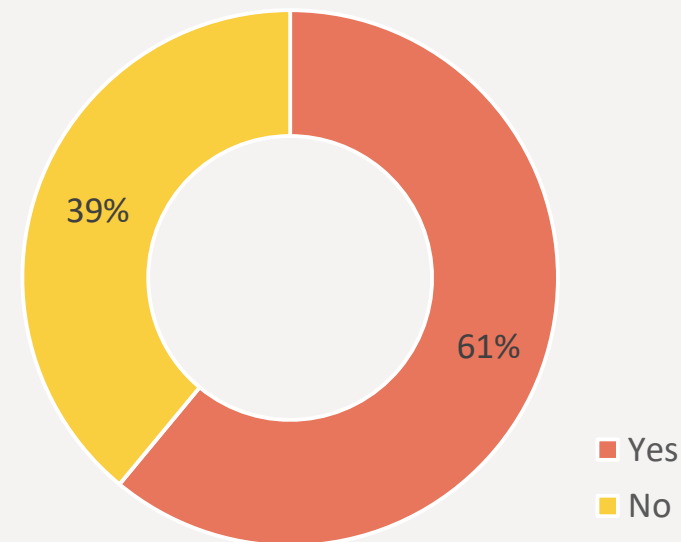


The majority (61%) of customers who didn't find the potential increase to their bill acceptable would be happy with a lower increase.

Is a lower increase acceptable?

- The 8% of customers who indicated that they did not find the level of increase acceptable were then asked whether they would be happy with a lower level increase. Three-fifths (61%) of these customers would be happy with a lower increase.
- Male customers were significantly less likely to be happy with a lower increase than females (42% vs. 81% respectively) suggesting that their objection is purely on principle or affordability.
- The proportion of customers who would be happy with a lower increase is, therefore, just under 5% of the total sample. Additionally, there is no evidence from this survey as to what level of decrease would be acceptable to them.

Would you be happy with a lower level increase?

