

Ref 3.1

# PR19 Affordability Strategy

September 2018

## Contents Page

<b>1. INTRODUCTION .....</b>	<b>2</b>
<b>2. AFFORDABILITY FOR TODAY’S CUSTOMERS.....</b>	<b>5</b>
<b>3. AFFORDABILITY FOR FUTURE CUSTOMERS .....</b>	<b>9</b>
<b>4. AFFORDABILITY FOR CUSTOMERS WHO STRUGGLE TO PAY .....</b>	<b>11</b>
<b>REFERENCES.....</b>	<b>15</b>
<b>APPENDIX: EXTRACTS FROM CUSTOMER RESEARCH RELATING TO AFFORDABILITY .....</b>	<b>16</b>

## 1. Introduction

### 1.1. Summary

We have kept the increase in the average household customer bill to below the rate of RPI inflation in each year over the 10 years up to 2020 – an unprecedented record. We intend to build on this by reducing average bills by around £22 or 5% over the next five years, before the impact of inflation. This bill reduction can be achieved through the reduction in the allowed rate of profitability expected for the sector (“the cost of capital” or weighted average cost of capital “WACC”) and by innovating to materially improve efficiency within our business. In this way, we plan to deliver a substantial bill reduction while simultaneously increasing levels of investment to improve service performance and long-term resilience.

In addition, we will target more help to those customers who are most struggling to pay their bills, increasing the number of customers benefitting from social tariffs from around 100,000 today (the highest rate of support in the sector) to around 150,000 by 2025 – this will cost us around £85 million over the period, customer dividend money that in other companies would have been paid out in shareholder dividends).

### 1.2. Context

Our affordability strategy takes into account the level of poverty and income of our customers and the Welsh Government’s policies, priorities and objectives.

#### **Poverty and incomes in Wales**

We serve most of Wales, Herefordshire and parts of Deeside. Some of our customers live in the most deprived communities in the UK and overall our customer base is one of the poorest of any water company.

In 2017, we commissioned Experian to undertake a study into the household income of our customers (Supporting document 2.5.2). The key findings may be summarised as follows:

- We have the second lowest disposable household income of the water companies in England and Wales.
- In 2015 average household income in England and Wales is estimated to be 20% higher than the average for ourselves. Between 2011 and 2015, weekly household disposable income in our area increased by just 8%, compared with an increase of almost 11% in England and Wales.
- After housing costs 22% of households in our area are living in poverty according to the ONS definition, and ranks the area as the 4th highest water company on this measure (of 21).

In 2017, we commissioned Economic Insight to assess deprivation by water company licence areas (Supporting document 2.5.1). The key findings may be summarised as follows:

- Our index of multiple deprivation (IMD) is 26.8, the second highest of water companies in England and Wales.
- Our IMD is 30% higher than the water industry average.

In 2017, we commissioned Economic Insight to undertake analyses of household income in our area (reference 3). The key findings were:

- 31% of households have a disposable household income of less than £15,000 a year.
- The distribution of household income is more concentrated around lower income levels than for any other region in the UK.

## **Welsh Government's policies, priorities and objectives**

In November 2017, the Welsh Government issued its **Strategic Priorities and Objectives Statement to Ofwat**. Our affordability strategy is consistent with the Welsh Government priorities, in particular:

- *Affordability. We expect Ofwat to consider both current and future affordability in the design of its regulatory framework. Ofwat should incentivise companies to continuously seek efficiency gains to deliver more for less in order to improve the value for money of water and sewerage services, having regard to resilience and service over the long term. We expect social tariffs to be available for those who struggle to pay, reflecting the views of the generality of customers.*
- *Long-term. We expect Ofwat to consider the appropriate balance between short-term affordability and the need to safeguard longer term affordability, resilience and performance*

In May 2015, the Welsh Government published its **Water Strategy for Wales**. The strategy sets out how the Welsh Government believes water services and resources should be managed. It articulates the strategic direction and long-term vision for water policy under six key themes. From an affordability perspective the key statements are:

- *We will ensure fair and affordable water services for all and we are committed to reducing the percentage of people who have water affordability issues in Wales, in line with our broader aims set within the Welsh Government's Tackling Poverty Action Plan and the Child Poverty Strategy for Wales.*
- *Water affordability is part of the broader issue of poverty where households struggle to afford the necessities of life. Households are deemed to be in water poverty if they pay more than 3% of their income on the water bill.*

Our affordability strategy is aligned with the Welsh Government's Water Strategy for Wales.

In April 2015, the National Assembly for Wales passed the **Well-being of Future Generations (Wales) Act 2015**. This sets out seven well-being goals for Wales. Our affordability strategy is consistent with these well-being goals, in particular:

- *A resilient Wales. We aim to support the social and economic resilience of our customers by ensuring that their tariffs are suitable to their circumstances.*
- *A more equal Wales. We aim to reduce inequality in Wales through ensuring we seek innovative ways to identify and support struggling customers, including through the use of social tariffs.*

In June 2014, the Welsh Government issued **Guidance to water and sewerage companies and Ofwat, in relation to social tariffs under section 44 of the Flood and Water Management Act 2010**. This guidance differs from the equivalent guidance issued by the UK Government and supports a

higher aggregate level of funding for social tariffs. Our affordability strategy complies with this guidance.

