

Appendix 21 – Customer research on ERI: Report from Blue Marble

Wessex Water

March 2019



Wessex Water
YTL GROUP



Water Quality Performance Commitments

Proposal for qualitative
research
15th February 2019





1

Ofwat's initial assessment

- Ofwat has identified the drinking water Event Risk Index (ERI) performance measure as not stretching enough; and is an area where Wessex Water could receive significant outperformance payments
- The evidence provided in the initial plans for including ERI as a performance commitment (with potential for outperformance payments) is deemed lacking by Ofwat. This is in part because water quality was not included in WTP research – and there is no demonstration of direct support from customers
- Research is now required to fill the evidence gap prior to Wessex Water submitting their revised plan on April 1st

2

The scope of this research

- It is intended that this research takes place over two stages. The first will be qualitative, completed before the resubmission date, providing preliminary evidence of customer views on water quality in the context of the ERI performance commitment
- The quantitative evidence will follow this preliminary research. We anticipate using an online survey with a sample of c.500 customers. The design of this element will be developed in light of the qualitative research – and following industry best practice advice on question framing (because this is a complex area to convey in research)
- **This proposal is focused on the preliminary stage only**



3

How do customers value water quality? Are they willing to support incentives for achieving minimal risk to customers?

- Water companies are monitored using a risk-based evaluation for incidents or events that affect customer, or have the potential to
- Events include Boil Notices where the water is unsafe to drink; discolouration/odour events where consumers don't trust the quality of the water; or a treatment failure or contamination incident. An assessment is made according to the level of risk e.g. health related risks; consumer loss of confidence in the water (even if no health risk); and loss of supply
- The argument that a water company should be penalised if it underperforms in respect of water quality is uncontroversial. Recent research which touched on the ERI via the statement '*Improving the quality of the water we provide to customers*' shows customers expect underperformance payments. The support for outperformance payments is less clear
- Hence Wessex Water wishes to understand whether customers accept the argument for outperformance payments once provided with more detail about the measure

4

Translating the brief for customers...

- The challenge for this research is translating a regulatory mechanism for incentivising companies into the consumer world i.e. contextualising in terms of consumer benefits and value for money
- In doing so, we need to avoid priming research respondents



We recommend a targeted project of four groups (totalling 32 customers). As well as the tight timeframe for the research, the topic is entirely focused on water quality and therefore we believe the scale proposed is proportionate and will elicit detailed and considered insight. In summary:

- We propose 4 x group discussions of 90 minutes, each comprising 8 customers
- Sample profile to reflect a broad spread of bill payers
- Groups will be convened across 2 locations (2 groups per location)
- The sample will cover the full age/life stage range and a male/female split
- Groups will be held in suitable central locations such as community venues or hotels
- We will agree locations prior to recruitment (below are suggestions)

Proposed sample	
1 x 45-65 ABC1 Bath/Chippenham	1 x 25-44 ABC1 Yeovil/Bridgewater
1 x 25-44 C2DE Bath/Chippenham	1 x 45-65 C2DE Yeovil/Bridgewater

- Male/female split
- 2 per group to have two or more 'vulnerability indicators' relating to themselves or their household
- 2 per group to have had direct contact with Wessex in last 3 years
- Half (across the sample) to be metered
- None to work in water sector or know anyone working for Wessex Water

Setting the research in the consumer context

Objective	Consumer discussion
<p><i>To assess whether customers believe water quality is an aspect of service that is valued more/less highly than others in relation to performance</i></p>	<ul style="list-style-type: none"> • Sorting exercise: aspects of water service valued most/least highly (to see where water quality is in the pecking order) • Water companies might be better at some things than others... what areas would you find unacceptable if performance dropped? • Which areas would you like to see performance improvements?
<p><i>To identify the direct and adjacent indicators of the value of water quality: what might customers think, feel, do or not do in these circumstances?</i></p>	<ul style="list-style-type: none"> • Using 3 contrasting scenarios, discuss all possible implications of reduced water quality performance e.g. <ul style="list-style-type: none"> • Boil notice (all customers made aware – potential health risk) • Discolouration (customers experience directly, no health risk) • Treatment dosage interruption (customers not aware; no risk to human health) • For each: ‘cost’ if affected personally / ‘value’ if not being affected • Cost and value expressed in terms of: financial/emotional/time/effort
<p><i>To elicit customers’ assessment of the level of risk/disruption to them</i></p>	<ul style="list-style-type: none"> • Show current performance and comparative performance information for water quality: self completion exercise to elicit private spontaneous views followed by discussion
<p><i>To identify how aspects of water quality should be treated in terms of incentives/penalties</i></p>	<ul style="list-style-type: none"> • Context: exploring pros and cons of performance payment (using examples - tipping; bonuses; performance related pay; payment by results) • Comprehension: response to stimulus explaining performance & penalties payments • Categorising water quality performance commitments (using previously generated categories) i.e. <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center; width: 20%;"> <p>These are the performance commitments that form part of the basic service, but there is room to improve and customers are prepared to pay a bit more for.</p> </div> <div style="text-align: center; width: 20%;"> <p>This is the basic service, the minimum expected and should only incur a penalty.</p> </div> <div style="text-align: center; width: 20%;"> <p>These performance commitments are difficult to foresee and worthy of some recognition if they are improved.</p> </div> <div style="text-align: center; width: 20%;"> <p>Should simply be doing anyway and should not get an additional payment or penalty.</p> </div> </div> • Check and balance exercise: introduce wider range of performance commitments (as previous research) and sort. Review water quality (ERI) performance commitment in wider context

- We anticipate that you will require the research findings at least a week before the April 1st submission date for the revised business plans
- We therefore propose the following schedule which requires go ahead as soon as possible to achieve these timelines
- The timeline includes a working meeting to develop the stimulus material content

	Feb		March			
	1	2	3	4	5	6
	18 th	25 th	4 th	11 th	18 th	25 th
Agree proposal content	18 th					
Screeener submitted for approval	20 th					
Screeener signed off	22 nd					
Meeting to agree content		26 th or 27 th				
Sample recruitment						
Disc. guide & stimulus submitted (BM)			29 th			
Sign off discussion guide & stimulus (WW)			8 th			
Print/prep materials for groups (BM)				11 th		
Fieldwork: 4 x group discussions				12 th & 13 th		
Debrief meeting					18 th /19 th	

The costs for the research as described:

Research activity:	
	4 group discussions x 90 minutes
DIRECT COSTS: sample recruitment, incentives, venues, respondent refreshments, transcripts, travel & subsistence	£4,800
EXECUTIVE FEE: project design and management, moderation, data analysis, reporting, briefing & debrief meetings	£7,400
TOTAL ex VAT	£12,200

Deliverables:

- PowerPoint debrief presentation
- 1-page summary (prose) of key findings
- Recommendations for the design of the quantitative survey and stimulus implications
- NB: if viewing facilities are required, these will be charged extra at cost.

Terms & Conditions

- 75% of the fees become payable on commissioning, 25% on the date of the final debrief presentation/report
- Terms of payment: 30 days from the date of the invoice
- Fees are valid for 3 months from the date of the proposal, and apply only to the project design outlined in this proposal. Changes in design will involve re-costing and retiming the project
- Cancellation and postponement fees levied by our sub-contractors and suppliers (e.g. field agencies and viewing facilities) will be passed on to client as they are incurred, according to the terms & conditions of those suppliers
- Should the client cancel or postpone the project once commissioned, we reserve the right to charge the client as follows:
 - all incidental expenses incurred to date will be passed on to the client (plus a 15% handling charge)
 - cancellation once fieldwork has begun: up to 100% of fees
 - cancellation less than 5 working days before fieldwork begins: 50% of fees
 - cancellation after project set-up, up to 5 working days before fieldwork begins: 25% of fees
- We are not responsible for delays caused by weather, transport difficulties or other circumstances outside our control



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DISCUSSION GUIDE

1

INTRODUCTION [5 mins]

- Introduce research: Wessex Water canvassing the views of customers as part of its business planning preparation
- Housekeeping: building, timing, recording, confidentiality
- Respondents introduce themselves

SECTION 1 [10 mins]

- **WARM UP EXERCISE:** Water companies need to make sure their business plans are based on prioritising what matters most to customers
- Spontaneous (flip chart) on what matters most to you about the water and waste water services?
- **SHOW PR19 PRIORITIES:** Here are the current priority areas...do they reflect your views?
 - Which would you put in the top 3?
 - Any that you consider less or least important
 - Anything missing?



