DCWW Business Plan Acceptability

Stage 1: customer preferences for base case and enhanced plan

19th April 2018

blue marble

Dŵr Cymru Welsh Water

Overview of two staged research approach

Stage 1

Objective to identifying plan preference: in the context of a base case and an enhanced package, domestic, business and future customers to choose from ***two plans** with different price points

Customer segment	Methodology	
Domestic customers (Pre-Family, Family, Empty Nesters)	6 x group discussions	*(Qualitative)*
Vulnerable customers	2 x group discussions	
Future customers	2 x group discussions	
'Worst served' customers	4 x depth interviews	
SMEs	2 x group discussions	
Representative sample of all domestic customers	Survey x 600 sample	*(Quantitative)*
Customer panel	Piloting exercise with 24 panellists	

Stage 2

Objective to test acceptability and affordability of final draft plan: qualitative & quantitative evidence. Final result delivered June/July 2018.

Stage 1 QUALITATIVE sample and methodology

12 x 1hr 45 minute group discussions with DCWW bill customers

	Location	Life-stage	SEG	Education	Age
1	Cardiff	Family	ABC1	-	-
2	Bangor	Family	C2D	-	-
3	Bangor	Pre-family	ABC1	-	-
4	Lampeter	Pre-family	C2D	-	-
5	Cardiff	Empty Nesters	ABC1	-	-
6	Tylorstown	Empty Nesters	C2D	-	-
7	Tylorstown	Vulnerable	E	-	-
8	Lampeter	Vulnerable	E	-	-
9	Bangor	Future customers	Mix of students / working		18-24
10	Hereford	Future customers	Mix of students / working		18-24
11	Cardiff	SME	-	-	-
12	Hereford	SME	-	-	-

** See appendix for detailed sample specification*

- Across 5 locations
- Fieldwork: w/c 12th & 19th March 2018

QUALITATIVE SAMPLE SIZE OF 85 CUSTOMERS IN TOTAL

4 x 1hr depth interviews with worst-served customers

- 2 x supply interruption, 1 x low water pressure, 1 x discoloured water

Stage 1 QUANTITATIVE sample and methodology

Target of 600 interviews

12 minute online survey: achieved 600 online interviews

Data weighted at analysis

Data weighted to gender, age, social grade and post code

Household customers

Sample selected from online panel, representative of DCWW household customers i.e. those responsible for paying water bill

Fieldwork March to April 2018

Fieldwork dates: Thursday 29th March to Friday 13th April 2018

Plan options tested: base case and enhanced

	A Plan without optional extras	B Plan with optional extras
Future bill	£425 if no inflation £470 if 2% inflation	£435 if no inflation £480 if 2% inflation
Appointment 'slotting' & tracking service	No change – no tracking service	'Slotting' and tracking service available
Improving resilience of water supply	Ongoing steady improvements	Extra improvements for 100,000 customers
Replacing customers' lead pipes	3,500 lead pipes replaced	7,000 lead pipes replaced
Flooding protection from overflowing sewers in rainstorms	Continuing to target properties vulnerable to flooding	Additional preventative measures to protect 20,000 customers at risk
Fixing repeated wastewater and sewage service problems	No change	Permanently solve problems for **100** homes

Context: customer mind-set when evaluating the DCWW draft business plan

Domestic customers approach the business plan with positive perceptions of DCWW

80% of domestic customers are satisfied with the service they receive

Least satisfied slightly more likely to be low income/low affordability

Positive mindset of domestic customers driven by…

- Experience of good customer service (for those who had experience)
- Very infrequent experiences of major service problems
- Growing awareness of NFP status: many mentions of TV ads
- Perception that bill price lower vs other utilities (spontaneously mentioned)
- Low levels of cynicism - in contrast to observations from other utility research
- Positive mindset also true of 'worst served': accepting of their situation; DCWW respond quickly despite no permanent fix

In qualitative research, vulnerable audiences often less positive

- Wider perception of poor service
- DCWW part of general perceptions associated with billing organisations e.g. Council, landlord, utilities, broadband

- NB: quantitatively, vulnerable groups are not significantly more dissatisfied with service than non-vulnerable groups.

Q8b.Thinking about your water supply and sewerage services (if received), overall how satisfied or dissatisfied are you with the services you have received from Welsh Water in the last 12 months? Base: Total sample - Weighted (600)

