



IAP ODI Quantitative Research Final Results – April 2019



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Project Overview

Background

- In Ofwat's initial assessment of plans (IAP), Dŵr Cymru Welsh Water (DCWW) was graded as having fallen short of high quality in respect of certain issues relating to the setting of outcome delivery incentive (ODI) rates
- Additional research was required to provide customer feedback on DCWW's proposed 10 year bill

Objectives

- Test acceptability and the affordability of the proposed 10 year bill profile
- Understand customer response to a number of different potential ODIs
- Assess whether customers support DCWW's proposal to not have financial ODIs against a small number of performance commitments

Methodology

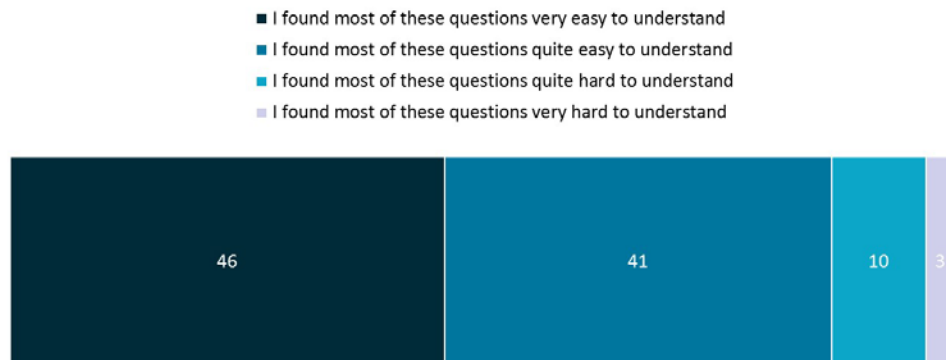
- Face to face cognitive interviews
- In order to assist customers in completing the survey the questionnaire included sections that introduced participants to: DCWW and outline of their activities, the regulatory environment, the Business Plan process and where PCs and ODIs sit within this

Research method and sample

20 minute questionnaire amongst a robust sample of HH customers:

Method	Number
Online (Dynata panel)	789
Face to face (in home)	213
Total	1,002

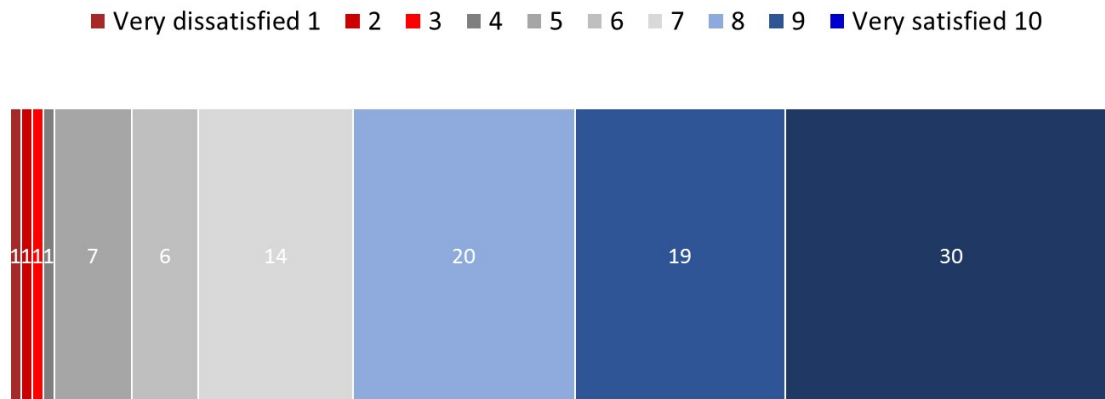
HH data was weighted to reflect DCWW customer profile by age, gender and social grade. Data analysis based on 95% confidence level



Majority of participants found the questions in the survey quite or very easy to answer

*Twelve cognitive interviews were undertaken to test understanding of the questionnaire
Results of the cognitive interviews have been reported separately
The survey was piloted prior to starting the main fieldwork*

The majority of customers are satisfied with the overall service delivered by DCWW (mean score of 8.1 out of 10).