## **Welsh Water 2050**

Welsh Water 2050 sets out our vision of what a truly resilient and water service might well look like in 2050. We published a detailed “*Welsh Water 2050 Consultation Document*” in May 2017 and we received over 20,000 customer responses and detailed responses from 17 stakeholder groups and other interested parties. Our final Welsh Water 2050 document (supporting document 1.4), reflecting specific feedback from customers, was launched at the National Assembly for Wales in May 2018, with strong endorsement from the Welsh Government Minister. Key affordability deliverables for customers within that vision include:

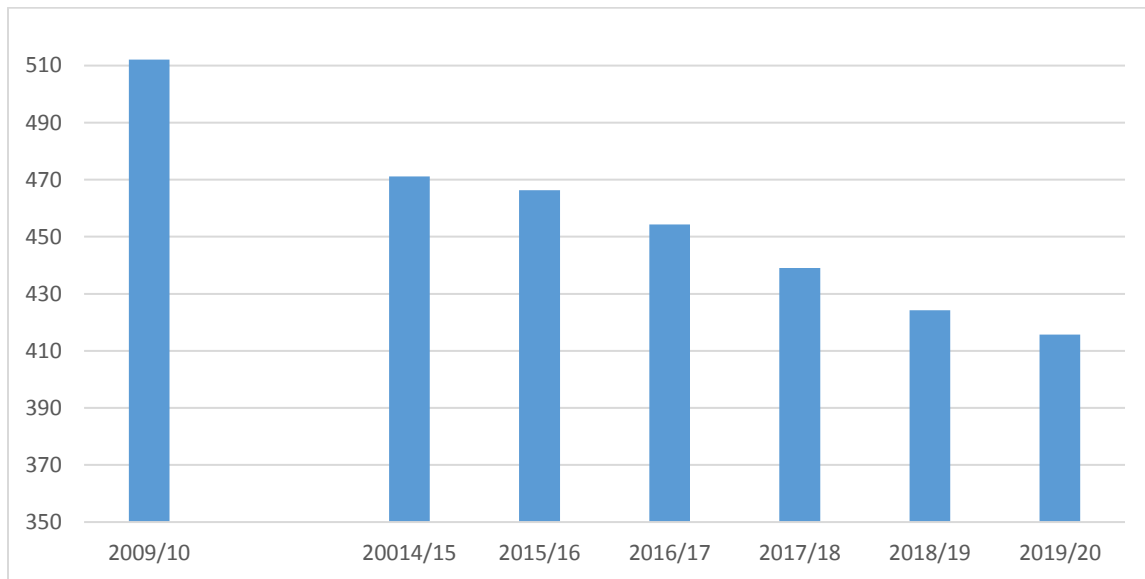
- Good value for money for customers as a whole – with any increases in bills being affordable in relation to the movement in average household disposable incomes.
- Affordable services for all, with every household receiving a bill which is fair and which they can afford.

Our affordability strategy is consistent with the long-term deliverables of Welsh Water 2050.

## 2. Affordability for today’s customers

### 2.1. Our record

We are the only company in the industry to have increased average household bills by less than RPI inflation in every year since 2009-10. We expect to continue that policy for 2019-20 so that household customers will have seen bills falling in real terms for 10 consecutive years.



**Figure 1: Average Household Bills (at 2017-18 prices)**

Our bill, however, continues to be higher than the average bill in England and Wales. This reflects the legacy of investment post privatisation (funded by customers) into improving coastal waters – a legacy shared with other water companies with long coast lines notably South West Water, Wessex Water and Southern Water. (Our water service bill has been below the average water service bill for England and Wales since 2011). But we are closing the gap. Our bill in 2009-10 was £76 (18%) above the industry average. This has now been more than halved and our bill in 2018-19 is £33 (8%) above the industry average (all figures in 2017-18 prices).

Our track record over the longer term is equally impressive. We were acquired by Glas Cymru (a company without shareholders) in May 2001. Our forecast bill in 2019-20 is lower in real terms (excluding inflation) than the bill in 2000-01 whereas the average bill in England and Wales is some 12% higher in real terms. Over that period, we have the best record of any water and sewage company in reducing customer bills in real terms.

### 2.2. Customer views

Over the past two years, we have undertaken an unprecedented level of engagement with customers; a mix of ongoing ‘business as usual’ engagement and specific PR19 focused research. Most, if not all, of these exercises included gathering views on the acceptability/affordability of bills. However, the most extensive single exercise was undertaken by one of our research partners, Blue Marble, involving some 600 household customers and undertaken in August and September

2017. The key findings of the “Blue Marble Bill Research” (Supporting document 1.11), may be summarised as follows:

- Customer perceptions of their economic outlook are not very positive. Some 50% expect their household will be worse off in the future, 45% think it will remain the same and only 5% believe they will be better off.
- Only 5% of customers say they cannot afford their water bill; a further 37% say they find affording their water bill a ‘stretch’; and 59% say they can afford their bill either fairly comfortably or comfortably. Affordability is strongly related to economic circumstance. Those who are struggling to afford their bill are more likely to be from lower social/economic classes with lower income.
- Consumers in general tend to believe that bills, including water bills, always go up, and our customers are no exception. Two thirds of customers in our survey expect their water bill to go up at or above the rate of inflation in the future but only 23% thought this should happen. A further 22% thought bills should go up but under the rate of inflation and 41% thought bills should either not go up at all or go down.
- If there was to be a bill increase, 82% would favour a gradual increase and 9% would favour an immediate change. Conversely, if there was to be a bill decrease, 48% favoured a gradual decrease and 41% favoured an immediate change.
- 47% of customers would find it acceptable if water bills were to increase with average income but 40% did not. A high proportion of customers (62%) are concerned that their income will not keep pace with inflation.