Domestic customer context: perceptions of value for money and affordability

60% of domestic customers think their water bill is good value for money

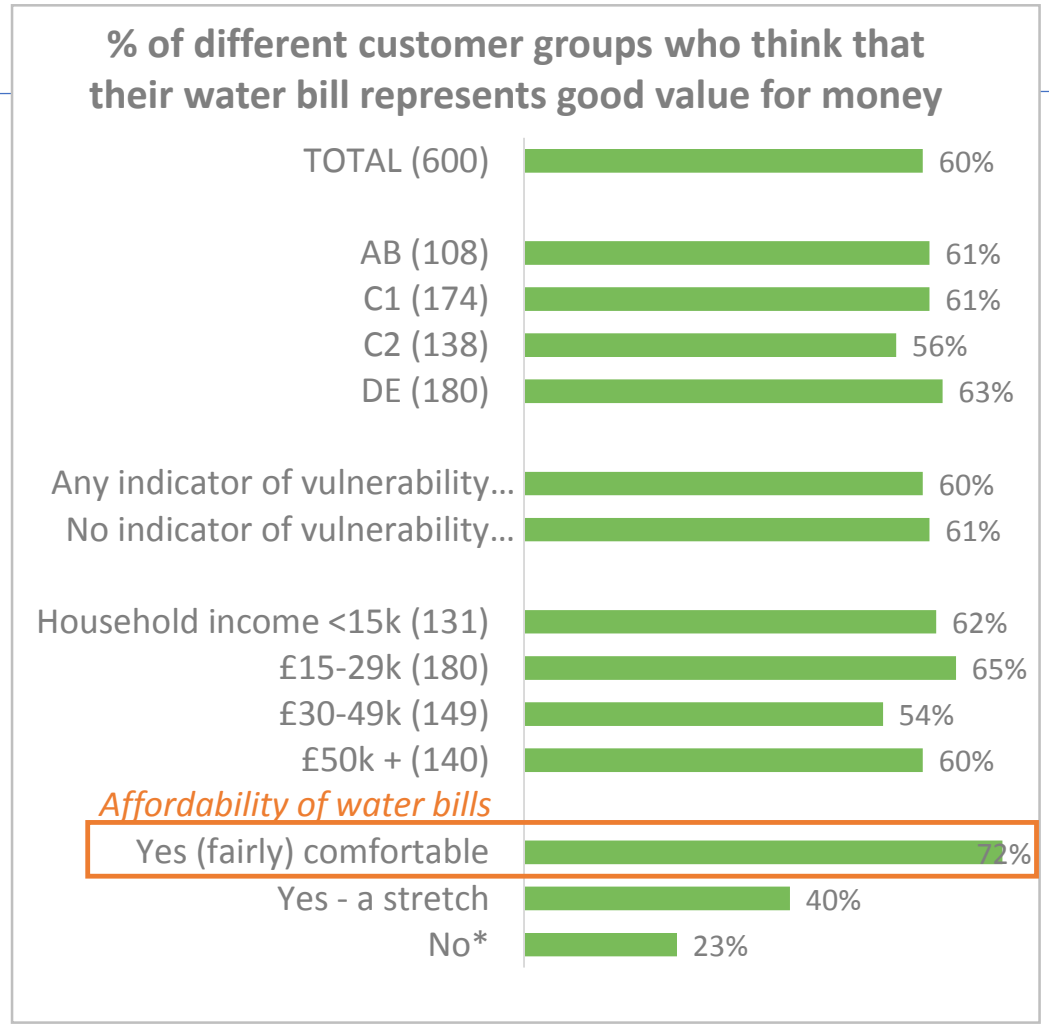
66% of domestic customers can comfortably afford their water bill

Positivity amongst domestic customers driven by…

- Perception that bill price lower vs other utilities
- Reliable service, high quality water

Very little differences in satisfaction with vfm by customer segments

- However those with most extreme affordability issues significantly more likely to rate vfm as poor



Affordability issues are felt more by the lower income earners, and those with vulnerability risk factors

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Q9. Overall how would you rate the value for money of your water bill? / Q10. Do you feel that you can afford your water bill? Base: Total sample - Weighted (600)

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SMEs take a more business-minded/pragmatic approach: more cost sensitive as a result

It's how we manage the farm and the estates…we're not managing the estates for us, we're managing it for our grandchildren's grandchildren. You know it's got to be viable for future generations
(SME, Hereford)

SME customers more likely to appreciate the dynamics at play in a business plan

- They talk about importance of cost control and efficiencies to retain margin
- They experience passing on to customers increasing costs e.g. wages
- They understand the need to keep up with trends to remain competitive longer term

Well it comes out of your profit margin doesn't it?
(SME, Hereford)

However, some cynicism towards utility suppliers in general, including DCWW

- Many have not passed on utility price rises, choosing to take a hit on their bottom line to retain customers
- Monopoly status in direct contrast to their businesses: drives perception that prices uncompetitive
- NFP status is a positive but also generates questions about senior-level salaries, and whether NFP status will remain

They offer good value for money but we have no comparison do we?
(SME, Cardiff)

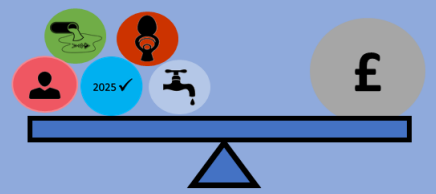
Evaluation of DCWW’s draft business plan

Overall, DCWW appear to be addressing key areas of importance

Welsh Water are preparing their **business plan** for the five years from 2020 to 2025. This plan needs to consider how to best meet the needs of **1.2 million households** and **address the challenges** coming up in the future**.** The plan is split up into **5 areas**:

- **Water supply:** A reliable supply of clean healthy drinking water
- **Waste water and sewage:** Treating and safely disposing of waste water and sewage from properties (toilets, sinks etc.) as well as rainwater draining off land
- **Customer service:** Responding to customer needs and communicating with customers
- **Resilience:** Future proofing to ensure that high service standards are provided for people now, and for generations to come
- **Environment:** Preventing environmental pollution and improving quality of rivers and coastal waters

The business plan needs to **balance** these considerations **against costs** (and hence customers' **bills):**



Context setting stimulus elicits two themes:

- **Spontaneous expectation (and acceptance) that bills go up**
  - Experience bill increases across utility sectors
  - Expect to pay more for improved service
- **Majority support investing more now to benefit future generations**
  - Right for each generation to preserve/improve service for the next
  - Financially sound as investing today will cost less than the future

It's got to be done [investing for future generations]. It is a necessary service.
(Family, Cardiff)

They need to continue what doing and make changes, everything needs improving and maintaining like your car and home. And also for the next generation.
(Pre-Family, Bangor)

Research process: customers taken through detailed stimulus of the base case before being shown enhanced package

Maintain standards / level of investment
Improve standards / level of investment

Water supply

	Maintain or improve?	Explanation
Water quality	↔	In 2016 Welsh Water met the industry average for tap water quality, achieving 99.97% compliance with water quality regulations*. Welsh Water will continue to ensure safe and healthy tap water.
Interruptions to water supply	↑	Some properties in Wales suffer periods without water due to burst pipes. Welsh Water will reduce these interruptions by replacing old iron pipes with modern ones, and will respond more efficiently to bursts.
Smell and taste of water	↑	Discoloured tap water, and tap water that smells or tastes unusual is caused by the poor condition of old pipes or (harmless) compounds getting into the network. Welsh Water will reduce cases of unusual colour, smell and taste by replacing pipes and removing these compounds.
Leaks of drinking water	↑	While Welsh Water performs better than average for leaking pipes per customer**, around 20% of water is lost between treatment works & customers' taps. Welsh Water will reduce leakage from the network, including customer-owned supply pipes, by rapid leak detection and fixing of leaks and upgrading pipes.
Replacing customers' old lead pipes	↑	Around 300,000 properties in Wales have lead wa the responsibility of customers, Welsh Water will improve water quality, at no extra cost to those p
Fixing serious ongoing supply problems	↑	Around 1,100 households have serious ongoing i costly to fix. For example some remote propertie Welsh Water will permanently fix these issues fo

* Source: Drinking Water Inspectorate
** Source: Discover Water

Wastewater & sewage

	Maintain or improve?	Explanation	
Continued safe treatment and disposal	↔	In 2016 Welsh Water were above average for customer satisfaction with their sewerage service, scoring 93% compared with the industry average of 88%*. Welsh Water will continue to ensure safe treatment of used water, returning it safely to the environment, while disposing of the by-product safely, using it to generate energy where possible.	Ongoing maintain with sew
Sewer flooding in homes	↑	Welsh Water is currently better than the industry average** for incidents of sewage flooding into peoples' homes due to blocked sewers or other causes - currently there are around 220 incidents a year. Welsh Water will reduce cases of sewage flooding into peoples' homes by improving the reliability of pumping stations.	10% reduc flooding in h incidents a 2
Sewer flooding on customer properties (external)	↑	Sewage can flood on to peoples' gardens, drives or other outside areas of their property due to blocked sewers or other causes. Welsh Water currently performs worse than the industry average for this** with around 4,200 incidents a year. Welsh Water will work to ensure there are fewer cases of this in future.	10% reductio incidents (incidents a y 3,8

Future proofing (resilience)

2025 ✓

	Maintain or improve?	Explanation	Target
Security	↑	There are increasing risks of 'cyber crime' such as computer systems being hacked into and information stolen, as well as wider security risks. Welsh Water will invest in improved cyber security and IT systems (computers), as well as security at critical treatment works, reservoirs and pumping stations to reduce the risk of security breaches.	Upgrading all IT systems against latest threats. Security upgrades at 80 critical sites
Investment for a sustainable long-term service	↑	There are a number of longer term challenges such as climate change (more frequent extreme weather) and population growth that require long term 'future planning'. Welsh Water will invest in research into new technologies and innovation to improve ability to cope with these changes and associated events like major storm events and severe droughts.	Making a start on a long-term investment strategy
Readiness for extreme conditions	↑	When there are unpredictable extreme events in future, like localised flash flooding, Welsh Water need to be able to identify the problem and respond quickly. Welsh Water will invest in systems to help them respond more quickly and effectively, reducing risks of service being affected in tough conditions and improving resilience of service to extreme events.	Improved emergency planning capabilities, automation of control systems and monitoring of networks.