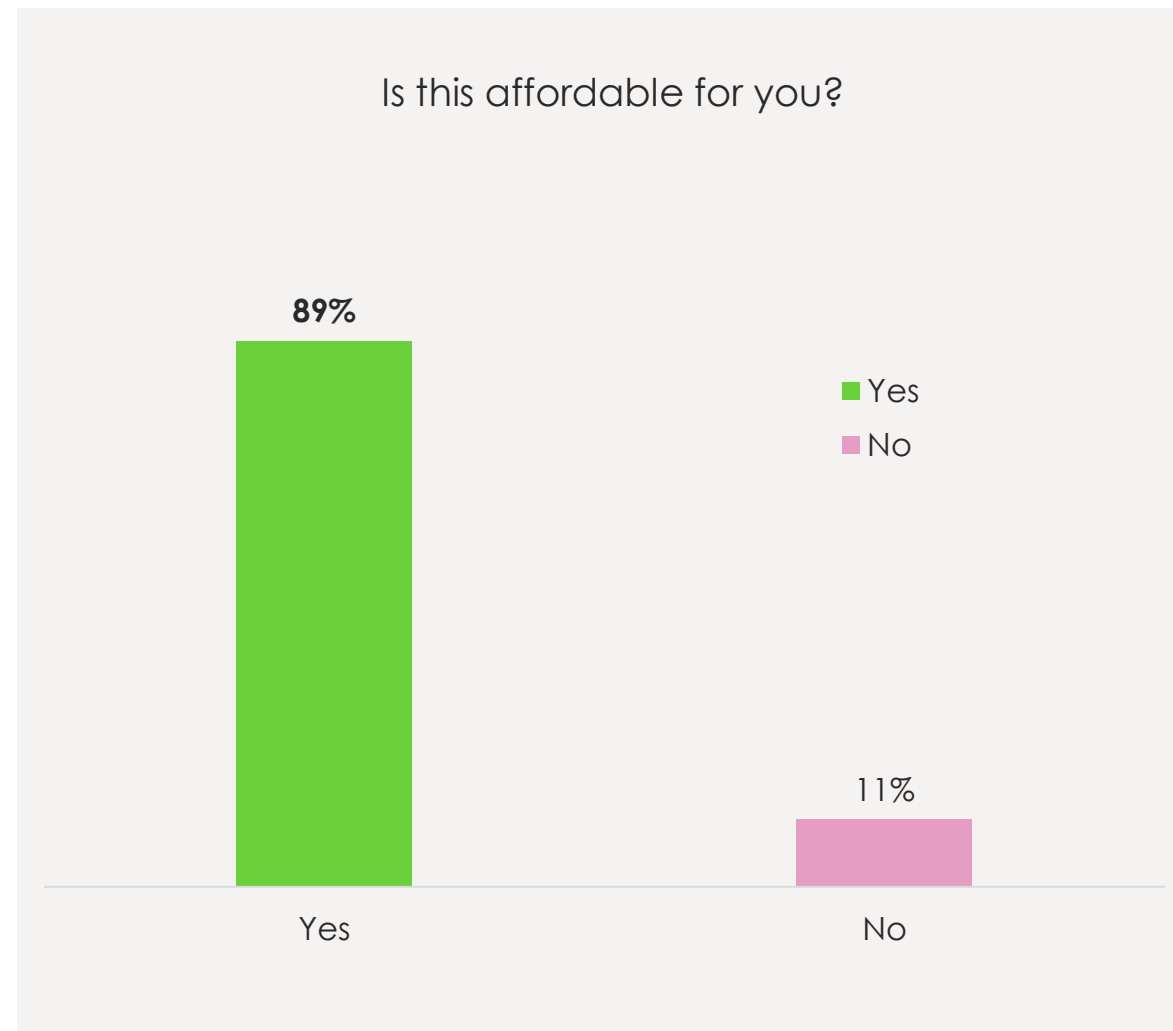


The vast majority (89%) of customers found the maximum potential impact on their bill to be affordable.

Is the potential bill increase affordable?

89%
 affordability

- As seen with acceptability, the vast majority of customers found their individual bill increases affordable.
- There were little difference by demographics, however, as one might expect customers with an AB social grade were more likely to find their potential bill increase affordable (94%). However, the lower social grade category (DE) also reported a high level of affordability at 89%.
- Interestingly, particularly given that there was little difference in affordability demographically, the total average increase in bills (based on their support) for customers who did find the increase affordable was higher than those who didn't (£21.13 vs. £16.72). It's reasonable to take this finding as further evidence that the actual cost increase is not as much a driver in support, or affordability, as other factors.