Eight priority areas for Wessex Water

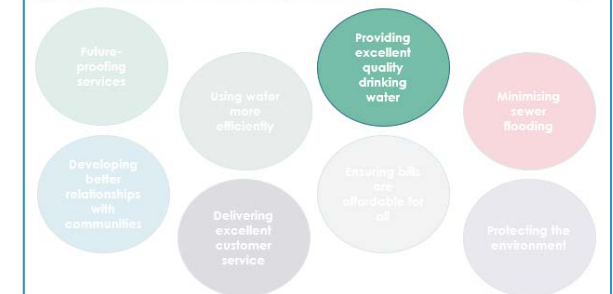


SECTION 2 [5 mins]

We are going to focus on just one of the priority areas: water quality

- What is quality water in your mind? How do we as consumers know we have it?
- Do we trust it?
 - More or less than bottled water?
 - More or less than other parts of UK/world?
- Do you think some water companies perform better or worse when it comes to water quality...? If so how? Why?
- What do you think makes for '5 star' rated drinking water quality...?
- What do you think makes for '1 star' rated drinking water quality...?

Eight priority areas for Wessex Water



SECTION 3 [20 mins]

Present slide: here are some e.g.s of water quality events - when delivering excellent quality is compromised - and the response of the water company and regulators

- Have you experienced or heard about any of these events?
- How often do you think they happen? Probe on all events on board
- How do you think a company like Wessex Water measures its performance in these sorts of areas?

Present slides: I can now tell you about how the regulators monitor water companies. They don't just look at how often something happens but the seriousness of the risk, the scale of the impact, and how well managed it was. Each event results in a score called EVENT RISK INDEX or ERI

- What do you think about this approach to measuring water quality...? (Check comprehension)
- How do you imagine Wessex Water performs in relation to drinking water quality: is it better or worse than other companies... at a guess, how many 'events' a year do you imagine there are in Wessex Water's region?

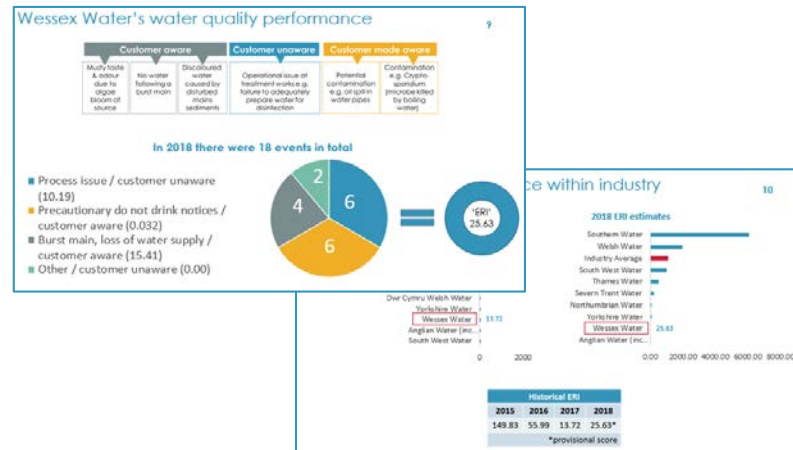
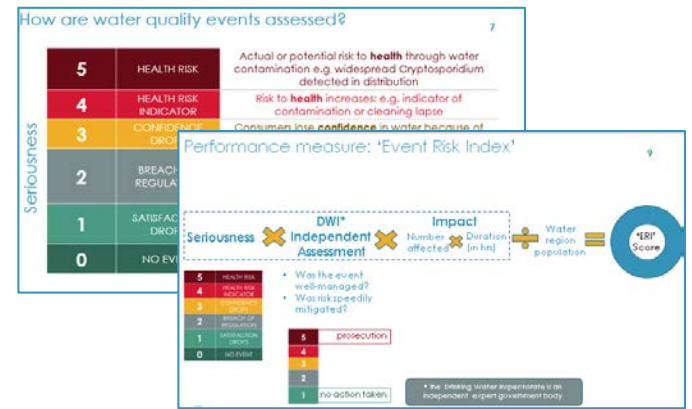
Present slides: These next charts tell us a bit more about how Wessex Water has performed over the last few years - and against other water companies elsewhere in the country.

- Spontaneous views: how do you rate its performance?
- Better or worse than expected?
- Looking at Wessex Water in relation to how other water companies perform, how dissatisfied or satisfied are you with Wessex Water's performance in these areas
- What level of performance are you looking to them to achieve?

Examples of water quality 'events'

Customer aware		Customer unaware	Customer made aware	
Musty taste & odour due to algae bloom at source	No water following a burst main	Discoloured water caused by disturbed mains sediments	Operational issue at treatment works e.g. failure to adequately prepare water for disinfection	Potential contamination e.g. oil spill in water pipes
<ul style="list-style-type: none"> • No risk to health • But customers may worry • Call handlers give advice/reassurance • Regulator monitors number of complaints • Reported to regulator if certain criteria is met 		<ul style="list-style-type: none"> • No risk to health • Regulator informed 	<ul style="list-style-type: none"> • Health risks • Media communications • Door to door visits • Vulnerable provided with bottled water • Customer compensation for those affected • Regulator informed 	
Contamination e.g. Cryptosporidium (microbe killed by boiling water)				

2



SECTION 4 [20 mins]

I will describe a specific scenario: *BUILD SLIDE*

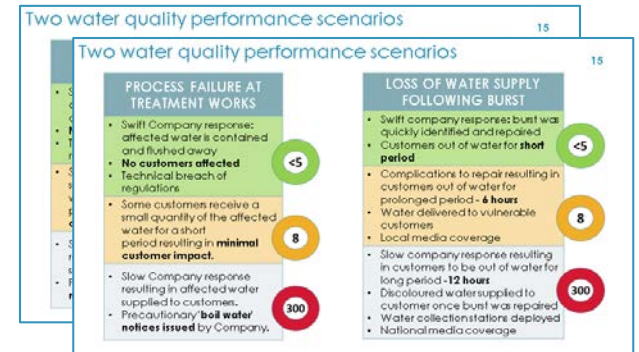
- Imagine that this happened in a town/village near you (but you were not directly affected). How would you be impacted in this scenario? *FLIPCHART*
 - What would you do, think, change?
 - How feel about this incident? And about Wessex Water?

BUILD slide: Here is the performance score that was given for this incident.

- What do you think of this performance score? Is it better or worse than you were expecting?
- Would this be an acceptable level of performance??

Present slide: Here is the same scenario again, together with another example of a water quality event. We can see how the scores change depending on how the event is managed and the level of impact.

- What level of performance is acceptable to you?
- Is this the same for both examples?
- When are you happy to accept a higher ERI i.e. a lower level of performance?
- Where do you want to see Wessex Water set its performance target?



SECTION 5 [25 mins]

Present slide: This slide tells us about how the water companies are regulated – and how their performance levels can affect our bills

- In principle, would you like to see Wessex Water meeting, exceeding or falling short of its performance targets?
- Why do you say this?

Present slide: This slide shows us what the bill impact might be for exceeding its water quality at the end of a year – in other words this would be for the cumulative ERI score...not for a single incident. Explain that the middle level represents the 'stretching target' set by Ofwat

- SELF COMPLETION SHEET: Private response to the bill impacts
- Probe: Now how do you feel about whether it exceeds its stretching target?
- Would you be willing to see bills rise to reflect a higher performance for drinking water quality? – Why?
- If unwilling, why do you say this?
- [moderator note if nec: to achieve 'stretching' target (middle/yellow) will need to perform better than ever before... equates to score of 8... 2017 score was best ever at 13]


Present slide: Here we can see what the impact would be on our bills were Wessex to exceed or fall below the stretching targets set across all of its priority areas...