Further details of the findings of the Blue Marble Research and other engagement exercise are set out in the appendices.

Each area of customer research has sought views from a wide range of customer groups, including businesses, the young and lower income customers who are more likely to be in vulnerable circumstances. In general, the views of customers are largely consistent across all customer groups, although lower income households do have a somewhat lower support for bill increases to pay for future investments. Customer views do reflect their generally high levels of trust in the company – as confirmed in CCWater’s Annual Water Matters survey. Business customer views may be heavily influenced by the fact that our business customers had the highest net promoter score (NPS) in the sector at +30 (source: CCWater ‘Testing the Waters’).

### 2.3. Our plans for AMP7

Having considered the feedback from customers, Welsh Government’s policies and priorities, and our assessment that we could address the concerns of those struggling to afford their bill through our social tariffs, we concluded that bill increases over AMP7 should be at or below the rate of inflation – consistent with our policy for the past 10 years. This decision together with our view of exacting but achievable cost efficiencies set the financial parameter for our service improvement and expenditure plans.

## Movement in the average household bill 2020-2025

(at 2017-18 prices)

	£	£
Forecast bill in 2019-20		426
Add: revenue deferred		6
Add: company contribution to social tariffs		<u>8</u>
<b>Allowed bill in 2019-20</b>		<b>439</b>
Expiry of Capital Incentive scheme 'penalties' from PR14		6
Reduction in the cost of capital		(28)
Impact of AMP7 Totex	36	
Less: cost efficiencies	(33)	
Other	<u>(3)</u>	
		<u>0</u>
<b>Allowed bill in 2024-25</b>		<b>417</b>
Less: company contribution to social tariffs		<u>(12)</u>
Forecast bill in 2024-25		<u><u>405</u></u>

A further factor, outside our control but with a material impact on customer bills will be Ofwat’s final decision on the allowed rate profitability for the industry (“the cost of capital” or WACC). We estimate, based on the indicative WACC published by Ofwat in its Final PR19 Methodology documents, that this change alone could cause our average household bill to fall by a further £22 over AMP7. This will impact customer bills immediately in 2020-21 but could be smoothed over the 5 years. In view of the current difficult economic circumstances that our customers face, we have chosen not to phase this bill decrease over AMP7.

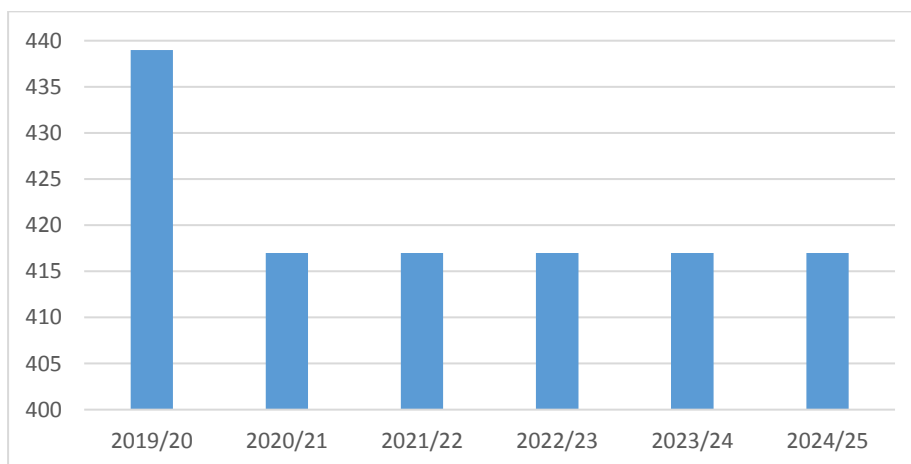


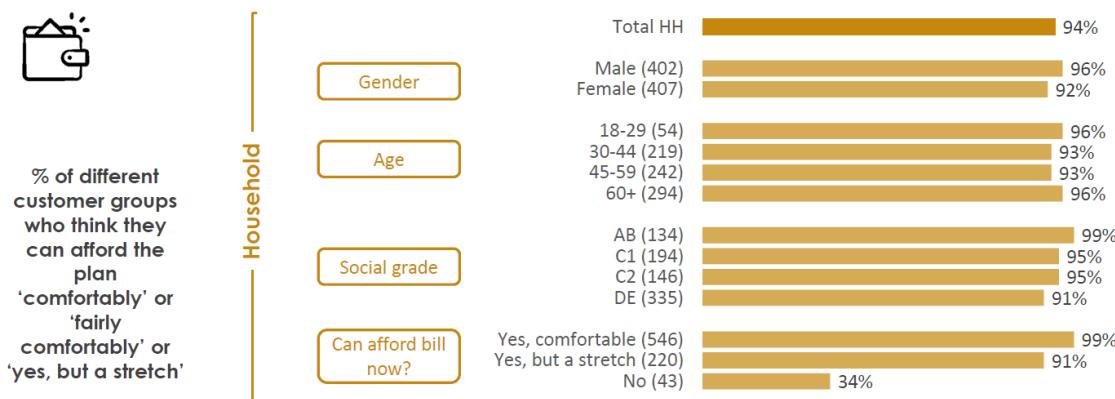
Figure 2: AMP7 average household bills (at 2017-18 prices)