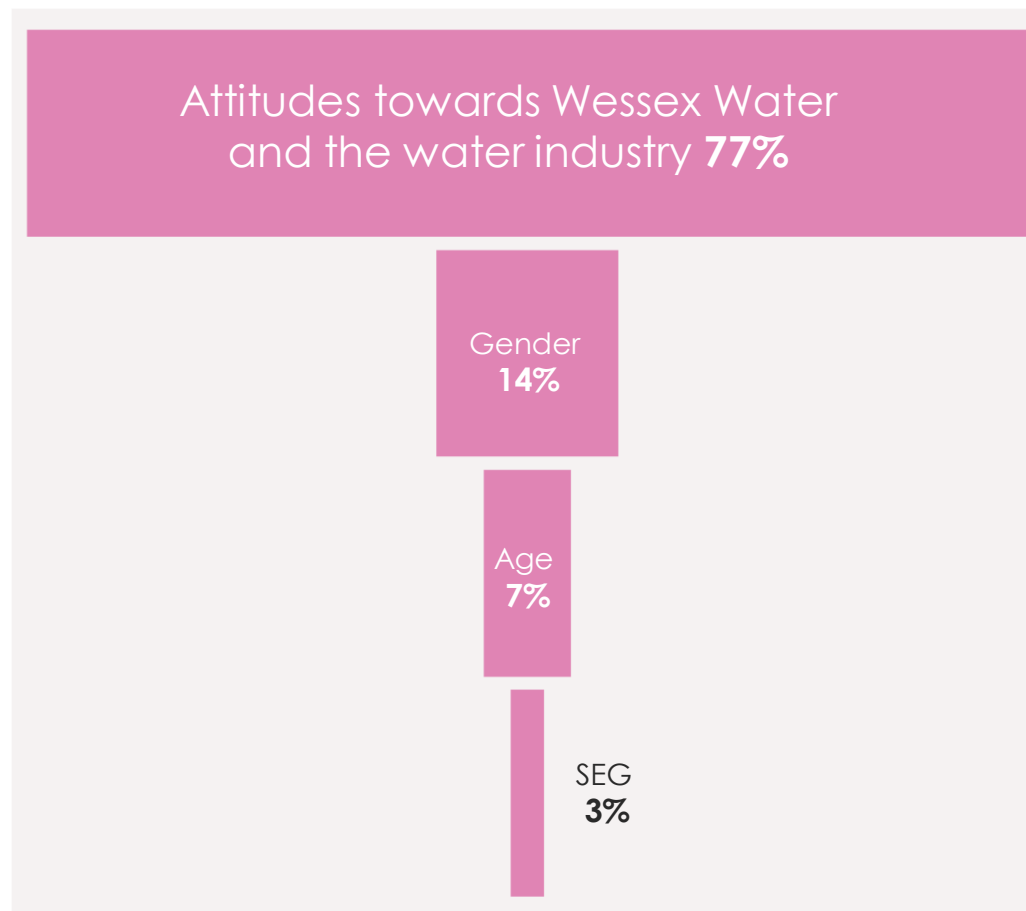


The key driver of support for Level 1 outperformance payments is attitude towards Wessex Water and the water industry.

Attitude as a key driver of support

- Please note that this key driver analysis has not included cost/bill increase as a factor.
- The vast majority of the variance in support for Level 1 increases is explained by pre-conceived attitudes towards Wessex Water and the water industry.
- Whilst it is understandable that customers who are not currently happy with the service and/or the value for money of the service they receive from Wessex Water are less likely to support outperformance payments, the level of disparity between attitudes and demographics as a driver of support indicates the role it plays.
- As we've highlighted throughout the report, there are key differences in support by gender.
- Interestingly, social grade is the weakest driver of support; a finding which backs up what was found in the qualitative research.

Key driver analysis of support of outperformance payments





Truora

Conclusions.

Conclusions.

Support for outperformance payments for each grouping (Core Service, Water Quality, Environment and Community) is between 66% and 69% of customers. It is reasonable to infer that the overall level of support for outperformance payments is in this range, particularly given the lack of variation in levels of support across the four groupings.

Across all groupings, there was no single performance commitment which stood out to customers as one that shouldn't carry a potential outperformance payment.

Whilst there is a drop off in support at the higher levels (Level 2 and 3) of potential outperformance payments, the fall in support is not proportionate to the percentage rise in bill increase. Support, or demand, for outperformance payments is inelastic. Lowering the potential bill increase at these levels would be unlikely to increase support a great deal, at least not proportionally.

Furthermore, given that lowering the level of outperformance payments at Level 2 and 3 would cause a knock on decrease at Level 1, we would advise against this; with the proviso that the results from this study are deemed a positive level of support.



Conclusions.

In terms of the total potential cost to customers, of their level of support across the four groupings, 92% find it acceptable. The average total bill increase, for customers who found their increase acceptable, was £21.16. If Wessex Water were to reach level 1 for each grouping, i.e. it was as successful as the best company to date at beating its targets, the total impact on the bill would be a rise of £14.98. This is further evidence that the current level of outperformance payments are reasonable.

Furthermore, acceptability of the potential bill increase does not fall at higher levels; for example, 98% of customers found a potential bill increase of over £40 acceptable. Whilst we would not necessarily advocate an increase in the outperformance payments, the data suggests that there may be potential for movement in this direction.

Significantly, there was very little difference in support of outperformance payments, acceptability of the bill increase, or affordability, by socio-economic grade. The largest differences were seen by gender – overall, males are less likely to support outperformance payments than females. As with SEG, there was little difference in support by age group.

It's evident, and supported by the key driver analysis, that attitudes are having a large impact on support; whilst cost implication does play a part, it is a secondary factor. Demographic differences, bar gender, are minimal.



Conclusions.