- SELF COMPLETION SHEET: Private response to the bill impacts
- What would you like Wessex Water and the regulator to agree to in terms of setting drinking water performance targets: should Wessex Water be encouraged to set higher goals and receive the reward of higher bill prices?
- [moderator note if nec: £2 penalty equates to 4 x worse performance – but still 10 x better than Southern Water. If at SW level, penalty would be £20+]

SECTION 6 [5 mins]

- Sum up & show reassurance slide...

Regulating water companies 12



Ofwat

- Ofwat is the water industry regulator responsible for **monitoring water company performance** and setting the bill prices that companies charge
- It also **sets performance targets** that are 'stretching' i.e. not easy for companies to achieve

- It offers companies the chance to **exceed** these stretching targets:
 - if reached Ofwat permits **higher bills** to reflect higher service levels
- It also has the power to **penalise** companies if they don't meet the stretching target:
 - this involves permitting **lower bills** to reflect poorer service


- Companies are required to ask their customers whether they want them to aim to exceed the performance targets, especially as it could impact bills
- Think of it as whether you are prepared to pay for higher quality... Hilton or Premier Inn?

Bill implications for exceeding water quality targets 14

TYPICAL INCIDENTS AND RESPONSES

• Swift Company response: affected water is contained and flushed away • No customers affected	➔	+\$13
• Some customers receive a small quantity of the affected water for a short period resulting in minimal customer impact	➔	=\$0
• Slow Company response resulting in affected water supplied to customers. • Precautionary 'boil water' notices issued by Company	➔	-\$2
• Separate compensation payments to customers affected	➔	-\$35 for affected customers

Bill implications if exceed all performance targets 16



- If Wessex out-performs on this and all other areas of performance, and is as successful as the best company to date at beating its targets, Ofwat could permit increasing the annual bill by **+\$30**.
- If you are happy with the performance standard agreed by Ofwat to be 'stretching' then there is no impact on the annual bill (current average bill in the Wessex Water region is **£479** per year).
- If performance on this measure – and all other areas performance – fall below the industry average, bills would likely reduce by around **£24**.

Eight priority areas for Wessex Water

Future-proofing services

Using water more efficiently

Providing excellent quality drinking water

Minimising sewer flooding

Developing better relationships with communities

Delivering excellent customer service

Ensuring bills are affordable for all

Protecting the environment

Eight priority areas for Wessex Water

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Examples of water quality 'events'

Customer aware

Musty taste & odour due to algae bloom at source

No water following a burst main

Discoloured water caused by disturbed mains sediments

- No risk to health
- But customers may worry
- Call handlers give advice/reassurance
- Regulator monitors number of complaints
- Reported to regulator (if event severe enough)

Customer unaware

Operational issue at treatment works e.g. failure to adequately prepare water for disinfection

- No risk to health
- Regulator informed

Customer made aware

Potential contamination e.g. oil spill in water pipes

Contamination e.g. Cryptosporidium (microbe killed by boiling water)

- Health risks
- Media communications
- Door to door visits
- Vulnerable provided with bottled water
- Customer compensation for those affected
- Regulator informed

How are water quality events assessed?

Seriousness

5	HEALTH RISK	Actual or potential risk to health through water contamination <i>e.g. widespread Cryptosporidium detected in distribution</i>
4	HEALTH RISK INDICATOR	Risk to health increases: <i>e.g. indicator of contamination or cleaning lapse</i>
3	CONFIDENCE DROPS	Consumers lose confidence in water because of look or smell; or where public advised not to drink
2	BREACH OF REGULATION	No risk to health. No impact on quality of public supply <i>E.g. Use of non-approved materials in contact with drinking water; negative local media coverage specific to water quality.</i>
1	SATISFACTION DROPS	No risk to health, but inconvenienced <i>E.g. supply outage; low pressure</i>
0	NO EVENT	Hence no risk to health, confidence or supply interruption

Performance measure: 'Event Risk Index'



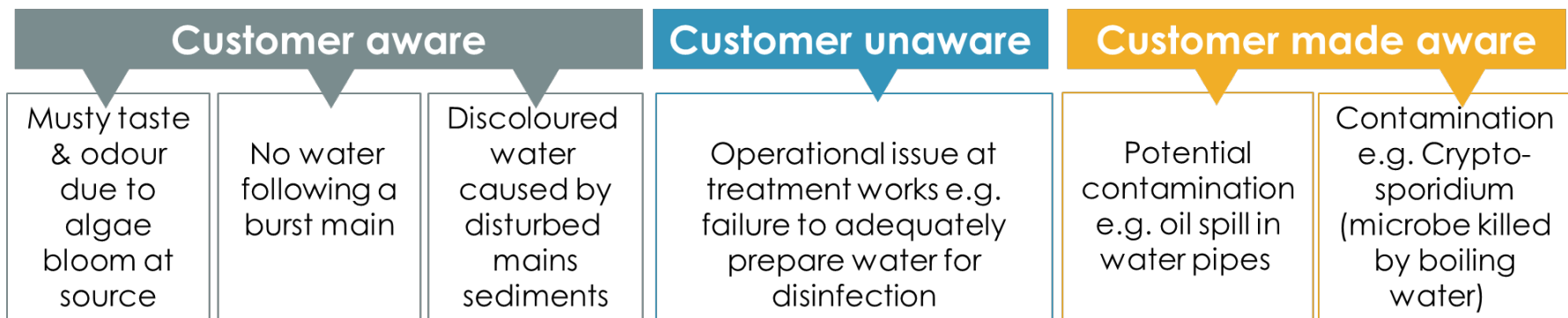
5	HEALTH RISK
4	HEALTH RISK INDICATOR
3	CONFIDENCE DROPS
2	BREACH OF REGULATION
1	SATISFACTION DROPS
0	NO EVENT

- Was the event well-managed?
- Was risk speedily mitigated?

5	prosecution
4	
3	
2	
1	no action taken

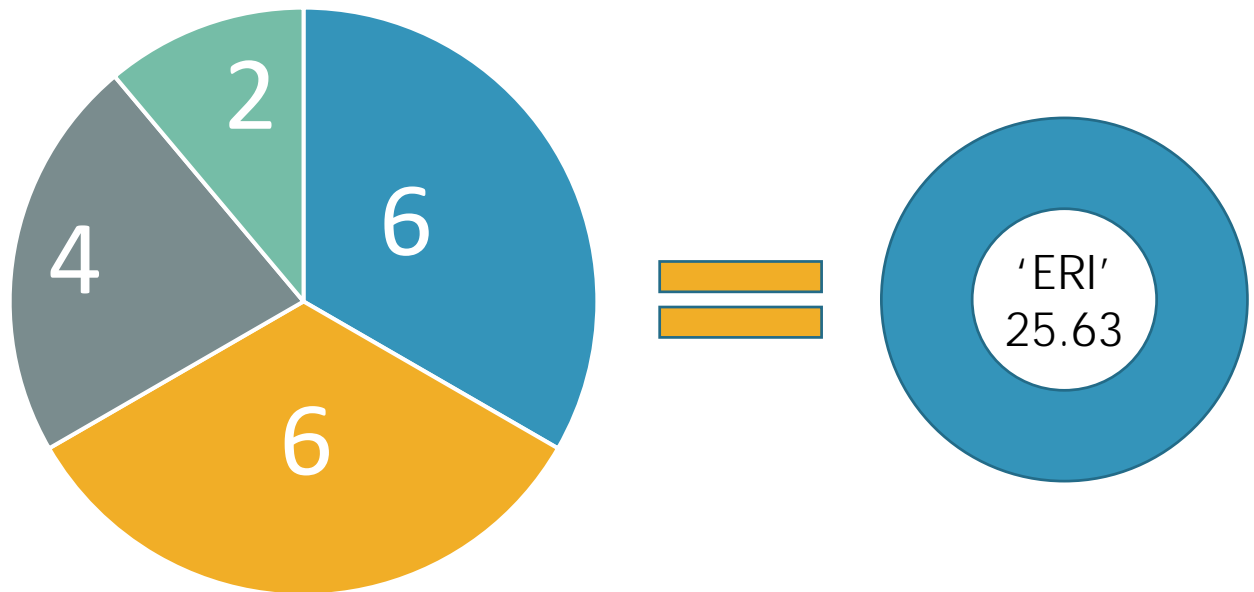
* The Drinking Water Inspectorate is an independent expert government body