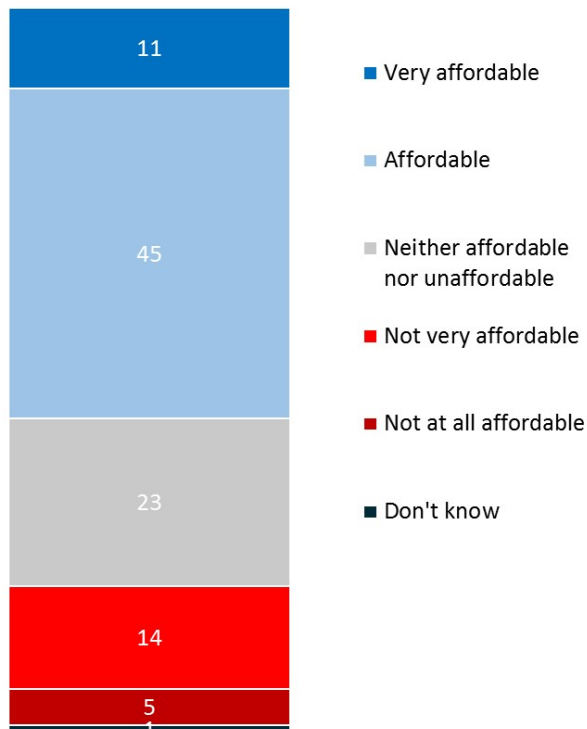


Q18. How satisfied are you with the overall service provided by Welsh Water?
Base: 1,002 participants

Few significant differences across the different customer types

- Those on a water meter are significantly more likely to state that they are “very satisfied” (score 10) – 35% compared with 26% of those who are unmetered
- Those who state their bills are “not at all affordable” significantly more likely to state that they are “very dissatisfied” (score 1) – 18% compared with 1% with all other groups (caution should be applied to this finding due to the very low number overall who stated that their bill was very unaffordable (5% of all participants))

Almost three times as many customers feel their bill is affordable compared with those who find their bill unaffordable (56% compared with 19%)

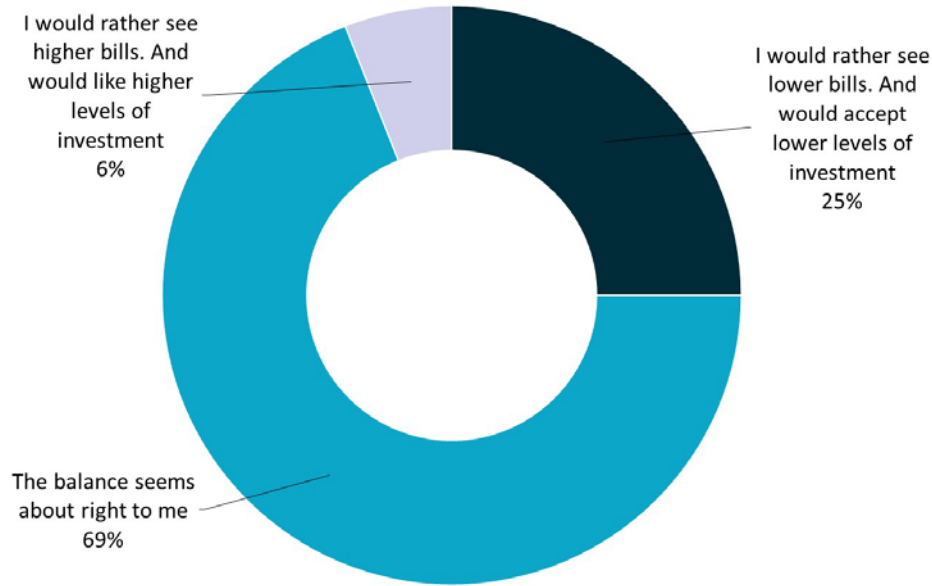


Q19. And how affordable are your water charges to you?
Base: 1,002 participants

Again, there are few significant differences across the different customer types

- Those on a water meter are significantly more likely to state that their bills are “very affordable” – 18% compared with 7% who are unmetered
- Those who are satisfied with the level of service provided by DCWW significantly more likely to state their bills are “affordable” (53% compared with the average of 45%) or “very affordable (16% compared with the average of 11%)
- Those in SEG AB significantly more likely than others to find their bill “very affordable” (18% compared with 11%)
- Whilst those in SEG DE significantly more likely than others to find their bill “very unaffordable” (9% compared with 5%)

Majority feel that the balance of the proposed bill and levels of investment feels about right. Customers who do not are dominated by those who would rather see lower bills and accept this would lead to lower levels of investment for improvements



There is a correlation between perceptions of bill affordability/satisfaction with DCWW's services and the desire to see lower bills

- Customers who are significantly more likely to ask for lower bills/levels of investment are:
 - On an income of less than £15,600 per annum (30% selected the lower bill option compared with 25% of the total customer base)
 - Social grade DE (31% selected this option compared with 19% AB)
 - Those who find the bill very unaffordable (62%)
 - Those who recorded low (76%) or neutral (42%)
 - Younger customers (35% of under 35 selected this option compared with 19% of those who are over 55)
 - On unmeasured (29% compared with 21% who are on a meter)

Q20. Which of the following statements best matches your views of the proposed bill level and level of investment for improvements?