As was found during the qualitative research into underperformance and outperformance payments, a proportion of customers are unhappy with the service they receive from Wessex Water; a proportion are unhappy with the value for money of the service they receive; and a proportion don't believe water companies should ever have been privatised – these types of attitudes are clearly driving support, or lack of support, for outperformance payments. We would suggest that a decrease in the level of outperformance payments would not be sufficient in garnering support from the majority these customers. The decision to support or not support is rooted in whether a customer believes in the principle in the mechanism.

Furthermore, there is a minority within this sample who will simply not support outperformance payments regardless of the level of cost implication. For example, just under 7% of customers indicated that they were not in support of the proposed bill for 2020-25 across all groupings.

In light of this, the fact that almost 90% would find their potential increase affordable, and over 90% find it acceptable indicate that the level of support is positive.

Ultimately, the interpretation of whether an overall support level for outperformance payments of around two-thirds is high enough is not for us to decide. However, in terms of the current cost implications at the individual levels, we would conclude that the current levels are acceptable and that a decrease in the outperformance payment would not cause a proportionate increase in support across the customer base.

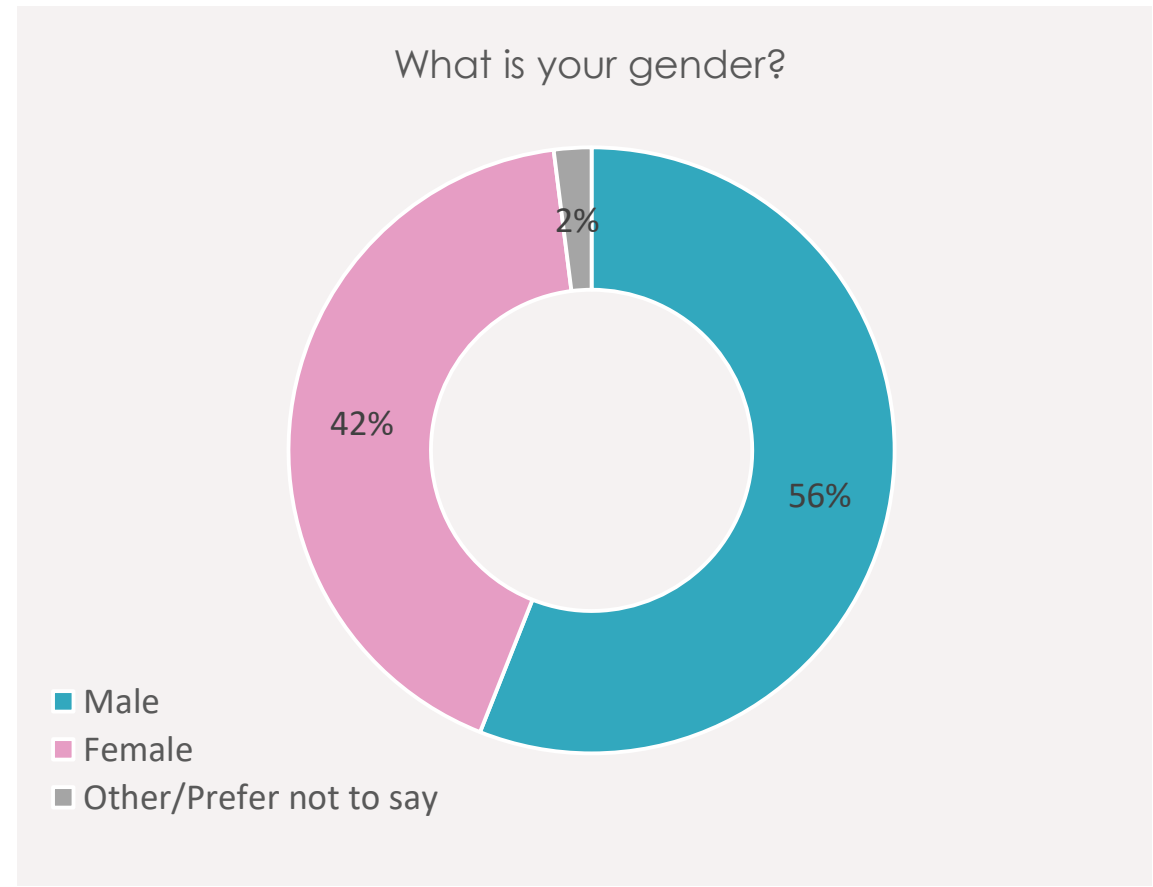
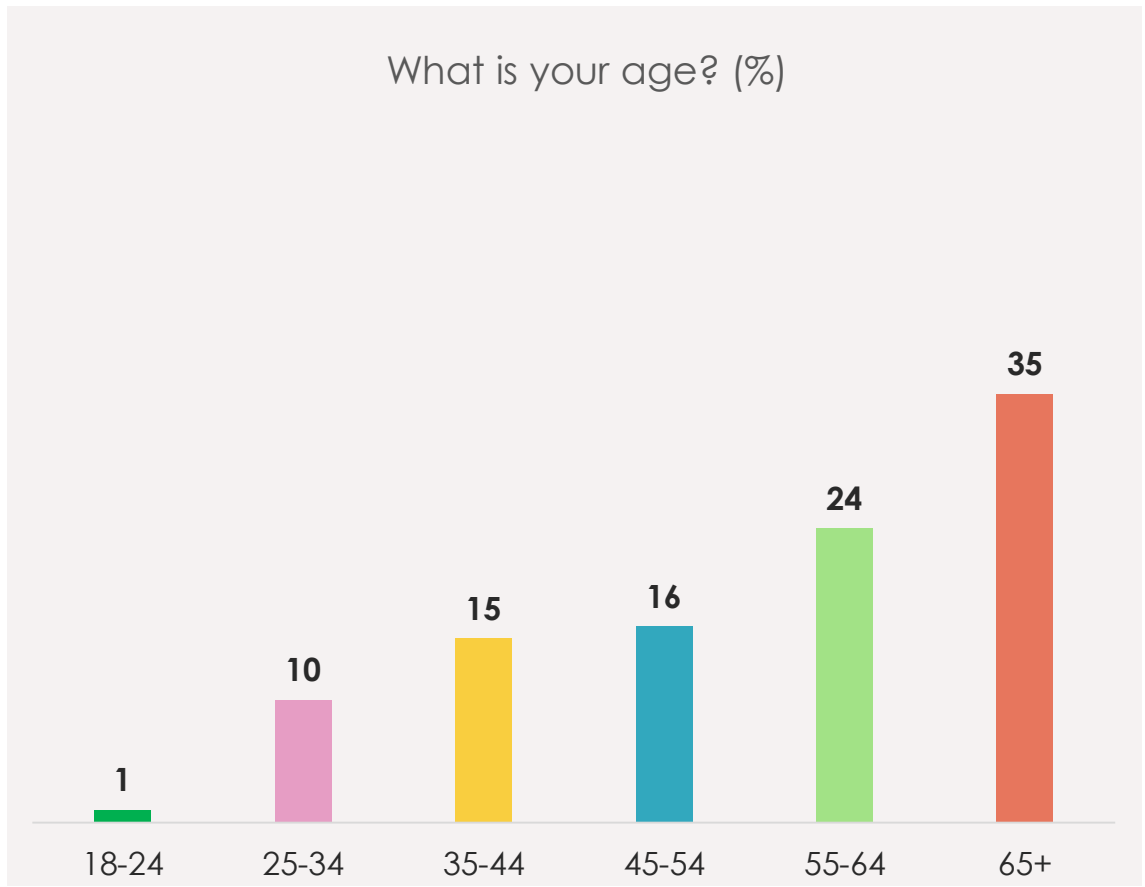