Wessex Water's water quality performance

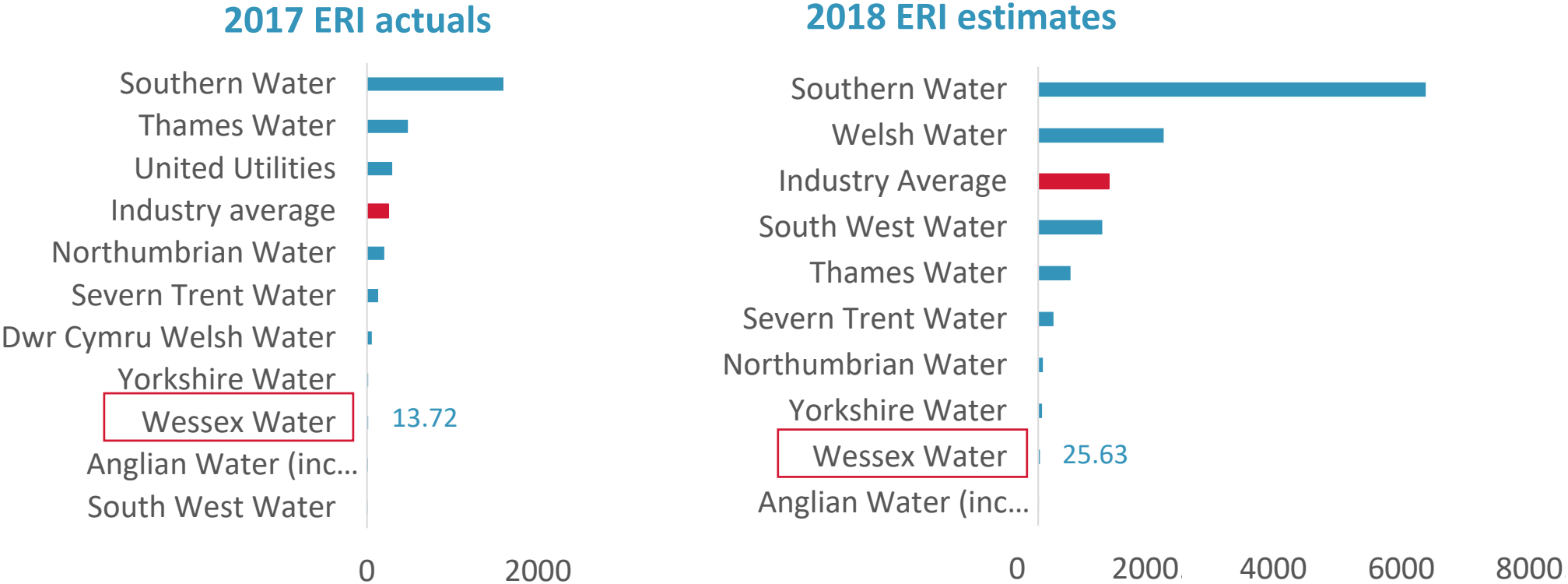


In 2018 there were 18 events in total

- Process issue / customer unaware (10.19)
- Precautionary do not drink notices / customer aware (0.032)
- Burst main, loss of water supply / customer aware (15.41)
- Other / customer unaware (0.00)



Wessex Water's performance within industry



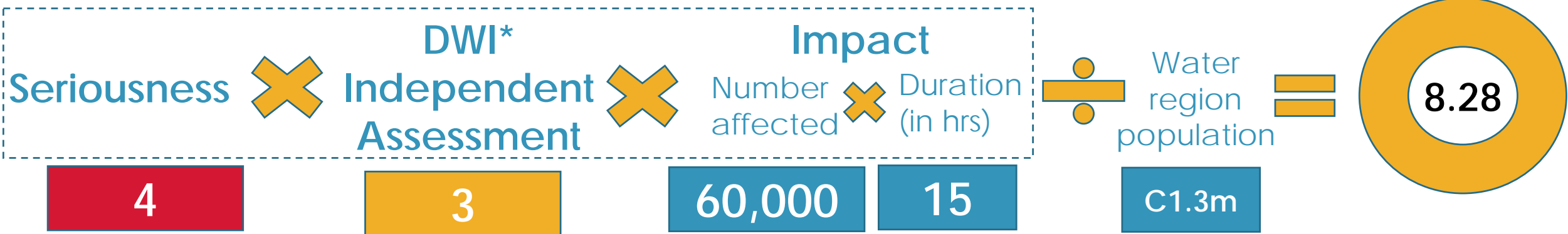
Historical ERI			
2015	2016	2017	2018
149.83	55.99	13.72	25.63*
*provisional score			

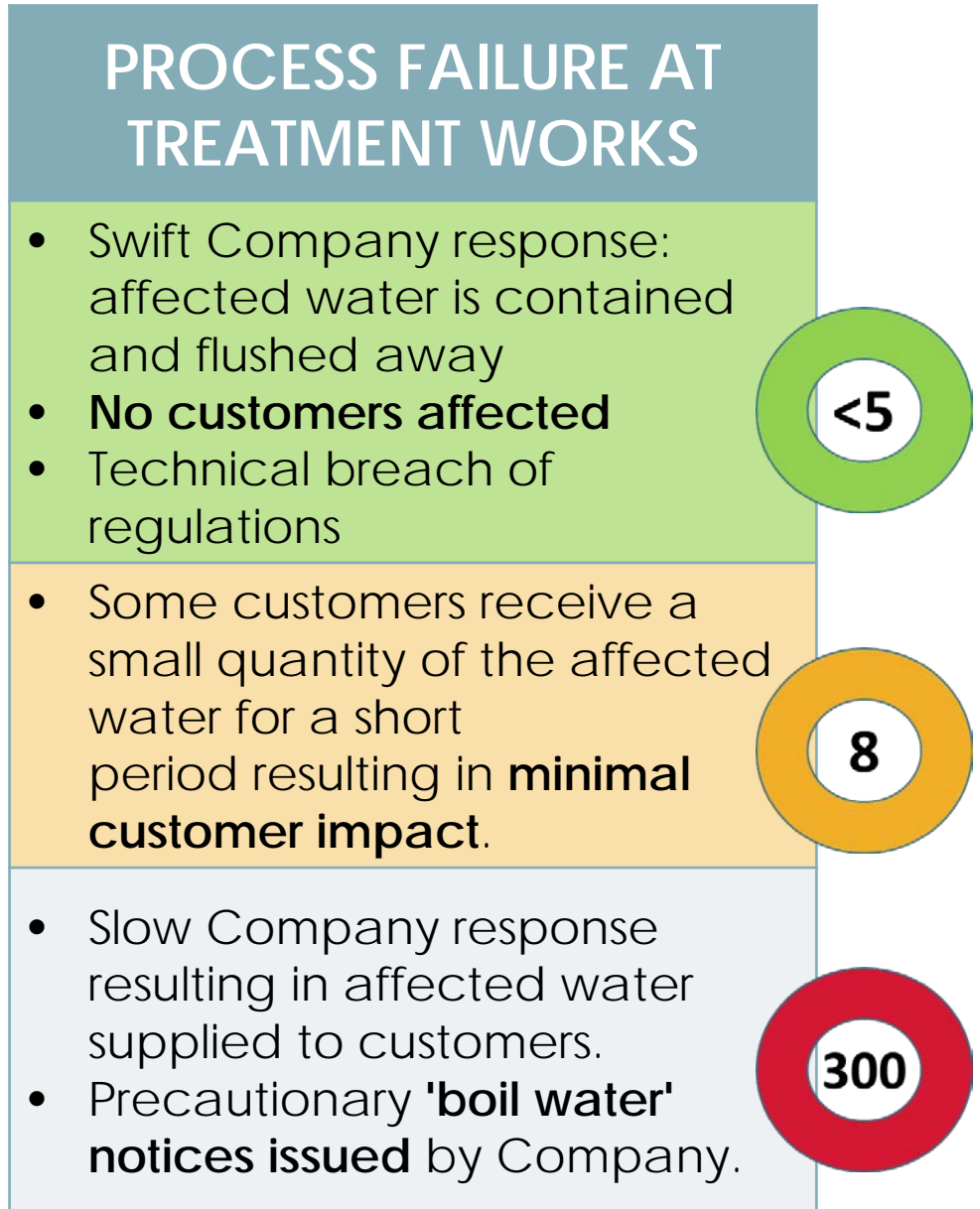
PROCESS FAILURE AT TREATMENT WORKS

- Approximately 60,000 customers receive a small quantity of the affected water.
- The incident lasts for 15 hours.
- There was no health risk to customers.
- Event managed well but not perfectly.
- In the end there was minimal customer impact: no customers were able to perceive the difference in their water.