By resilience we mean readiness to deal with extreme and / or unpredictable situations, and ability to provide a reliable service even in the very long term

Customer service

	Maintain or improve?	Explanation	Target
Customer service	↔	In 2016 Welsh Water were rated just above average for customer service with 83% satisfaction compared to the industry average of 82%*. Welsh Water will maintain current levels of customer satisfaction amongst both household and business customers.	Maintain current customer satisfaction with service
Special rate for those struggling to pay	↑	Low income customers are currently defined as those with £15,000 income or less. Welsh Water will increase the numbers of low-income customers that get help to pay their bills by being put on a special lower rate.	Increase customers on special lower rate from 100,000 to 140,000
Assistance schemes for those in need	↑	Some customers have specific disadvantages, such as certain medical needs or living in remote places, that mean they're vulnerable if there are problems with their water. Welsh Water will increase the number of these customers identified as 'high priority' e.g. they will receive bottled water if there's a shortage.	Double the number of vulnerable customers helped from 50,000 to 100,000
Community and education	↑	Better education can help with water conservation and prevent customers causing blocked pipes. Welsh Water have four visitor centres across Wales that inform customers about water conservation, good flushing habits etc, and also have initiatives in schools to educate children about water. They will Increase the number of customers using visitor centres by refurbishing the centres and building at least one new one, and will expand their education programme in schools.	Increase visitors from 572,000 to 830,000 per year Increase children on education programmes from 68,000 to 75,000 per year.

* Source: Ofwat

Environment

	Maintain or improve?	Explanation	Target
Protect the environment	↑	In 2016 Welsh Water met the industry average for their environmental performance rating*. They will continue to invest to reduce environmental impact through various initiatives like working with local farmers to reduce the amount of pesticides washing into rivers, to further improve the quality of water in rivers and seas.	Improve the water quality for 200km of rivers over five years
Researching environmental impact	↔	Ongoing research into how rivers and the coast are affected by different kinds of pollution will help Welsh Water make better decisions about how they can improve the environment.	Maintain current level of ongoing research
Pollution incidents	↑	Untreated sewage occasionally flows out of sewers into rivers where it can cause environmental damage such as harm to wildlife. In 2016 Welsh Water performed better than the industry average**, with around 110 of these pollution incidents. Welsh Water will reduce the number of pollution incidents caused by unexpected releases of sewage.	Reduce incidents by 20 per year, from 110 to 90

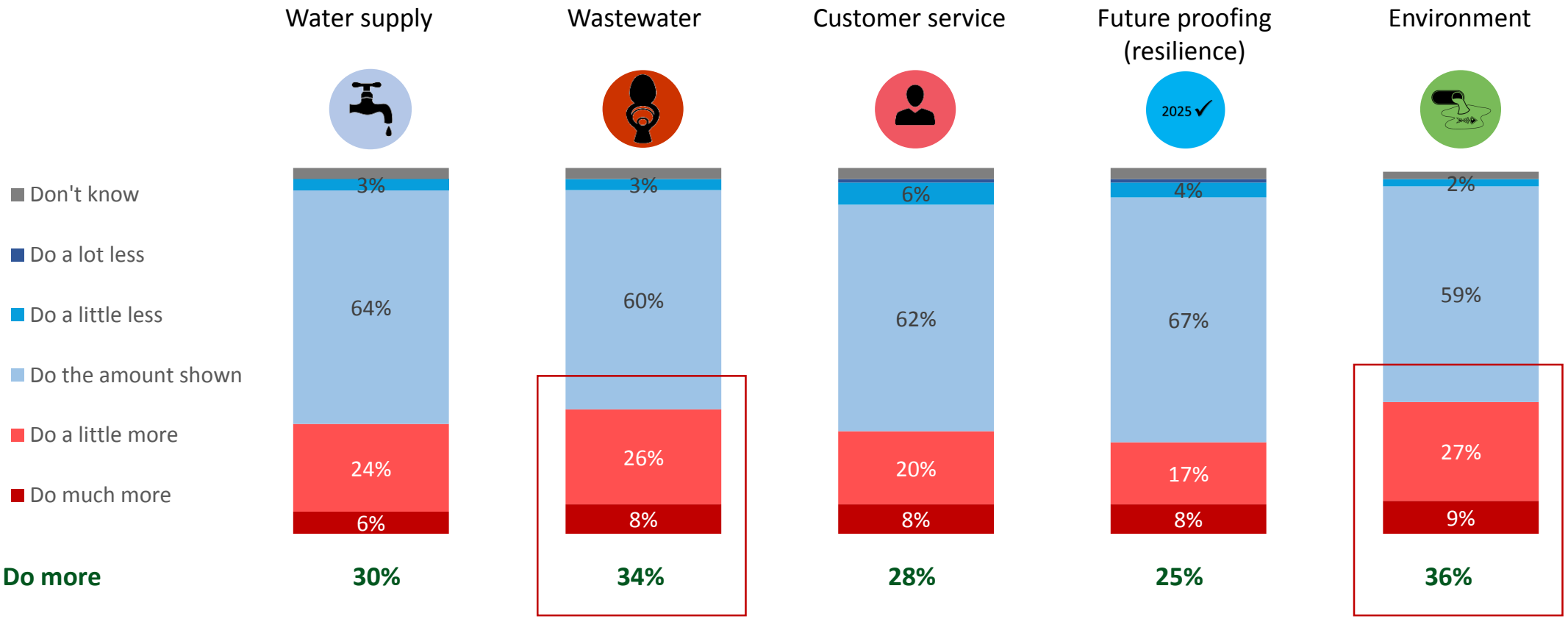
* Source: Environment Agency and Natural Resources Wales
** Source: Discover Water