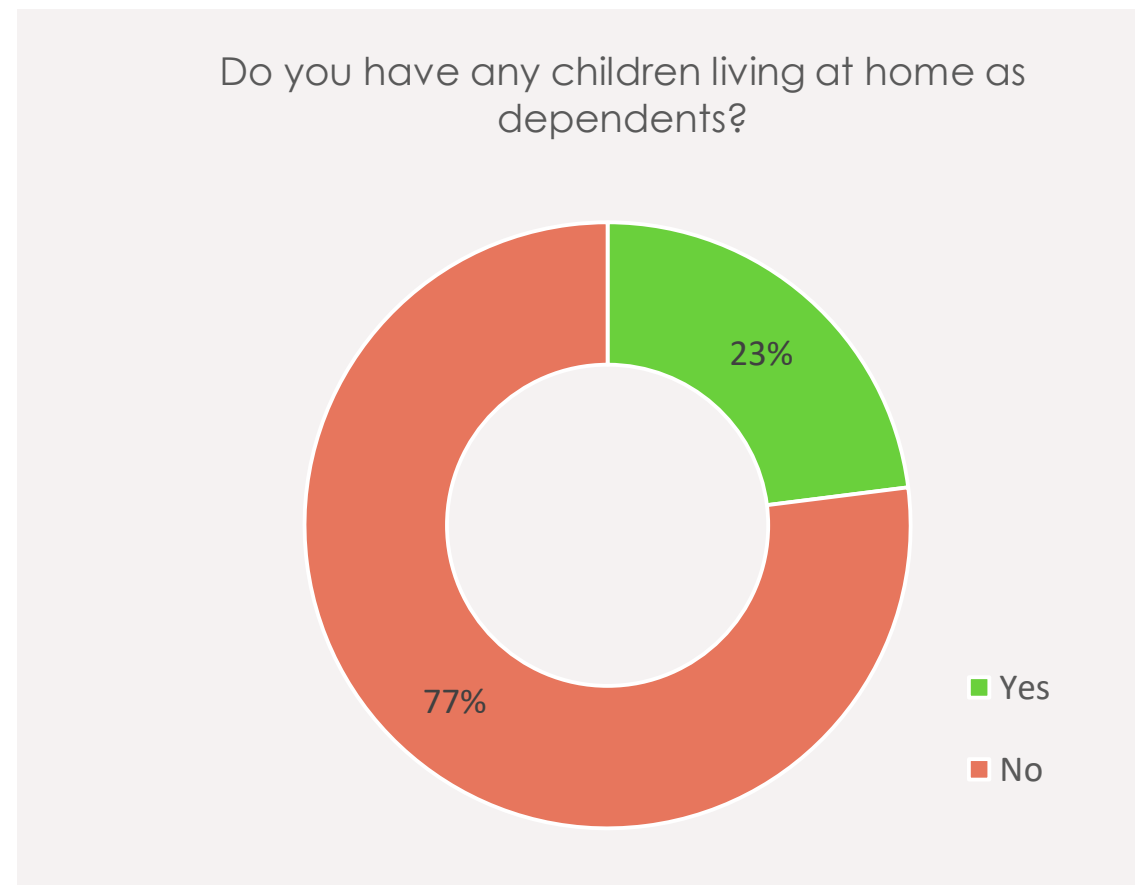
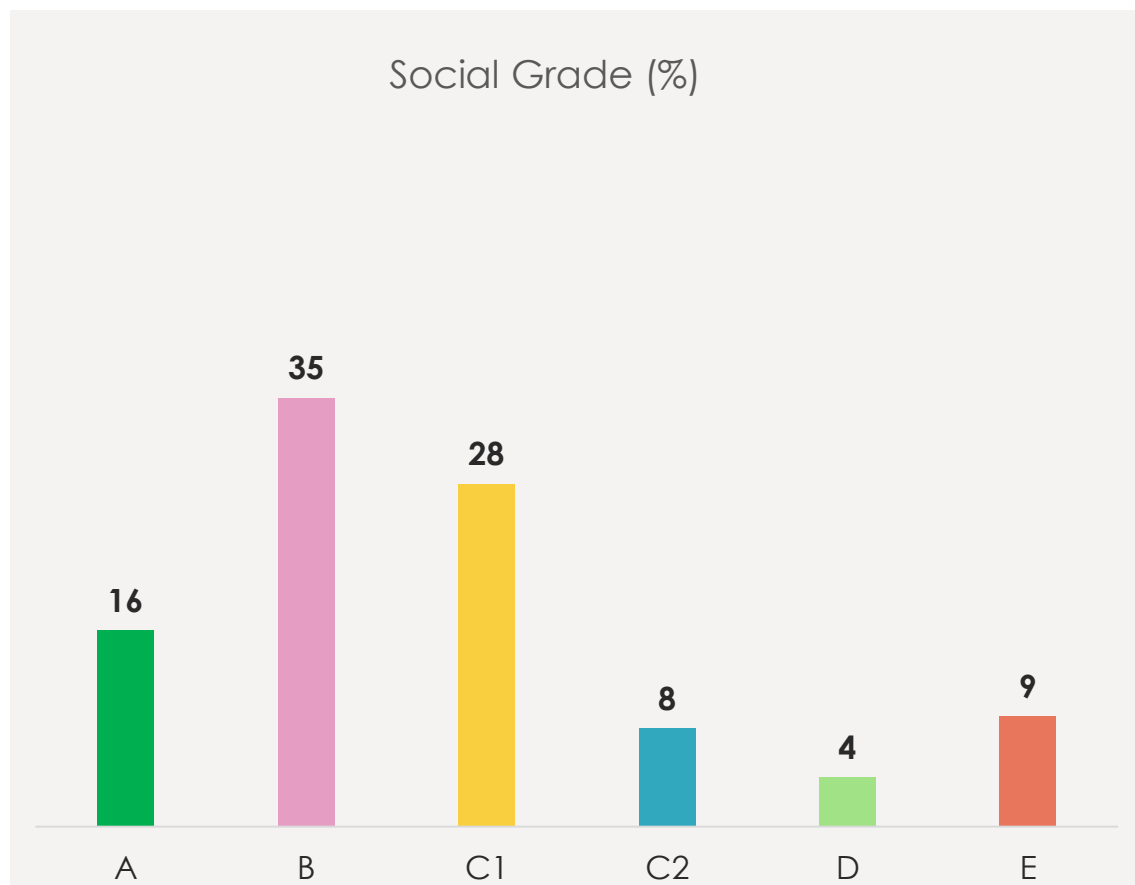
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Appendix.