## Customer acceptability testing

In June and July 2018, we commissioned Blue Marble to undertake customer research on the overall acceptability and affordability of our PR19 Business Plan (supporting document 1.11). This included 809 household customers including 209 “seldom heard” customers interviewed in person at Community Hubs. The headline results were:



- 93% of household customers found our overall plan (bills and performance commitments) acceptable.
- 95% of household customers found the proposed bills affordable, although 30% thought it would be a 'stretch'.
- Nearly everyone across all groups say they could afford the bill for the Business Plan (including those who say it would be a stretch).



**Figure 3: Summary of customer views relating to affordability of our plan**

Support for the affordability and the acceptability of our plan was consistently high across all customer groups, including business customers and lower income groups.

## 3. Affordability for future customers

### 3.1. Welsh Water 2050

Welsh Water 2050 sets out our long-term framework for our business planning. Key deliverables for customers within that framework include:

- Good value for money for customers as a whole – with any increases in bills being affordable in relation to the movement in average household disposable incomes.
- Affordable services for all, with every household receiving a bill which is fair and which they can afford.

Our PR19 Business Plan has been framed by our longer-term objectives as set out in Welsh Water 2050.

### 3.2. Affordability risks for future customers

The inherent risks in a five year regulatory control are twofold. Firstly, necessary investment to meet future challenges in terms of maintaining and improving service resilience are delayed to future years leaving future customers exposed to avoidable and growing risks to their service. Secondly, costs incurred are not properly recovered from today's customers but are deferred disproportionately for recovery from customers in the future. We address these two points below.

#### **A long-term investment programme**

In AMP7, we plan an increased investment of around £2.3 billion across our business (compared to around £2 billion in this period), financed by exacting cost efficiency targets rather than increases in customers' bills. Priority investments for AMP7 are the first stage of much longer term programmes. For example:

- Our 15 year Zonal Studies programme began in AMP 6 to refurbish and redesign priority drinking water networks (Costing around £360 million, £130 million in AMP7).
- Our 15 year Reservoir Safety programme began in AMP 6 to make them resilient to future severe storm risks resulting from climate change (Costing around £347 million, £115 million in AMP7).
- A 10 year National Environment Programme (NEP4), determined by Natural Resources Wales (NRW) and the Environment Agency (EA) to improve the status of the aquatic environment. (Costing around £725 million, £350 million in AMP7)
- A 30 year Water Resources Management Plan to ensure sufficient supply for all customers in light of expected environmental, population and climate changes.
- A 10 year investment programme into a major new water treatment works in our most populous South East Wales area, significantly increasing resilience (costing around £246 million, £90 million in AMP7).

The AMP7 investment programme is closely aligned with what we have determined is necessary to be done over the next five years to make a significant step towards the long-term objectives set-

out in Welsh Water 2050, in particular the quality and supply of drinking water, enhanced resilience and improving the environment.

Given the above, we do not consider that we are delaying investment required to meet long-term needs of our customers or the environment.

## **Pay As You Go (PAYG) ratio, RCV run-off rate**

We firmly believe that the expenditure we incur on delivering services should be recovered from customers in proportion to the benefit they receive. This means that today's customers pay for the cost of running and maintaining the service today (base service expenditure, or 'Botex'). Expenditure to improve the service (enhancement expenditure) is added to the Regulatory Capital Value (RCV) and recovered from both today's and future customers.

We have followed this principle in our PR19 Business Plan. The key regulatory determinants which affect this are the Pay As You Go (PAYG) ratio and the RCV run-off rate.

The PAYG ratio determines how much wholesale totex (opex + capex) is recovered £ for £ from customers as it is spent and how much is added to the RCV and recovered from customers over time. We have set this at the 'natural' rate, i.e. there is no undue bias towards either today's customers or future customers.

The RCV run-off rate is the "depreciation" of the RCV and this is also recovered from customers. We have set the RCV run-off rate to match the average expected useful lives of the underlying assets. This ensures that the 'cost' of enhancement expenditure is recovered from customers over its full life, i.e. there is no undue bias towards either today's customers or future customers.

We therefore consider that we are recovering the costs of our expenditure appropriately between today's customers and future customers, with no built-in risks to the affordability of services to future customers.

### **3.3. Projected bills in AMP8 and beyond**

Our PR19 Business Plan also includes forecasts for AMP8 for our outline Service Delivery Plan (with targets for performance commitments) and our outline Expenditure Plan. In sum, given the similar capital investment programme, assuming the same regulatory cost of capital and ongoing efficiencies of 1-2% a year, the bill profile in AMP8 is a very modest upward trend in average household bills in real terms – up £11 between 2025 and 2030.