Overview: attitude to each element of the business plan

In all areas of the base case, the majority of household customers think that Welsh Water are proposing to do ***about the right amount***. The 'environment' and 'wastewater' are the two areas where customers would most like to see DCWW doing even more.

Opinion of what Welsh Water are proposing to do for each area of the business plan

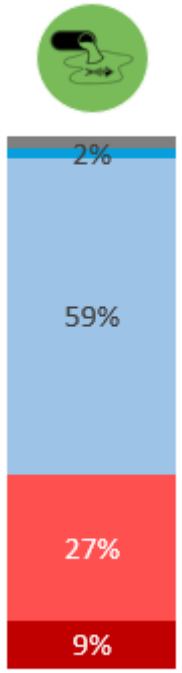
(Should Welsh Water do more, do less or do the amount shown for each?)



QA1. Please say how you feel about Welsh Water's plan for…? I think they should…
Base: Total sample - weighted (600)

Detailed response to base case

Environment



36%

This element of plan receives the highest proportion of customers (36%) wanting Welsh Water to do more

- Reflected qualitatively: preventing negative environmental impacts is widely valued
- Customers connect with their local environment (rivers, valleys etc.) as well as wider Welsh environment - seen as a national asset

The problem [environmental impact] is bigger than DCWW, it's a national issue. Governmental level

(Empty-Nester, Lampeter)

Maintain standards / level of investment

Improve standards / level of investment

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- No sense that DCWW is underperforming and many acknowledge seeing improvements in river quality e.g. from 20-30yrs ago
- Customers find it difficult to visualize environmental impacts: many assume pollution incidents are not critical events as no recall of media coverage
- Mixed views about current rate of 110 incidents pa: some see as unacceptable and higher than expected
- Customers also see environmental protection/management as a wider issue with e.g. government and councils having responsibility

Detailed response to base case

Response to base case targets

- Customers find it difficult to assess real impact of pollution incidents
- Difficult to visualize scale of investment described as 200km of rivers: equally likely to sound like a major investment as a small scale investment – and over 5 year timeframe can sound unambitious

- Reduction on pollution incidents from 110 to 90 receives mixed reaction:
  - Target acceptable as assume incidents not critical (perhaps indicated by low target)
  - Target acceptable as appreciate difficulty to prevent/eradicate incidents entirely
  - Target perceived as not ambitious enough: desire significant reduction of incidents

- For some, maintaining the same levels of investment for R&D is at odds with increasing investment elsewhere: expect research to lead improvements

We would hear about a big incident in the media but we haven't. If 110 big ones we would know about it, so it can't be…
(Family, Bangor)

How can they protect environment if research stays the same… surely they need more research to protect it
(Future, Hereford)

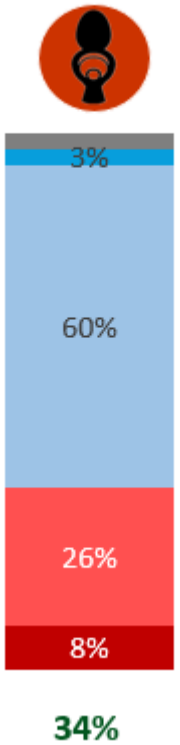
Pollution incidents from treatment works just shouldn't be happening. Shouldn't get a spill so 20 per year isn't enough, definitely do more in this area
(Pre-Family, Bangor)

Implications for final draft plan:

- Environmental stewardship and preventing damage is very relevant to customers – but they do not appreciate the scale of investment required to reduce current performance metrics
- Some expect to see information on specific projects such as working with farmers, collaborating with other bodies, having wildlife/river-specific targets etc.
- Previous research describing catchment management projects, Rainscaping etc. achieves strong customer support as illustrative of DCWW approach and values towards environmental impacts

Detailed response to base case

Wastewater



This element of plan also receives a high proportion of customers (34%) wanting Welsh Water to do more

- This is driven by strong reaction to the idea of sewage leaks – especially in home
- As a service failure, seen as unacceptable which shapes views on targets

I couldn't think of anything worse than sewage in your home
(Pre-Family, Lampeter)