Base: 1,002 participants

Reasons for preferring a lower bill/investment levels are driven by concern about affordability and perception that DCWW should reduce profits in order to deliver lower bills

Because while I accept that the infrastructure must be maintained to a high standard, running water is basically a human right in this country and we have no option but to get it from one source. With everybody forced to pay in, a very handsome profit is being made by Welsh Water and bills should be lower for everybody.

Everything is going up and my wages are staying the same

The ever increasing utility bills are going to break the public's ability to live

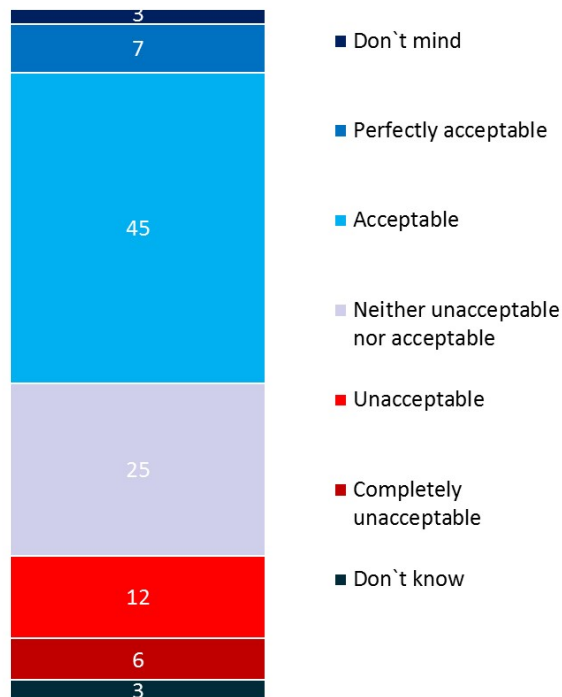
Welsh Water appears to be one of the highest water charging companies in the country and we get so so much rain in Wales

The cost of living is rising but some wages don't match it. Or everyone goes on a water meter and pays for what they use.

Dwr Cymru should invest some of their own profits into making it a better service than charge their customers

It costs enough right now for water. even the people who are not working for various reasons don't get a discount they pay the same as working class people do.

Over half find the proposed range (+£20/-£30) acceptable. Less than one in five find the range unacceptable

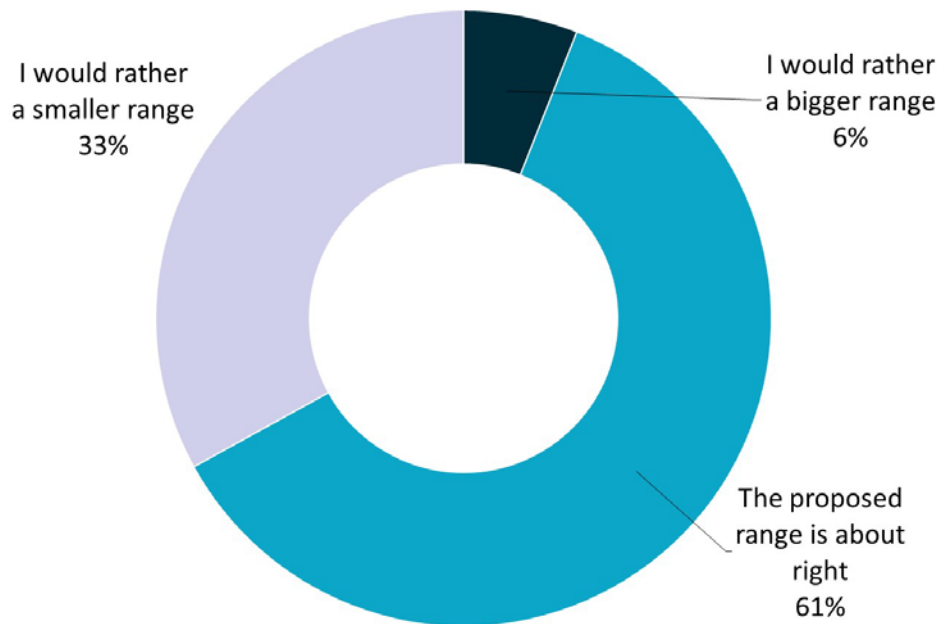


Customers were shown information about how DCWW's performance will be measured and how ODI levels are set and implemented

- Customers who find their current bill unaffordable are significantly more likely to state that the proposed range is unacceptable
- Conversely, those who find their current bill affordable are significantly more likely to find the proposed range is acceptable
- And those who are satisfied with the service provided by DCWW are more likely to find the proposed level acceptable compared with those who are neutral or dissatisfied

Q22. As we have just seen the potential range for the impact of these rewards and penalties on the average bill could be up to a £20 increase or a £30 decrease, depending on Welsh Water's performance. How acceptable do you find this range?