We undertook an assessment of the expenditure needed to deliver our long term service and resilience objectives. Our indicative modelling showed that, subject to a range of assumptions, we could meet these objectives with an investment of some £6-9 billion (over 6 AMPs). We estimate that this would see bills changes in real terms of circa 1% a year. This is consistent with the long-term view of real growth in the average household disposable income in Wales.

We therefore conclude that bills will remain affordable for the generality of our customers through to the end of AMP8 (2030) and beyond.

## 4. Affordability for customers who struggle to pay

### 4.1. Our record

We have an extensive range of social tariffs and payment schemes to help those customers who are struggling to pay their bills. As at 31 March 2018, our affordability arrangements (set out below) are helping some 115,000 customers; including 90,000 on our main social tariffs (HelpU and WaterSureWales).

Tariffs and schemes	Benefit	% of revenue loss borne by customers/company	Number of customers (March 2018)
<b>HelpU</b> Household income < £15,000 including benefits except housing benefit.	Bill fixed at £197; average saving £284.	72%/28%	57,100
<b>WaterSureWales</b> Receiving qualifying benefits; 3 children <19 or medical condition requiring high usage	Bill capped at average measured bill. Social tariff subsidy is £125.	72%/28%	33,100
<b>Debt Schemes:</b>			
<b>Water Direct</b> Arrears £75+ Qualifying benefits	£25 discount	Nil/100%	11,000
<b>Customer Assistance Fund</b> Arrears £150+ Low credit score	50% of debt written off after 6 months of paying charges; 100% written off after 12 months	Nil/100%	6,000
<b>Water Collect</b> Collection scheme with RSLs.	£10 discount	Nil/100%	8,000

**Table 1: Summary of our social tariffs and payment schemes**

### WaterSureWales

WaterSureWales is similar to the WaterSure tariff that applies in England but it is capped at the average measured bill rather than the average household bill. This reduces the bill for eligible customers by a further £125 compared to WaterSure in England

### HelpU

In 2014, the Welsh Government issued guidance to the water industry in Wales and Ofwat on how social tariffs were to be implemented. Importantly, the guidance does not set a cap on the level of cross-subsidy to be borne by other customers. Instead, it requires us to find out what customers are prepared to pay, and to take into consideration that higher level of cross-subsidies need greater level of acceptance.

In our customer research exercise in 2014, 75% of customers accepted the introduction of social tariffs at an additional charge of up to £15 a year (in 2014 prices, adjusted each year for inflation), provided that the company also made a contribution to the cost of the tariff. Based on this research and endorsed by both the Welsh Government and Consumer Council for Water Wales (CCWater), HelpU was launched on 1 April 2015 on the basis that the cost of the subsidy would be borne 72% by customers (through additional charges) and 28% by the company (through foregoing revenue).

## **Other affordability arrangements**

We currently offer customers two incentive arrangements to help them avoid falling into arrears. Water Direct provides a £25 discount for customers who agree to set up direct deduction of bill payments from benefits by the DWP. Water Collect provides a £10 discount for customers who agree for bill payments to be collected alongside their rent by their registered social landlord.

For customers in arrears, our Customer Assistance Fund provides incentives, by writing off debt, for customers who adhere to individually tailored payments plans.

## **Welsh Water's financial contribution**

The cost to us of foregone revenue in 2017-18 was £6 million. As we have no shareholders to pay dividends to, we consider this foregone revenue to be part of our return of value to customers – in effect a 'customer dividend', and announce this each year as part of our 'dividend policy' for customers.

We expect the take-up of HelpU to increase significantly over the next two years from the current 57,000 to over 100,000 by 2020. The revenue loss from the social tariff discount to these customers will exceed the cross-subsidy arrangement agreed with the generality of customers. As a result, we expect the cost to us of foregone revenue in 2019-20 to rise to over £11 million.

## **4.2. Customer views**

We commissioned our research partner, Accent, to reassess customer support for social tariffs. This included 800 interviews with customers and was completed in May 2018. The key findings may be summarised as follows:

- The principle of a social tariff is understood and accepted by the vast majority of customers (89% of responses were either 'perfectly acceptable' or 'acceptable' and just 6% of responses were either 'unacceptable' or 'completely unacceptable').
- The majority of participants felt it was important for us to part fund the scheme (80%) and that qualifying customers should accept some money saving advice, e.g. water efficiency measures (85%).
- Nearly all participants felt total household income should be used to identify eligible customers (89%) and these customers should pay a fixed reduced charge (86%).
- A majority of customers were willing to see their charges increase by up to £6 to support more customers struggling to pay their bills through further funding for social tariffs.