Wastewater & sewage

Maintain standards / level of investment

Improve standards / level of investment

	Maintain or improve?	Explanation	Target
Continued safe treatment and disposal	↔	In 2016 Welsh Water were above average for customer satisfaction with their sewerage service, scoring 93% compared with the industry average of 88%*. Welsh Water will continue to ensure safe treatment of used water, returning it safely to the environment, while disposing of the by-product safely, using it to generate energy where possible.	Ongoing investment to maintain 93% satisfaction with sewerage service
Sewer flooding in homes	↑	Welsh Water is currently better than the industry average** for incidents of sewage flooding into peoples' homes due to blocked sewers or other causes - currently there are around 220 incidents a year. Welsh Water will reduce cases of sewage flooding into peoples' homes by improving the reliability of pumping stations.	10% reduction of sewage flooding in homes (from 220 incidents a year to under 200)
Sewer flooding on customer properties (external)	↑	Sewage can flood on to peoples' gardens, drives or other outside areas of their property due to blocked sewers or other causes. Welsh Water currently performs worse than the industry average for this** with around 4,200 incidents a year. Welsh Water will work to ensure there are fewer cases of this in future.	10% reduction in number of incidents (from 4,200 incidents a year to under 3,800)

- The fact that DCWW is performing well gets lost in the horror of sewage leaks
- Unacceptable (unfair) that some people experience service failures
- Also acknowledge responsibility for sewage flooding includes customers who cause blockages, housing developers and councils re poorly kept drains
- Support for using sludge by-product to generate energy, esp. SMEs who applaud commercial benefits

Detailed response to base case

Response to base case targets

- Sewage flooding targets not acceptable – desire for greater investment
- For most, internal flooding should be prioritised – expect to address more than 10% (when equating to 20 properties, seems paltry)
- Awareness of bad flushing being part of the problem is fairly well known but wider causes relating to infrastructure not understood

This is over 5 years? 10%...that's the worst thing that can happen to you…only 400 properties? That's nothing
(Empty Nester, Cardiff)

Most of the public won't want sewage flooding into their house so they should improve it completely
(Vulnerable, Tylorstown)

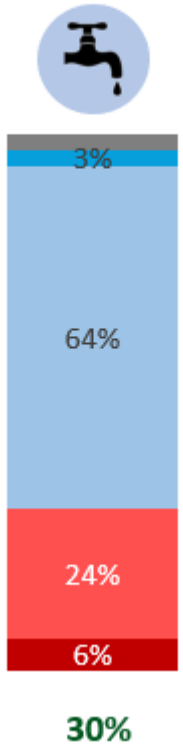
They should be able to work out where it [the blockage] comes from – they shouldn't need to pass on the cost to everyone else
(Family, Cardiff)

Implications for final draft plan:

- Risks relating to sewage very relevant to customers – but they do not appreciate the scale of investment required to reduce current performance metrics
- Jump to conclusion that customer behavior is largely to blame and therefore note the absence of education on flushing: expect higher profile behavior change campaigns
- Some also believe that those households responsible for blockages should be financially responsible for repair and clean up…rather than spreading the cost to all customers
- Energy generation point is fairly recessive but has the potential to improve acceptability of the plan

Detailed response to base case

Water supply



This element of plan less likely to attract calls for Welsh Water to do more

- This is the most tangible way customers experience the service – and very few have any concerns about reliability or quality
- Perception that water quality exceeds other parts of UK
- Leakage is an area where customers expect the need for improvement
- Strategy for lead pipe replacement is the most contentious area

Maintain standards / level of investment

Improve standards / level of investment

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Water quality	↔	In 2016 Welsh Water met the industry average for tap water quality, achieving 99.97% compliance with water quality regulations*. Welsh Water will continue to ensure safe and healthy tap water.	Ongoing investment to maintain 99.97% compliance or better
Interruptions to water supply	↑	Some properties in Wales suffer periods without water due to burst pipes. Welsh Water will reduce these interruptions by replacing old iron pipes with modern ones, and will respond more efficiently to bursts.	Reduce number/length of supply interruptions by more than 30%
Smell and taste of water	↑	Discoloured tap water, and tap water that smells or tastes unusual is caused by the poor condition of old pipes or (harmless) compounds getting into the network. Welsh Water will reduce cases of unusual colour, smell and taste by replacing pipes and removing these compounds.	Reduction in complaints about these issues from 3,000 a year to under 2,550
Leaks of drinking water	↑	While Welsh Water performs better than average for leaking pipes per customer**, around 20% of water is lost between treatment works & customers' taps. Welsh Water will reduce leakage from the network, including customer-owned supply pipes, by rapid leak detection and fixing of leaks and upgrading pipes.	Current leakage of 20% to be reduced to around 17%
Replacing customers' old lead pipes	↑	Around 300,000 properties in Wales have lead water pipes. Even though these pipes are the responsibility of customers, Welsh Water will start a programme to replace these to improve water quality, at no extra cost to those properties.	New scheme: 3,500 properties to have lead pipes replaced
Fixing serious ongoing supply problems	↑	Around 1,100 households have serious ongoing issues with water supply service that are costly to fix. For example some remote properties have constant low water pressure. Welsh Water will permanently fix these issues for 250 of these households.	Permanently fix for 250 properties