Majority feel that the proposed range feels about right. Customers who do not are dominated by those who would rather see smaller range



It was explained to customers that a smaller range would potentially be less of an incentive for DCWW to meet their targets. And that a larger range would potentially be more of an incentive

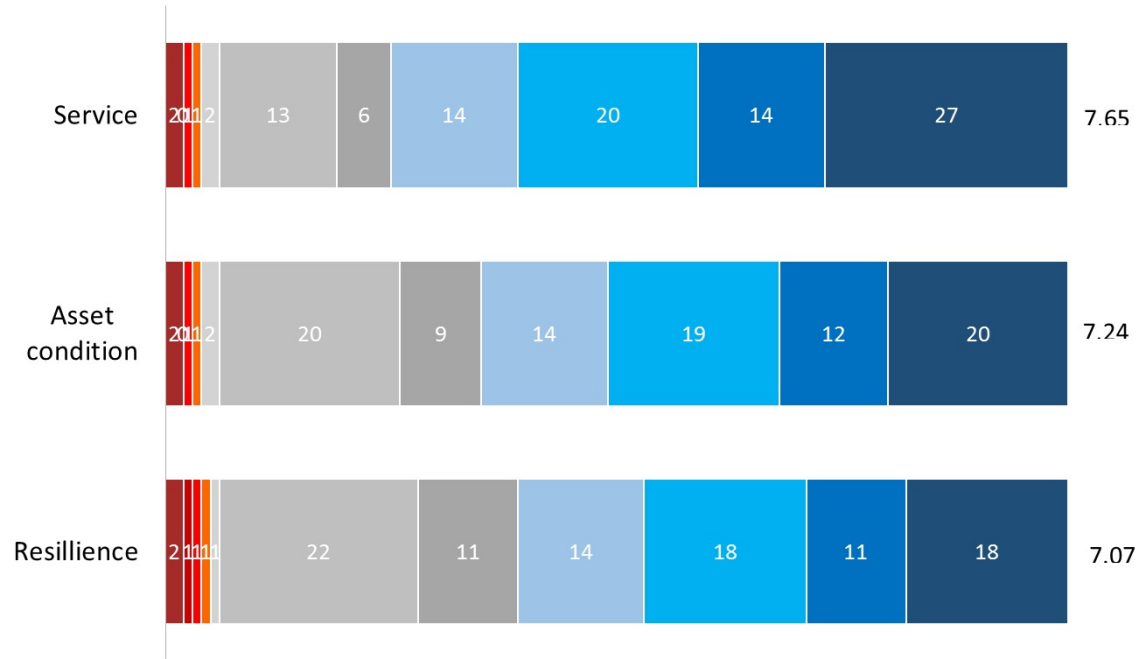
- There are very few significant differences between the different customer types
- However, as with the previous questions relating to bills customers who find their current bill unaffordable are significantly more likely to state that they would rather see a smaller range than those who find their bills affordable

Q23. Does the range (the potential increase of £20 or decrease of £30) shown in the last question seem about right to you or would you rather a bigger or smaller range?

Base: 1,002 participants

Service was considered to be the most important area against which DCWW should have financial rewards/penalties against. However, customers believe that it's important for DCWW to have financial rewards/penalties against all three areas tested.