PROCESS FAILURE AT TREATMENT WORKS

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PROCESS FAILURE AT TREATMENT WORKS

- Swift Company response: affected water is contained and flushed away
- **No customers affected**
- Technical breach of regulations

<5

- Some customers receive a small quantity of the affected water for a short period resulting in **minimal customer impact.**

8

- Slow Company response resulting in affected water supplied to customers.
- Precautionary **'boil water' notices issued** by Company.

300

LOSS OF WATER SUPPLY FOLLOWING BURST

- Swift company response: burst was quickly identified and repaired
- Customers out of water for **short period**

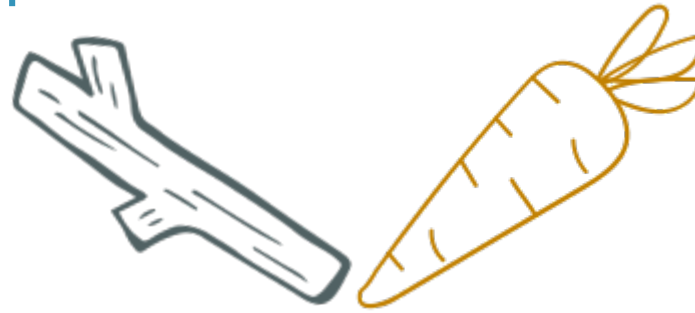
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- Complications to repair resulting in customers out of water for prolonged period - **6 hours**
- Water delivered to vulnerable customers
- Local media coverage

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- Slow company response resulting in customers to be out of water for long period - **12 hours**
- Discoloured water supplied to customer once burst was repaired
- Water collection stations deployed
- National media coverage

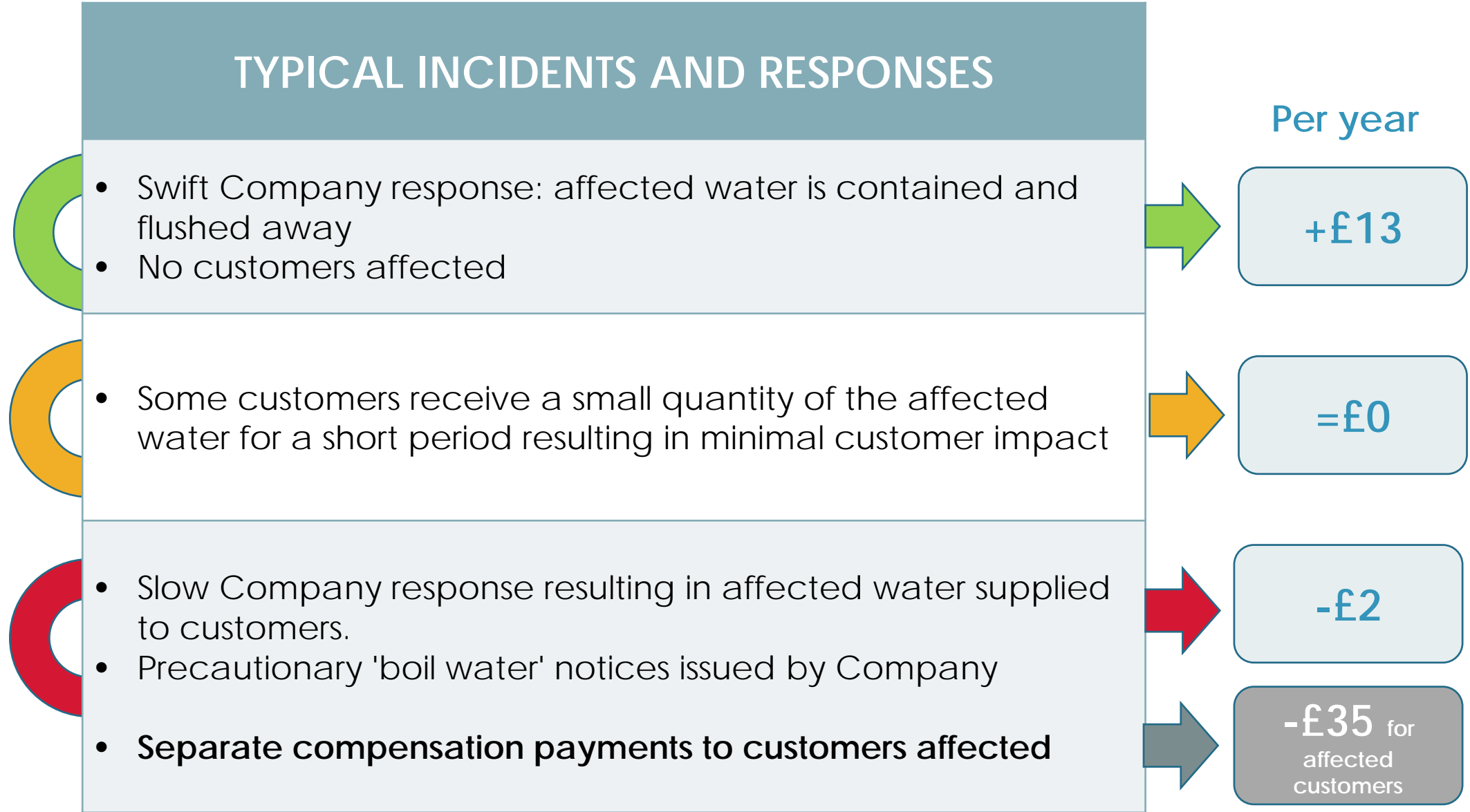
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- Companies are required to ask their customers whether they want them to aim to exceed the performance targets
- Customers' views matter because exceeding targets could impact bills
- Think of it as whether you are prepared to pay for higher quality... Hilton or Premier Inn?



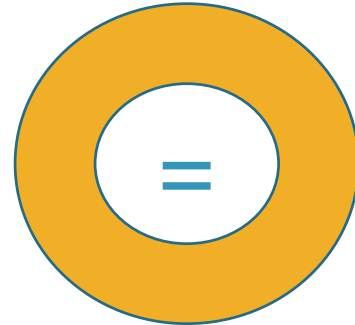
Bill implications if exceed all performance targets



Per year



If Wessex out-performs on this and all other areas of performance, and is as successful as the best company to date at beating its targets, Ofwat could permit increasing the annual bill by +£30.



If you are happy with the performance standard agreed by Ofwat to be 'stretching' then there is no impact on the annual bill (current average bill in the Wessex Water region is **£479** per year).



If performance on this measure – and all other areas performance – fell below the industry average, bills would likely reduce by around £24.

FOR YOU. FOR LIFE.