* Source: Drinking Water Inspectorate
** Source: Discover Water

- Some areas are low priorities for investment because the risk or impact is seen as very low e.g. smell/taste and Interruption to supply (NB though this is a higher priority for SMEs)
- Current leakage rate of 20% surprisingly high – indicates waste, leaky infrastructure
- Lead pipe replacement and fixing serious ongoing supply problems both receive polarised response
  - Lead pipes not raised spontaneously but when prompted generates emotive response: mixed impressions of the scale of the risk (high to minimal)
  - Serious on going problems: while good for those affected some see as customers' own responsibility

Detailed response to base case

Response to base case targets

- Support for maintaining current levels of water quality: performing highly already
- Supply interruptions not particularly emotive for customers yet the 30% target looks ambitious (but hard to contextualise in the absence of actual numbers)
- 3% reduction in leakage perceived to be a low target
- Replacing 3,500 households with lead pipes mixed response
  - Most see as DCWW's responsibility and want to see a more ambitious replacement target with e.g. means to prioritise vulnerable
  - Minority see pipes as customers' responsibility therefore do not support DCWW investing in this area

Seems like a manageable amount to improve. A sound plan
(Family, Cardiff)

It's only 3%...not very wow.
(SME, Cardiff)

The Council or Government need to be involved if they've found the pipes to be harmful
(Family, Cardiff)

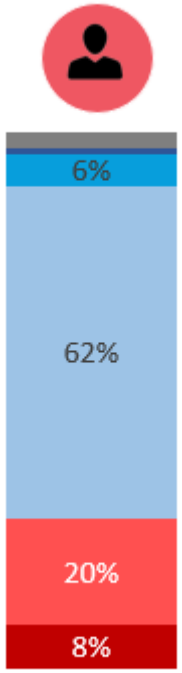
Lead pipes in the customers' households It should be the household's responsibility
(SME, Hereford)

Implications for final draft plan:

- Lead pipe replacement: difficult to communicate ownership of pipes e.g. risk of conveying DCWW going light on a health-related aspect of the service…rather than taking a 'belt and braces' approach on behalf of customers
- Some expect to see measures to improve water efficiency e.g. water meter installation programme, smart meters to improve water efficiency
- Some SMEs would like to see businesses prioritised if interruption to supply (they are looking for areas in the plan that are relevant to them)

Detailed response to base case

Customer service



This element of plan largely supported: 28% believe Welsh Water could do more

- Customers largely supportive of the proposals
- Only area of any real contention is social tariffs

Customer service

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Assistance schemes for those in need	↑	Some customers have specific disadvantages, such as certain medical needs or living in remote places, that mean they're vulnerable if there are problems with their water. Welsh Water will increase the number of these customers identified as 'high priority' e.g. they will receive bottled water if there's a shortage.	Double the number of vulnerable customers helped from 50,000 to 100,000
Community and education	↑	Better education can help with water conservation and prevent customers causing blocked pipes. Welsh Water have four visitor centres across Wales that inform customers about water conservation, good flushing habits etc, and also have initiatives in schools to educate children about water. They will Increase the number of customers using visitor centres by refurbishing the centres and building at least one new one, and will expand their education programme in schools.	Increase visitors from 572,000 to 830,000 per year . Increase children on education programmes from 68,000 to 75,000 per year.

* Source: Ofwat

- Those with positive experiences endorse the plan to maintain current high service levels – as do the majority
- A minority are less positive where they perceive e.g. repeated service issues, poor communication, lack of pipe maintenance, outdated customer records (often voiced by vulnerable customers in the qualitative groups)
- Majority support investment to increase assistance schemes and education programmes (however, low awareness and appreciation of visitor centres)
- Support for increasing social tariff provision draws mixed views: some willing to help less fortunate vs unfair system, open to abuse. NB SMEs appear least supportive of social tariffs (a strong mentality of self-sufficiency and pride in coping in hard times emerged in discussions)

Detailed response to base case

Response to base case targets

- Majority accept maintaining levels of customer service (however, SMEs argue a business should always be striving to improve its service…)
  - Those with more negative opinion of service (often vulnerable groups) question whether current performance (83% Ofwat) is good enough: they anticipate they will be in the 17% who are not satisfied/receive poorer service
- While increasing investment in education is supported, many question expansion of visitor centres : it sounds expensive and do not see personal relevance or wider value
  - Education in schools more universally appealing
- Support for Social tariff increase inconclusive: some see helping some as unfair, others want to see support being given more widely

Implications for final draft plan:

- Assistance schemes are supported especially when related to customers with disabilities or other disadvantages – rather than remote dwellers (who are not seen as deserving – '*it was their choice*')
- Customers want to know that social tariff schemes support only those in genuine need
- Customer service, while important, is not seen as a greater priority than e.g. reducing sewer flooding or environmental investments.
  - Important to provide scale of investments so that customers appreciate other areas not being neglected in favour of (generally expected) good service

Should maintain current customer service so can focus on other areas
(Pre-family, Lampeter)

I'd rather see the money spent elsewhere
(Family, Bangor)