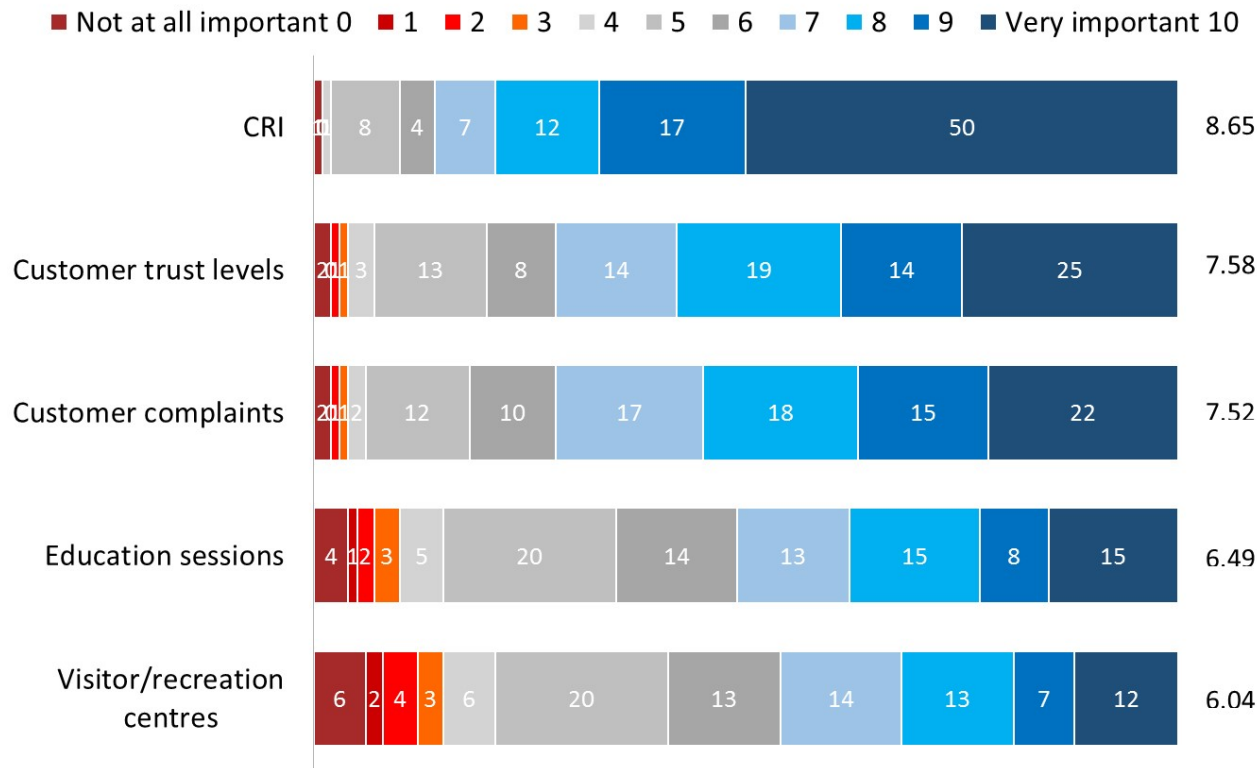
■ Not at all important 0 ■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7 ■ 8 ■ 9 ■ Extremely important 10



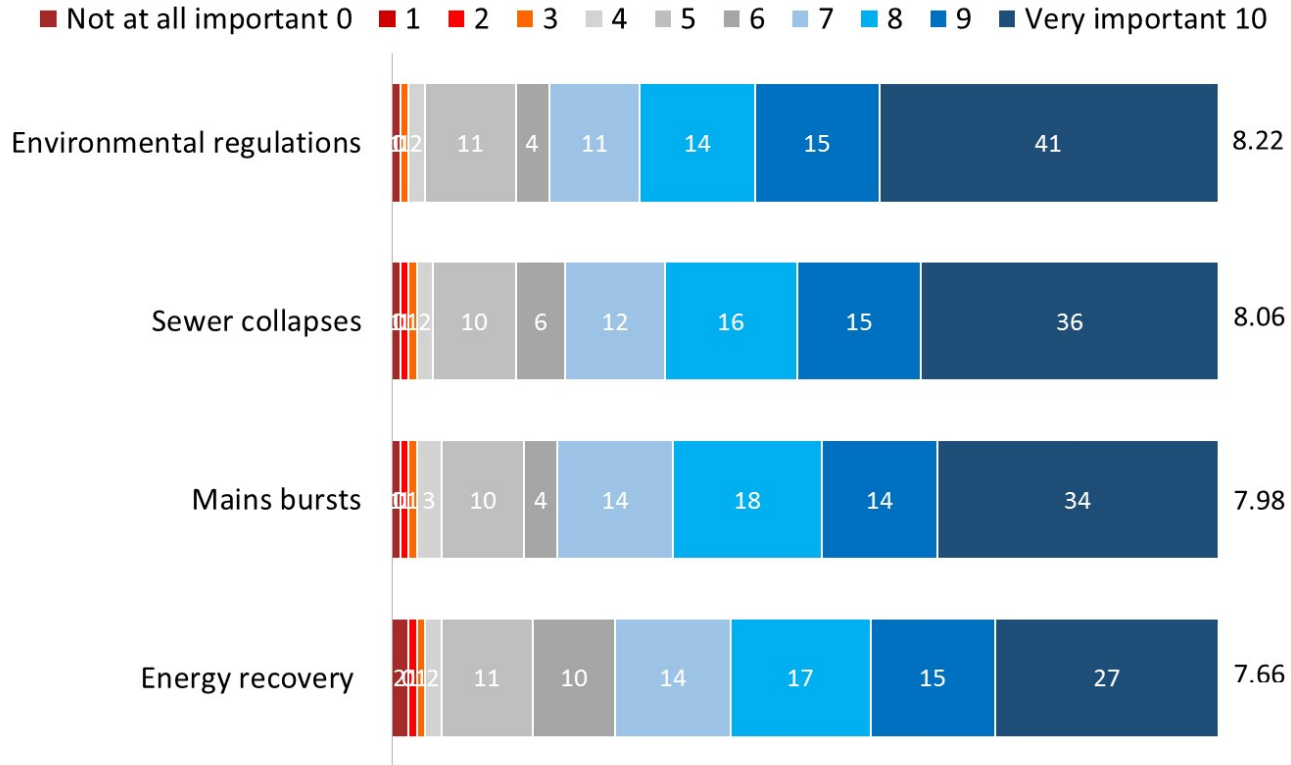
■ Customers who find their current bill very unaffordable are significantly more likely to state that they find financial rewards/penalties against all three areas “not at all important” than other customer groups