Additional contribution	Customer Support
Additional £3 a year	61%
Additional £6 a year	52%
Additional £9 a year	42%
Additional £12 a year	33%

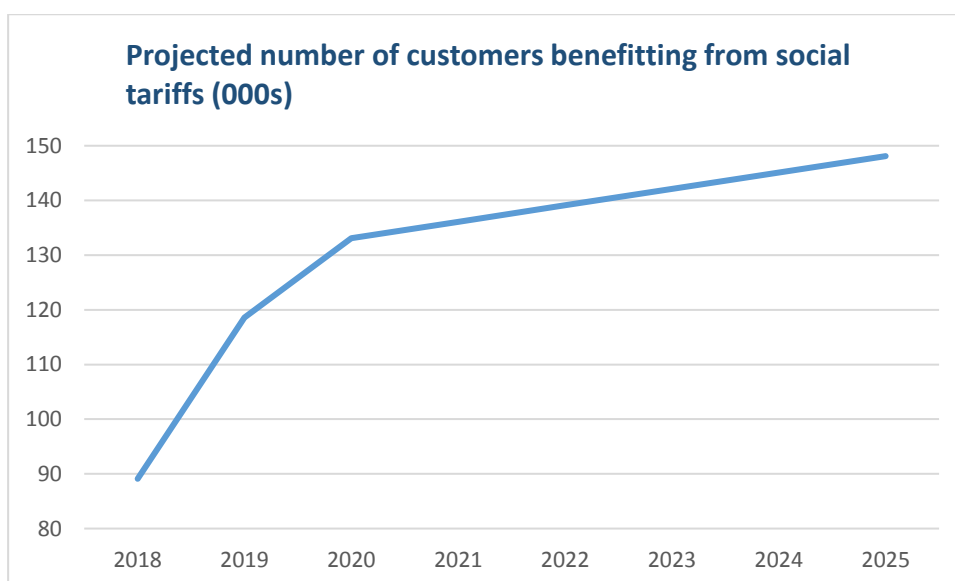
**Table 2: Summary of customer support for funding of social tariffs**

### 4.3. Our plans for AMP7

We have concluded that we will continue to extent support for financially vulnerable customers beyond 2020 having taking into account:

- We serve some of the poorest customers in the UK ( circa 31% with household incomes of less than £15,000 a year);
- Welsh Government’s objectives to tackle poverty and reduce water affordability issues;
- Continued customer support for social tariffs;
- Our ability to continue with its financial contribution to social tariffs, depending on the financial impact of the PR19 Financial Determination, which will be in December 2019.

Our business plan includes a Measure of Success (MOS) i.e. a performance commitment, to increase the number of customers benefitting from social tariffs (HelpU and WaterSureWales) to 148,000 by 2025.



**Figure 4: Projected number of customers benefitting from social tariffs**

Even an ambitious target to support 148,000 customers through social tariffs is unlikely to enable everyone who meets the current eligibility criteria to receive support by 2025. We are therefore considering potential adjustments to these eligibility criteria, for example to include consideration of household size, so that limited support can be best and most flexibly targeted at those most in need. We will work closely with CCWater, the CCG and Welsh Government in developing these plans. By closer co-operative working with communities and third sector groups, for example through the roll-out of Water Resilient Communities, we intend to get out customers help to better reach those excluded customers who are hardest to reach. We will also be expanding our wider support for

affordability, for example through a targeted programme of tariff, payment schemes and benefits advice for low income households.

## **Welsh Water's financial contribution in AMP7**

Customers have confirmed their continued support for social tariffs and a majority do support further increasing their contribution. But this majority is lower than the 75% support previously expressed in 2014 for the current cross subsidy (£15 a year, in 2014 prices, adjusted for inflation). As a result, it is not certain that this level of support meets the evidential threshold required by the Welsh Government's Social Tariff Guidance. At this time, we have prudently assumed that the cross-subsidy will remain capped at the current level.

By 2025, we expect our financial contribution to social tariffs to increase to over £19 million a year, some £85 million in total over AMP7. Our ability to meet this financial commitment is dependent on the final PR19 outcome i.e. Ofwat's Final Determination. We intend to re-assess and hopefully reconfirm our targets for Social Tariffs following Ofwat's Draft Determination and again after Ofwat's Final Determination.

Overall, we believe that the industry-leading approach to social tariffs outlined above is sufficiently ambitious given the extent of poverty and economic deprivation in Wales, and taking into account the constraints imposed on such a programme by considerations of financeability and fairness. When combined with a social tariffs strategy that will ensure that those most in need of support are identified and signed up, we believe that we can meet our commitment to ensure affordability for customers who are in financial difficulty and struggle to pay their bill.

## References

Supporting document 1.1I - PR19 Customer Engagement: Acceptability Research.

Supporting document 1.4 - Welsh Water 2050

Supporting document 2.5.1 - Evaluating a predicted IMD approach to debt cost assessment.

Supporting document 2.5.2 - Welsh Water Household Income

Social Tariff Strategy: A report for Welsh Water. Economic Insight (2017).\*

Revisiting Social Tariffs. Accent (2018)\*

\* denotes documents that are not included in our PR19 submission but are available on request