Wessex Water

YTL GROUP



“

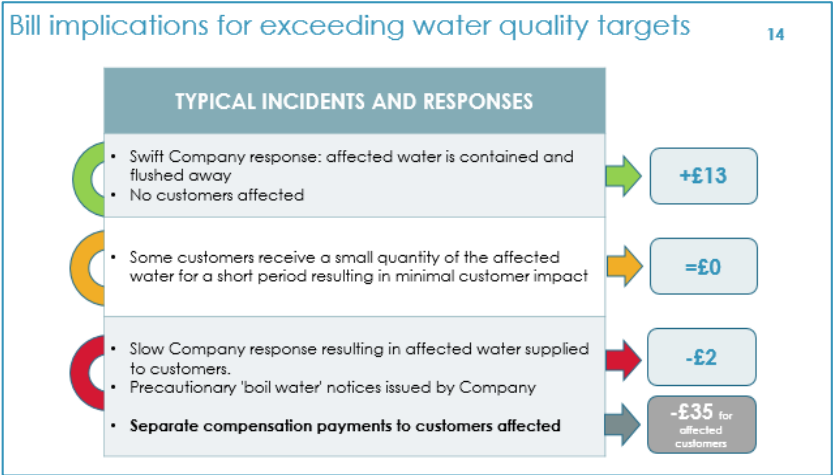
- Our drinking water has to comply with higher standards than bottled water
- Water quality incidents are rare. On the rare occasion that they do occur, our swift response by staff ensures that the impact to customers is minimal
- This is reflected in our ERI score: we are industry leading for this metric and our aim is to remain a top scoring company
- We are committed to provide excellent drinking water quality at all times

”

Self-completion

Name _____

1



How satisfied would you be if Wessex Water reached a higher water quality target which would have the potential for Ofwat to permit higher bills?	✓
Very satisfied to have the higher performance target	
Fairly satisfied to have the higher performance target	
I'm neutral	
Fairly dissatisfied to have the higher performance target	
Very dissatisfied to have the higher performance target	



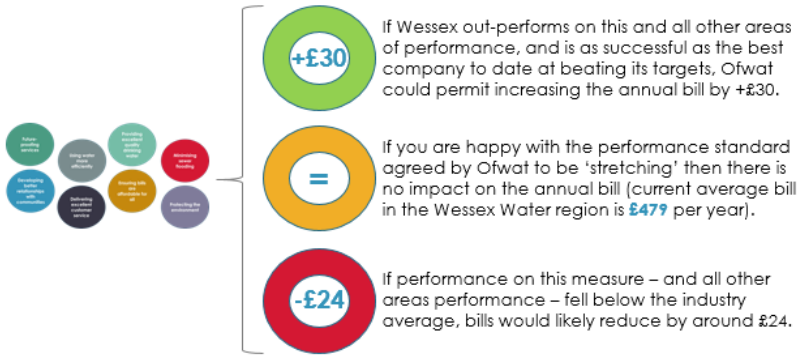
Why do you say this?

Self-completion

2

Bill implications if exceed all performance targets

16



How satisfied would you be if Wessex Water reached all its performance targets which would have the potential for Ofwat to permit higher bills?



Very satisfied if it reached all its higher performance targets

Fairly satisfied it reached all its higher performance targets

I'm neutral

Fairly dissatisfied it reached all its higher performance targets

Very dissatisfied it reached all its higher performance targets

Why do you say this?





Wessex Water
YTL GROUP

blue  marble

Water Quality Performance Commitments

Research Report
19th March 2019





Background

- The evidence provided in Wessex Water's business plans for including ERI as a performance commitment (with potential for outperformance payments) is deemed lacking by Ofwat. While taste, odour and appearance were included in the WTP research, water quality in terms of compliance was not - hence there is no demonstration of direct support for ERI outpayments from customers

Research Objective

- To provide qualitative insight providing preliminary evidence of customer views on water quality in the context of the ERI performance commitment
 - Are customers willing for outpayments for a higher ERI target?
- This research will be supported by quantitative evidence of willingness to pay for this water quality outpayment - delivered through a separate project



- 4 x group discussions of 90 minutes, each comprising 6-8 customers
- Sample profile to reflect a broad spread of bill payers

Sample structure

1 x 45-65 ABC1 Bath	1 x 25-44 ABC1 Yeovil
1 x 25-44 C2DE Bath	1 x 45-65 C2DE Yeovil

- Male/female split
- 2 per group have two or more 'vulnerability indicators' relating to themselves or their household
- 2 per group have had direct contact with Wessex in last 3 years
- Half (across the sample) metered
- None to work in water sector or know anyone working for Wessex Water

- **Fieldwork: 12th and 13th March 2019**

Research findings



Importance of water quality

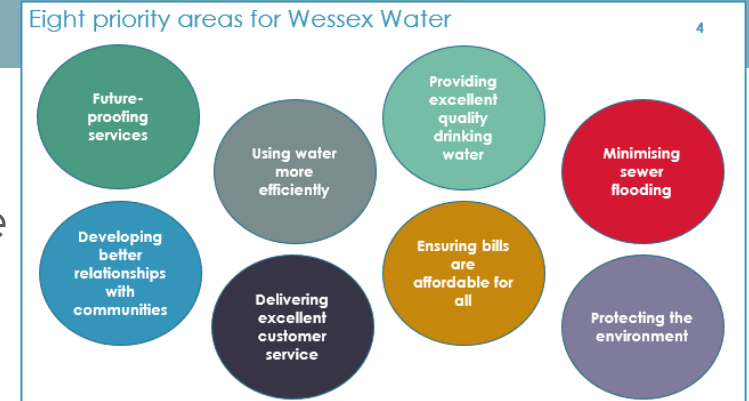
- Drinking Water quality consistently highlighted as a 'top 3' priority
- Most often with *affordable bills, future proofing, protecting environment*

Spontaneous perceptions of water quality

- Water hardness is a frequent gripe
- Once this put to one side (as not part of WQ), water quality perceived to be very good: its safety assumed
- Most drink happily from tap. Minority use filter jugs plus examples (very few) of only drinking bottled water or even boiling pre drinking
- Perceive UK water better than elsewhere; and water to taste/feel different in different parts of the UK. Often conclude that it is about what we are used to – rather than areas having better or worse quality
- Many (often younger) trust purity of bottled water over tap water

Experience of water quality issues

- Anecdotal experiences of water quality issues: cloudy, murky or 'chemically' taste
- Supply interruptions (usually pre-warned)
- Boil notice x 1



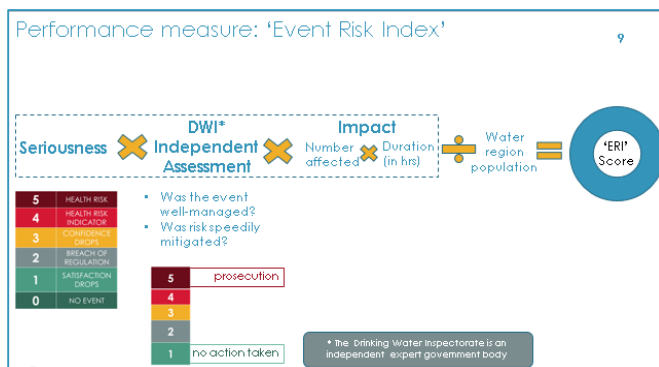
High levels of trust in drinking water quality: rarely think about it.

Examples of water quality 'events'

Customer aware			Customer unaware	Customer made aware	
Musty taste & odour due to algae bloom at source	No water following a burst main	Discoloured water caused by disturbed mains sediments	Operational issue at treatment works e.g. failure to adequately prepare water for disinfection	Potential contamination e.g. oil spill in water pipes	Contamination e.g. Cryptosporidium (microbe killed by boiling water)
<ul style="list-style-type: none"> No risk to health But customers may worry Call handlers give advice/reassurance Regulator monitors number of complaints Reported to regulator if certain criteria is met 			<ul style="list-style-type: none"> No risk to health Regulator informed 	<ul style="list-style-type: none"> Health risks Media communications Door to door visits Vulnerable provided with bottled water Customer compensation for those affected Regulator informed 	

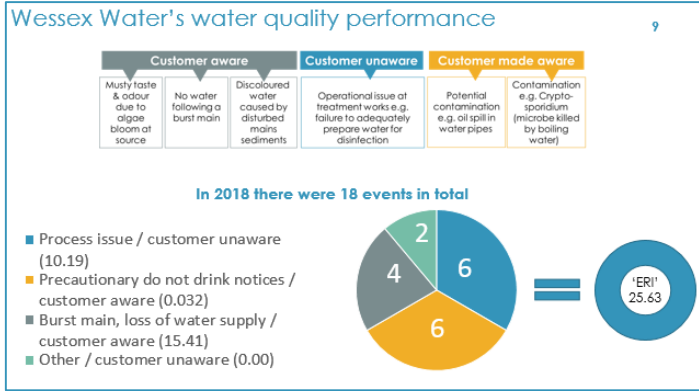
How are water quality events assessed?