Q24. How important is it that Welsh Water has financial rewards and penalties against each of the following? POP UP INFO BUTTON: If there are no rewards or penalties there is still an impact on Welsh Water’s reputation of failing to meet targets (NOTE: the order shown 10 was rotated between interviews). Base: 1,002 participants

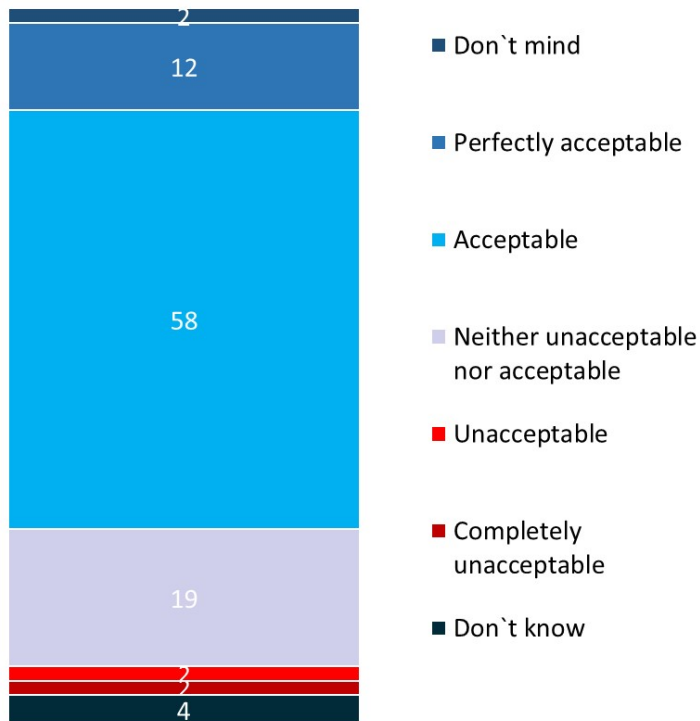
Service/Environmental: customers state that the most important service & environmental areas against which DCWW should have financial rewards/penalties are CRI, trust levels and complaints



Asset Condition: customers state that the most important asset condition areas against which DCWW should have financial rewards/penalties are environmental regulations and sewer collapses



72% of customers support DCWW's proposal of setting limits on the rewards and penalties for each measure



- There were no significant differences between the different customer types with the exception of bill affordability
- Those who feel the bill is unaffordable are more likely to find the proposal unacceptable

Q26. Welsh Water has the option of setting limits for each measure on the amount of the reward (to protect customer bills going up too much) or the amount of penalty (to protect the finances of the company). They are proposing to set limits on rewards and penalties for each measure so that if performance is exceptionally good or exceptionally bad (defined as a level that would only occur once in ten years, usually due to extreme weather conditions) there would be no extra reward or penalty. Base: 1,002 participants

More customers support than oppose DCWW's proposal of not setting financial rewards/penalties against the small number of PCs tested (although this was not a majority – ie: over 50% - support)



There are very few significant differences in response between customer types

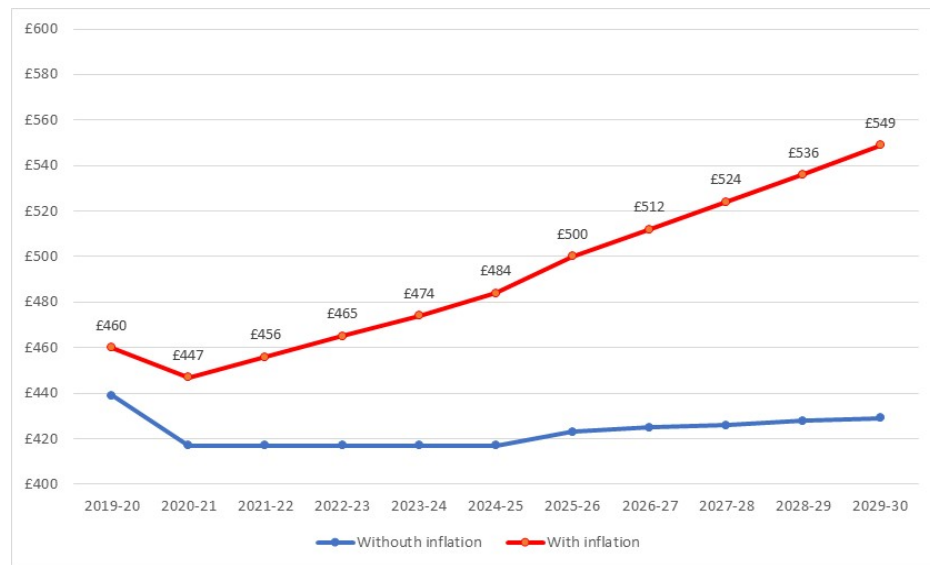
■ Consumption of water per customer ONLY:

- Metered customers significantly more likely to state that there should be rewards/penalties than unmeasured customers
- Higher SEG customers (ABC1) significantly more likely to support DCWW's proposal
- Lower SEG customers (C2DE) significantly more likely to state "don't know"

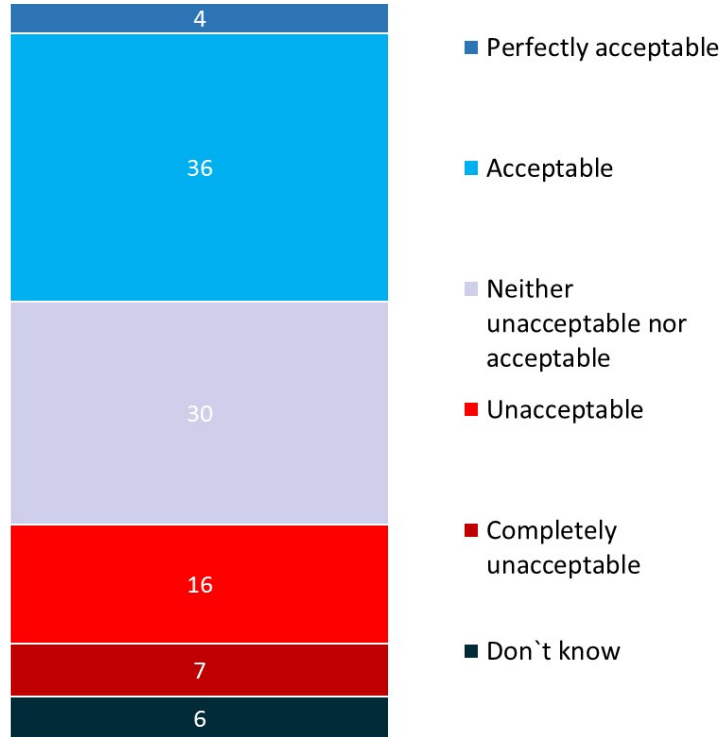
Q27. There are some measures against which Welsh Water is proposing not to have rewards or penalties and these would simply impact on the company's if they miss their target. These are shown below together with the reasons for not having rewards or penalties. For each please indicate whether you agree or disagree with Welsh Water (NOTE: the order shown was rotated). Base: 1,002 participants

10 Year Bill Profile Tested

- So far we've been asking about the proposed Business Plan over the next 5 years. We'd now like to ask you about the proposed change in bill levels over the next 10 years, leaving aside any rewards and penalties. Below is the projected bill for household customers over the next ten years
- You'll see that this once again is shown with and without inflation. The blue line shows the projected bill without inflation and the red line shows the projected bill with impact of inflation added



Nearly twice as many customers find the proposed 10 year bill profile acceptable than unacceptable (40% find the bill acceptable compared with 23% who find the bill unacceptable)