## Appendix: Extracts from Customer Research relating to Affordability

Topic Areas	Research	Page number	Key message
Customer Outlook	Bills research - 12th September 2017 - Accent	9	35% think their household will be worse off in the next 12 months (vs. only 7% who think they will be 'better off')
Customer Outlook	Bills research - 12th September 2017 - Accent	9	50% believe that the things they buy will become less affordable over the next 12 months
Customer Outlook	Bills research - 12th September 2017 - Accent	9	62% worry about inflation because they don't think their income and/or savings will increase by the same rate
Expectations on bills	Bills research - 12th September 2017 - Accent	36	Bill expectations and what people think ought to happen are clearly different. The majority think bills will go up at, or above, inflation, but only a minority think this should happen. Customers have a range of views on what ought to happen – over 1 in 4 would want it to go down in future, but the 'centre of gravity' (median position) is 'going up, but under the rate of inflation'.
Expectations on bills	Bills research - 12th September 2017 - Accent	38	It should not go up at all OR should go down (41%) - "Peoples standard of living is not rising to cope with large increases in any utility bills"
Expectations on bills	Bills research - 12th September 2017 - Accent	38	It should go up, but under the rate of inflation (22%) - "every bill seems to go up yearly so no problem there, but I see no reason for the bills to go up above inflation"
Expectations on bills	Bills research - 12th September 2017 - Accent	38	It should go up at a rate above inflation OR in line with inflation (23%) - "They are already making a profit so why would they need to increase their profit further when their customers are often struggling to pay all their bills"
Affordability	Bills research - 12th September 2017 - Accent	11	5% of our customers say they cannot afford their water bill, although 37% more say they find that affording their water bill is 'a stretch'.

Topic Areas	Research	Page number	Key message
Affordability	Bills research - 12th September 2017 - Accent	16	Key reasons for not being able to afford the water bill tend to be to do with external factors rather than perceptions that the bill has gone up; the top stated reason is recent economic vulnerability (36%).
Affordability	Bills research - 12th September 2017 - Accent	17	Most customers (59%) think their water bill has remained the same for affordability over the last 5 years, but a minority (29%) feel that their bill is becoming less affordable.
Affordability	Bills research - 12th September 2017 - Accent	18	The decline in affordability is most concentrated amongst those with lower income, although this affordability squeeze is <b>not solely amongst the lowest social classes</b> – it's amongst C2s as well. Those without a meter are also more affected by declining affordability.
Affordability	Bills research - 12th September 2017 - Accent	19	Of the customers who feel their bill is currently a stretch, around half feel that affordability has been declining over the last 5 years. Along with those who already cannot afford their bill, this may be the key 'at risk' segment of customers that we need to consider most carefully when planning ahead.
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	22	Nearly two thirds (64%) of customers find their water bill 'acceptable', regardless of whether they can afford it. However, a sizeable minority (28%) do not find it acceptable.
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	24	Most people think of 'good quality drinking water', 'reliable water supply', 'reliable wastewater disposal' and 'repair of water supply pipes' as part of what their bill pays for. Only a minority think of other things, with 'good customer service' being perhaps surprisingly low down on the list.
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	25	Good customer service is one of the key factors that drives greater acceptability of the water bill, together with appreciation that there is investment happening to ensure a reliable supply long term. People who find their bill more acceptable tend to think their water bill covers a wider range of things – a case for communication!

Topic Areas	Research	Page number	Key message
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	26	Finding the water bill unacceptable is more common amongst lower social grade customers with lower income, those who are not on a meter, who worry about inflation and who think that we are for profit. The bill is also particularly unacceptable for those who tell us they pay £600+ per year.
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	27	Acceptable: Don't worry about inflation Mid-higher household income (£30k+) AB social grade Have a water meter 30-44 years old Say they pay <£400 a year for their bill
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	27	Not acceptable: Say they pay >£600 for their bill Think we are a profit making organisation No water meter Those who live alone Those with crisis or capability vulnerability indicators
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	28	When information is given about average water bill compared to other utility bills, the acceptability of water bills increases slightly, although this does not transform opinions (consumers can find it hard to make a comparison between utilities). When informed that other water companies charge less, acceptability declines (although not as much as value for money does – acceptability is more resilient).
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	30	When asked totally spontaneously, nearly 60% customers rate their water bill as good value for money, while a minority of 14% feel value is poor. Value of the water bill compares well to other utility bills.
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	31	VFM Good: Don't worry about inflation AB social grade Have a water meter (requested) Higher household income (£50k+) Aware of Help U tariff Say they pay <£400 a year for their bill

Topic Areas	Research	Page number	Key message
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	31	VFM Poor: Say they pay >£600 for their bill Think we are a profit making organisation No water meter
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	32	Perceived value for money is a <b>fairly static</b> picture – two thirds of customers think that their water bill has remained the same value for money over the last five years; one in five think it has ‘got worse’ – the net balance is deteriorating slightly.
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	33	Revealing information about the average cost of other utilities doesn’t affect customers’ perceptions of the value for money of their water bill – people find it hard to compare different utilities. However, once people find out we have higher bills than other water companies, there’s a substantial drop in VFM.
Acceptability/Value for Money	Bills research - 12th September 2017 - Accent	43	Nearly half of the respondents would find it acceptable if water bills were to increase with average income, but many would not – we know a high proportion of customers are concerned that their income will not keep pace with inflation, so matching an <b>average</b> income rise may raise concerns that they will not be able to keep up.
Acceptability/Value for Money	Deep dive: Understanding customers who experience repeated problems - Blue Marble 2017	6	Seen as the "cheapest utility bill"
Acceptability/Value for Money	Customer Service Expectations - Blue Marble 2017	13	"More expensive than England"
Value for Money	Testing the Waters 2016 - CC Water Report	13	65% of business customers are satisfied with the value for money of water services, 66% for sewerage services
Short term or Long term investment	Bills research - 12th September 2017 - Accent	46	Overall there’s a fairly even split between how many customers would want to invest extra now, versus those who would rather leave future generations to worry about future challenges. However, those advocating making more up-front investment are more committed to the idea.