Seriousness	Score	Description
5	HEALTH RISK	Actual or potential risk to health through water contamination e.g. widespread Cryptosporidium detected in distribution
4	HEALTH RISK INDICATOR	Risk to health increases: e.g. indicator of contamination or cleaning lapse
3	CONFIDENCE DROPS	Consumers lose confidence in water because of look or smell; or where public advised not to drink
2	BREACH OF REGULATION	E.g. Improper use of non-approved materials in contact with drinking water; local media coverage specific to water quality. No risk to health. Breach has no impact on quality of public supply
1	SATISFACTION DROPS	E.g. supply outage; low pressure No health risk, but inconvenienced
0	NO EVENT	Hence no risk to health, confidence or supply interruption

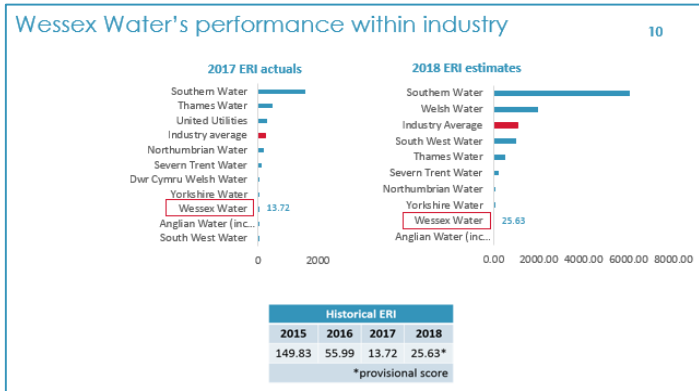


- Assume 'customer aware' (grey) events happen fairly frequently:
 - several have personal experiences; perception of old pipe work; and/or believe weather may trigger events
- Assume 'customer made aware' (yellow) events are rare
- Frequency of events in Wessex region: respondents guess between 'a few', 30 per year and 'possibly hundreds' – but generally have no idea
- All unfamiliar with water industry regulators – or how regulation works
- Reassured to see independent assessment: want to know that external body is assessing seriousness
- Importance of protecting public health reinforced
- Some questions:
 - Is size of region a disadvantage (more can go wrong)?
 - Is water quality standardised across country?
 - Is level/type of incident affected by geology?

Good comprehension of stimulus materials: respondents able to engage in means of measuring water quality



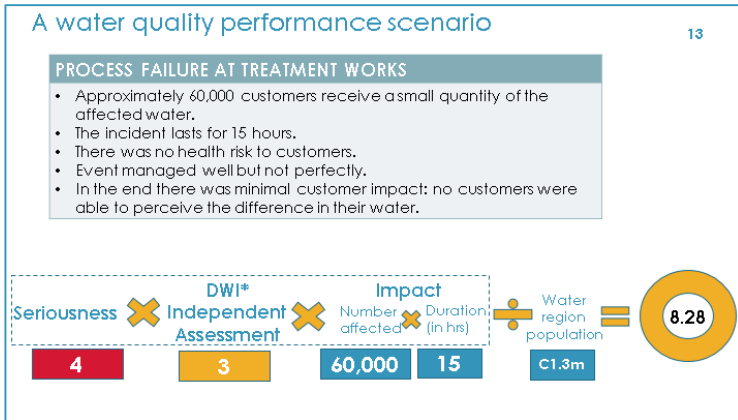
- Pleasant surprise that Wessex Water only experienced 18 events in 2018: most guessed number would be higher
- Some worried to see 6 higher risk (yellow) incidents
- Most reassured to see these more serious events receive the lowest ERI – suggests Wessex managing events well
- Small minority seem incredulous as total (18) seems too low: smaller events not flagged? Frequency does not tally with own experience of events



- Industry position indicates Wessex Water performing very well
- Minority spot that company performance can vary year to year: a volatile measure?
- Wessex performance over time perceived to be a more mixed picture: improved significantly since 2016, but 2018 not as good as previous year. Suggests still room for improvement
- Unclear to customers how easy/difficult to control performance (are all events within WW control?)

Overall, customers satisfied with current performance

Response to performance level scenario



Presented as a water quality event scenario that happens ***nearby but not in your neighbourhood***:

- Rational response:** accept there is no health risk and would remain unaware, therefore no change in perceptions or behaviour
- Emotional response:** idea of any water contamination – even when not directly affected - is worrying, esp. if thinking about vulnerable e.g. elderly and very young
 - Minority would use bottled water
 - Some believe event might be worse in reality i.e. the description underplays risk
 - Some unhappy that customers not informed
 - If known about, *‘could create doubt’* about water

I would go and buy bottled water if it happened close by [to me]
Bath

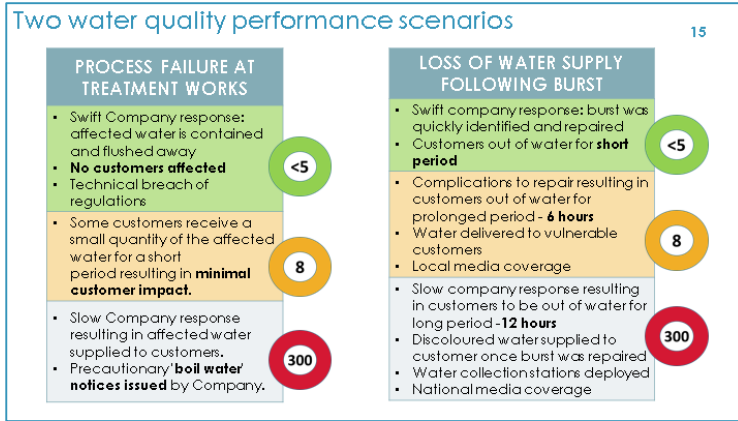
I'd want to know is this a repeat event
Yeovil

It would make you wonder if there was more than meets the eye
Bath

Assessment of ERI score put in context of 2018 total:

- Respondents see that '8.26' is about third of total 2018 ERI: hence seen as significant for Wessex Water performance – assume because of scale & duration (15 hours seen as a long time)
- However, taken at face value most see this as a minor event with low/no impact on customers
- ‘Surprisingly high severity’*

Exercise reveals customers are highly sensitive to any water quality issue (even where no health risk) and the need to trust water companies



Previous scenario now put in context of better & worse performance:

- Most instinctively want to see Wessex Water reach the top level of performance
 - Expect any organisation to aspire to eliminate risk/reach the best possible score
 - Believe pay for top quality service
 - Think there is room for improvement in the scenario i.e. 15 hours is too long
- Others remain happy with ERI score of '8' / mid-level
 - Not all events perceived to be in Wessex Water's control e.g. burst pipe owing to road damage
 - Link to league table: current performance is very good...
 - '8' seems acceptable: realistic

Implications for vulnerable groups

- Scenarios put in mind e.g. very elderly and the ill: further underlines the importance of water quality standards
- Loss of supply scenario has particular relevance: business managers/owners, teachers, carers in sample stress importance of reliable supply for them or those they serve/care for

Without any personal financial consequences (bill impact), customers expect targets to be very high

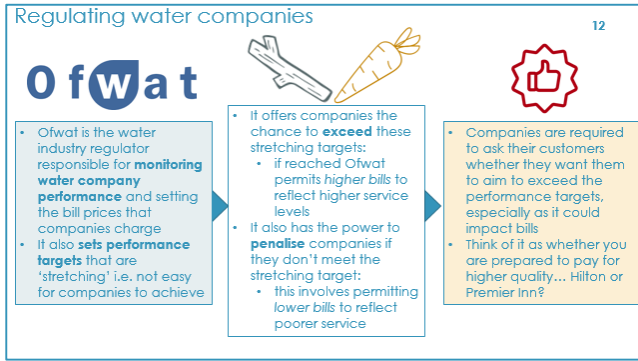
8 is definitely acceptable: a good quality fix is top priority
Bath