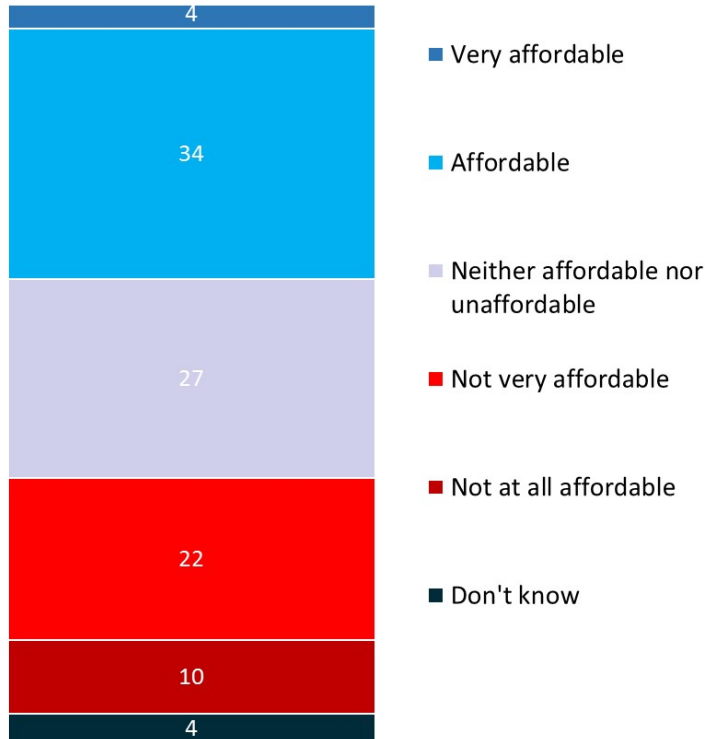


There are very few significant differences in response between customer types

- Differences were again observed based on affordability perceptions of the current bill:
 - Those who find the current bill “very unaffordable” significantly more likely to find the proposed 10 year bill “very unacceptable” (26% compared with 7%).
 - Those who find the current bill “very affordable” are significantly more likely to find the proposed 10 year bill “very acceptable” (15% compared with 4%)

Q28. How acceptable do you find this bill profile for 2020 to 2030?

38% of customers state that the proposed 10 year bill would be affordable to them. However, 32% feel the bill would be unaffordable to them

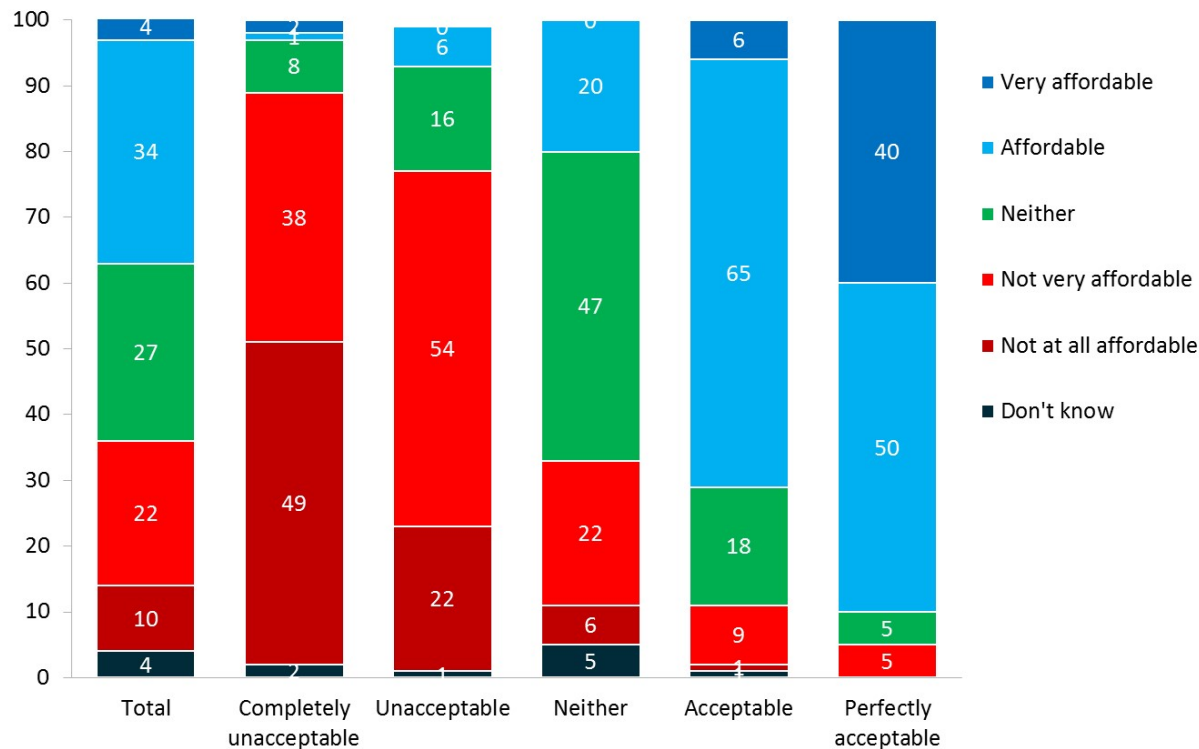


There are very few significant differences in response between customer types

- The key differences are based on affordability perceptions of the current bill:
 - Those who find the current bill “very unaffordable” significantly more likely to find the proposed 10 year bill “very unaffordable” (62% compared with 10%).
 - Those who find the current bill “very affordable” are significantly more likely to find the proposed 10 year bill “very affordable” (30% compared with 4%)

Q29. And how affordable would this be for you, assuming no other change in your circumstances over this period?

Nineteen percent (186 in total) of participants stated that the proposed 10 year bill was both unacceptable (very unacceptable and unacceptable) and unaffordable (very unaffordable and unaffordable)



Q29: And how affordable would this be for you, assuming no other change in your circumstances over this period?

Q28: How acceptable is this bill profile for 2020 to 2030?

Accent



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March 2019

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