The charts in this appendix slides display the demographics of the original sample before weighting was applied.

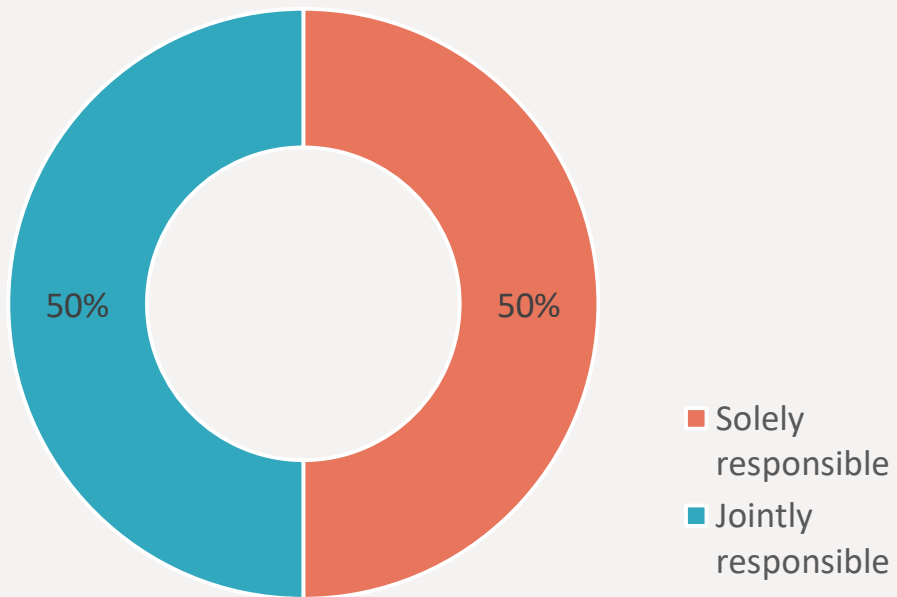


Social grade and dependent children.



Bill payment responsibility and service provider split.

Are you solely or jointly responsible for the payment of the water bill in your household?



Service Provider Split



CHANGING THE WORLD THROUGH OVER 30 YEARS OF MARKET RESEARCH

30

Years Colourful Experience

Helping clients around the world to think turquoise for 30 years.



Taking a Holistic Approach

Turning black and white research into full colour understanding.



Diverse Sector Coverage

Gathering unbeatable experience in every sector imaginable.



Partnering not Dictating

Connecting on a level you won't experience with any other agency.