The target should be green: aim high!
Yeovil

My daughter is diabetic – she can't be without water
Yeovil

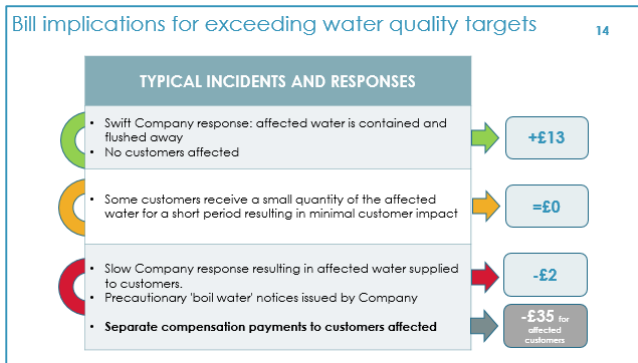
Aspiring to the green, at least
Bath

What about the elderly and people taking medication?
Yeovil



Explanation of incentives and penalties provided to research participants

- While accept 'pay for what you get' argument; principle of rewards/penalties is often troubling for customers:
 - Water quality should be a right irrespective of ability to pay
 - If companies penalised, less able to invest/improve
 - Want national minimum standard: *'every water company should be aiming for green'* (i.e. the highest level target)

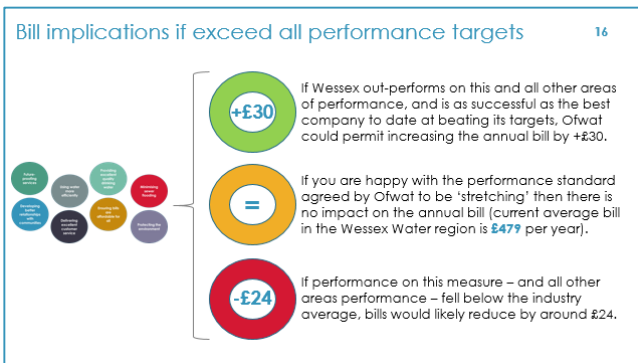


Majority willing to pay +£13 for highest water quality target

- A relatively small price to pay for improved/high quality service
- Risk-averse and quality sensitive: worth it to reduce chance of events

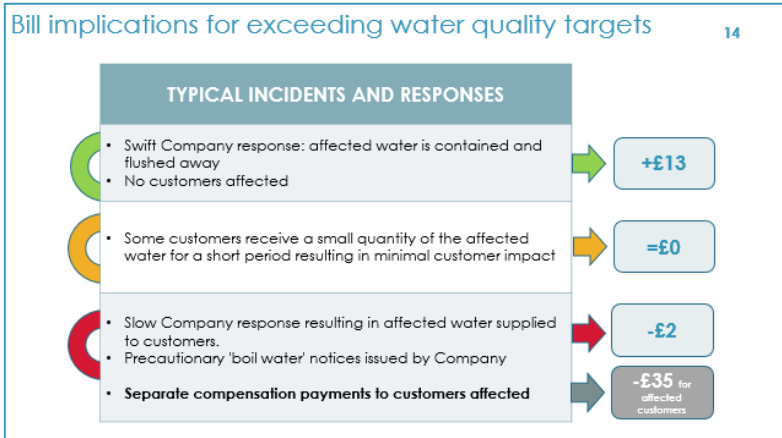
Current high water quality performance is reason not to pay more

- And the belief that bills are high enough



Willingness to pay +£30 for achieving all higher targets is lower NB respondents were not informed what these additional targets would be

- Around half are willing but often require a better justification for this size of bill impact
- Around half neutral/unwilling: the price looks excessive against the background of current good service
- Unable to evaluate other targets: may not have same importance as water quality



How satisfied would you be if Wessex Water reached a higher water quality target which would have the potential for Ofwat to permit higher bills?	TOTAL
Very satisfied to have the higher performance target	7
Fairly satisfied to have the higher performance target	10
I'm neutral	2
Fairly dissatisfied to have the higher performance target	6
Very dissatisfied to have the higher performance target	1

NB: no clear differences by demographics

I would happily pay just over £1 /month more in a year if this meant better water quality and better response times. Yeovil, Female

This is a small price to pay to have the very best water supply. Yeovil, Male

Optimise water quality... limit health risk to humans and environment. Bath, Male

I'd rather pay more to have a better service and quality of water especially with it being a business too [a pub]. Yeovil, Male

No one wants to pay more but in order to reduce disruption it is a relatively small price to pay. Yeovil, Female

Happy to know my water supply is as reliable as it can be...prefer not to pay a premium but willing to do so. Bath, Male

To have improved water quality for an extra £13 is a fair price. Bath, Male

The company is performing well as is. I don't think you get a lot more for the extra cost. Bath, Male

I would be happy to pay more. I would like better water. Yeovil, Female

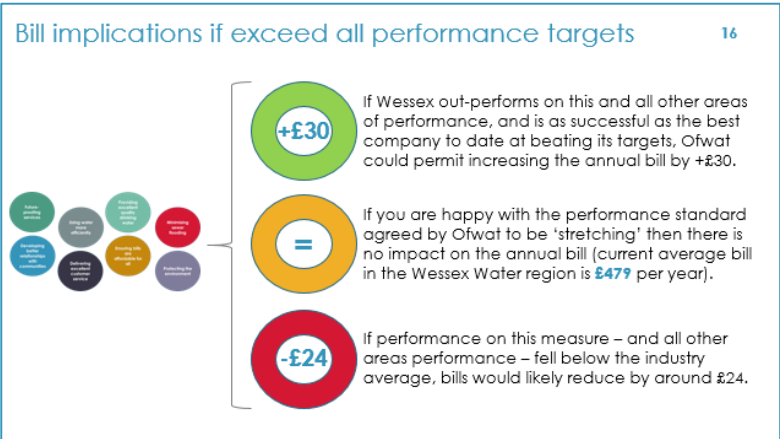
They should want to exceed their target. Charging extra seems odd if they are reaching their targets on present funding. Yeovil, Male

Water quality should be of the highest. We pay enough for our water. Bath, Male

I don't want to pay more on my bill and I am overall satisfied with how Wessex Water performed this year. Bath, Male

They should be trying to excel, not increase profitability. Yeovil, Male

Unfair to pay extra for what should be the norm. [NB thought £13/month]. Bath, Female



How satisfied would you be if Wessex Water reached all its performance targets which would have the potential for Ofwat to permit higher bills?	TOTAL
Very satisfied if it reached all its higher performance targets	3
Fairly satisfied it reached all its higher performance targets	10
I'm neutral	5
Fairly dissatisfied it reached all its higher performance targets	8
Very dissatisfied it reached all its higher performance targets	1

NB: no clear differences by demographics

The added value would need to be communicated to customers. Bath, Male

If the water supplier is excelling in killing these targets I would be happy to pay for the excellent service. Bath, Male

To have all the services brought up to a very high standard would be good but within a price bracket – not too high. Yeovil, Female

They are performing well but £13 is a better percentage. Yeovil, Male

I would pay +£30 annually for better water but if they are failing key targets there should be more of a deduction. Yeovil, Female

£30 is a lot of money. It would depend on the individual target: e.g. water quality is very important however customer service should come with the company and I shouldn't have to pay more for it. Yeovil, Female

The cost. Yeovil, Male

I don't want to pay higher water bills and I'm happy with the service that is currently provided. Bath, Female

I'm prepared to pay a small increase but not for it to be doubled. Bath, Female

Not happy to pay extra £30 for service that may exceed what is needed. Bath, Male

I'm not sure they would be allowed to do this with no competition. Yeovil, Male

If this is allowed than the flood gates will open for more excuses for higher water charges. Bath, Female



Conclusions

Strong support for very high water quality performance

Putting bills aside, customers value higher tier performance options

- Whilst largely taken for granted, drinking water quality is fundamentally important: consumers (passively) trust water companies to ensure quality
- Response to ERI reflects sacrosanct nature of water quality as part of public health: once brought to mind, low tolerance for any quality breaches, hence support for higher performance options
- Consumers not equipped to judge what is a 'stretching' target and hence, given importance of water quality, choose the option reflecting the best/highest targets

In depth exploration suggests a willingness for water quality outperformance payments

When considered, £13 bill increase seems a reasonable premium

- Relatively small sum for additional assurance for an aspect of service where customers want the highest possible performance
- A bit like insurance...collective premium for individual protection
- But value can seem intangible: paying to decrease an invisible risk, not to solve a real problem

But price sensitivity evident once bundled with other performance outpayments

Satisfaction with +£13 outpayment comes from understanding and valuing the higher performance it relates to

- Satisfaction weakens once bill impact £30 against other unknown targets
- Justification needed in context of current (industry-leading) service
- Indication that paying a premium to secure higher water quality might have greater value than other outpayments



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