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Short term or Long term investment	Bills research - 12th September 2017 - Accent	47	Preferences for long term investment are not strongly driven by demographic or economic traits, although there is a sense that those who have least ability to pay more are at the 'short term' end of the spectrum while those who are positive about the future and already pay more for their bill are more of the 'invest for the long term' disposition.
Short term or Long term investment	Bills research - 12th September 2017 - Accent	49	Initial opinion about whether average bills should go up or not is fairly evenly split. Showing the information about the challenges we could face in future can have some positive effect on willingness to pay more in order to invest more, but this information does not transform attitudes.
Short term or Long term investment	Bills research - 12th September 2017 - Accent	50	Reduce bills by £10 - More likely to be in social class DE, unsure about the impact inflation will have, perceive us as profit making, think water is poor VFM, find water bill unacceptable, find social tariff unacceptable
Short term or Long term investment	Bills research - 12th September 2017 - Accent	50	Keep bills the same - More likely to be under 44, have children in household
Short term or Long term investment	Bills research - 12th September 2017 - Accent	50	Increase bills by £10 - More likely to perceive us as not for profit
Short term or Long term investment	Bills research - 12th September 2017 - Accent	50	Increase bills by £20 - More likely to be aged 45+, £50k + income, AB social grade, not worried about inflation, find water is good VFM, and think bill as well as social tariff is acceptable
Short term or Long term investment	Have Your Say Consultation 2017	28	39% of customers vote for increasing bills (and therefore doing more to prepare for future challenges). Around a third prefer to keep the status quo, while just over one in four prefer the option of reducing bills - even if that means doing less to prepare for future challenges.
Short term or Long term investment	Have Your Say Consultation 2017	29	The results from the Consultation for 'Investment vs Bills' differs notably from the much more informed opinions in the Qualitative research for Water 2050. Being informed and educated on the subject of future investment prompts more customers to support a larger bill increase.

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Short term or Long term investment	Have Your Say Consultation 2017	30	The age profile of those preferring to reduce their water bill is a little younger than those wanting to keep bills the same or increase them. However age does not look to be a strong driver of opinion when it comes to bill levels and investment.
Short term or Long term investment	Have Your Say Consultation 2017	31	Men make up a higher proportion of those willing to increase their water bill by £20 per year than those who want to keep the water bill more similar to today.
Short term or Long term investment	Have Your Say Consultation 2017	32	The view on bill increase is relatively similar by region, however, those wishing it to increase are slightly more likely to be from Cardiff postcodes, while those wanting to see it reduced, are more likely to be from Llandudno postcodes.
Short term or Long term investment	Have Your Say Consultation 2017	33	The view of people attending events skews more towards reducing bills, while those completing via Chabot have a greater tendency to vote for increasing bills by £20.
Short term or Long term investment	Have Your Say Consultation 2017	34	Those who would prefer to increase bill are more concerned about the environment. The statements they find important are 'cleaner rivers and beaches', 'working with nature for cleaner water' and to 'reduce flooding and pollution risk'.
Short term or Long term investment	Have Your Say Consultation 2017	34	Those who would prefer to reduce bill are more concerned about people and community. The statements they find important are 'better water quality for all', 'making the water supply more reliable', 'giving more back to our communities' and 'helping people who struggle to pay their bill'.
WW2050	Welsh Water 2050: customer response to long term strategy	34	Small minority support reducing bill (<1 in 10) Most reject because risk of service deterioration But some support for bill reductions as cynical about a) need for additional investment and b) perceive 'fat' in the finances (high salaries etc.)

Topic Areas	Research	Page number	Key message
WW2050	Welsh Water 2050: customer response to long term strategy	34	<p>Larger minority support keeping bills the same (&lt;1 in 5)</p> <p>Already doing good job: why the need to invest more?</p> <p>Generate other income streams instead of asking the customer</p> <p>Should be able to make efficiencies and continue to provide services (as public sector has in time of austerity)</p>
WW2050	Welsh Water 2050: customer response to long term strategy	35	<p>Large minority support increase bills by £10 (approx. 1 in 5)</p> <p>Expect bill increases/inflationary increases (neutral not negative comment)</p> <p>Accept need for further investment, but this should be offset with excess profit</p> <p>Unwilling to go further than £10 without full understanding of the proposed plans</p> <p>Cost-conscious and keen to keep increases to a minimum (not convinced by need for £20 rise)</p>
WW2050	Welsh Water 2050: customer response to long term strategy	35	<p>Majority support £20 bill increase: (approx. 6 in 10)</p> <p>Expect bill increases (as above)</p> <p>£20 small sum relative to other utility rises</p> <p>NFP gives reassurance that investment will benefit Wales and its society</p> <p>Better to make comprehensive/proper investments: cheaper in long run</p> <p>Water bills currently reasonable</p> <p>Motivated by benefits to environment</p>
WW2050	Welsh Water 2050: customer response to long term strategy	32	<p>When discussing investment options, while the option to make no additional investment was always provided – it was the least chosen option</p> <p>The strategies have made the case for some investment</p> <p>The choice not to make additional investment is based on the risk/problem being perceived as too small (e.g. water quality already very good)</p>