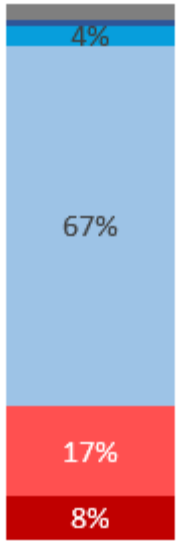
83% on customer services is really bad I think… It should be 100%
(Vulnerable, Tylorstown)

2025 ✓

Detailed response to base case

Future proofing (resilience)

2025 ✓



25%

This element of plan most strongly supported: smallest proportion (25%) believe Welsh Water could do more

- Generally expected of large businesses
- NB very few mentions of recent snow event (and mentions often positive)

Maintain standards / level of investment

Improve standards / level of investment

Future proofing (resilience) 2025 ✓

	Maintain or improve?	Explanation	Target
Security	↑	There are increasing risks of 'cyber crime' such as computer systems being hacked into and information stolen, as well as wider security risks. Welsh Water will invest in improved cyber security and IT systems (computers), as well as security at critical treatment works, reservoirs and pumping stations to reduce the risk of security breaches.	Upgrading all IT systems against latest threats. Security upgrades at 80 critical sites
Investment for a sustainable long-term service	↑	There are a number of longer term challenges such as climate change (more frequent extreme weather) and population growth that require long term 'future planning'. Welsh Water will invest in research into new technologies and innovation to improve ability to cope with these changes and associated events like major storm events and severe droughts.	Making a start on a long-term investment strategy
Readiness for extreme conditions	↑	When there are unpredictable extreme events in future, like localised flash flooding, Welsh Water need to be able to identify the problem and respond quickly. Welsh Water will invest in systems to help them respond more quickly and effectively, reducing risks of service being affected in tough conditions and improving resilience of service to extreme events.	Improved emergency planning capabilities, automation of control systems and monitoring of networks.

By resilience we mean readiness to deal with extreme and / or unpredictable situations, and ability to provide a reliable service even in the very long term

- General support for DCWW preparing for future challenges: however customers find long-term plan and risks such as 'extreme weather' abstract – often not personally experienced
- All areas seen as important
  - Resilience of water supply and service essential; (flood risk highly relevant in Hereford groups)
  - Threat of cyber crime resonates; hacking and IT breaches in the media (and with GDPR legislation, more top of mind for SMEs)
- Customers acknowledge that e.g. climate change adaptation is much wider than a water company plan

2025 ✓

Detailed response to base case

Overall response to targets

- Universal support for improvements planned around future-proofing
- However targets appear more vague: *upgrades, making a start, improved capabilities;* hence few detailed comments on the targets

We rarely get droughts
(Vulnerable, Tylorstown)

This should have been started, climate change has been happening for 20 years
(Pre-family, Lampeter)

They'll be obliged to do that under GDPR anyway, because you've got to keep the data safe.
(SME, Hereford)

That's the kind of background we don't even think of
(SME, Cardiff)

Implications for final draft plan:

- Problematic if plan suggests that future-proofing is only just being implemented: need to convey existing resilience work being maintained
- Opportunity to link future-proofing to protecting service for future generations
- Opportunity to link future-proofing with innovation, use of technology to pre-empt problems etc.
- Some expect resilience to include (more accessible) ideas such as:
  - Longer term land/catchment management; encouraging new irrigation methods to conserve water; new grey water systems in domestic homes etc.

Most household customers satisfied with the content of the business plan. Although business customers feel there is little for them

Putting aside the bill impact, the majority (in qualitative groups) are satisfied with how DCWW is approaching to the plan

- Perceive improvements being made across all areas
- Much is new information for customers but when informed by stimulus is in line with expectations

However:

- Plan lacks specific relevance for business customer sample: includes no areas directly affecting them as businesses
- Some targets seem quite conservative (although there is an acknowledgement that the 5 year timeframe is not very long)
- Some find the plan overall unambitious

Dŵr Cymru Welsh Water

Plan for 2020-25

Greater efficiency to give customers more

Welsh Water will **improve their efficiency** by: Repairing and replacing their huge network of pipes and treatment works; investing in new technology and new ways of treating water; increasing their own energy generation; better recovery of unpaid bills.
They will also continue to operate as a '**not for profit**' business, which means that any extra money they make is returned to customers as better service or money back.

	MAINTAIN	IMPROVE
WATER SUPPLY	• Reliable, safe and healthy water • Meet water quality regulations	✓ Reduced interruptions to supply and leakage ✓ Improved smell / taste ✓ New lead pipe replacement scheme ✓ Fix more ongoing water supply problems
WASTE WATER AND SEWAGE	• Safely treating waste water • Disposing of by-products • Using them for energy generation where possible	✓ Fewer incidents of sewers flooding inside and outside properties
CUSTOMER SERVICE	• Keeping customer satisfaction above the industry average	✓ Helping more customers who struggle to pay ✓ Improving service to vulnerable customers ✓ Increased education
FUTURE PROOFING (RESILIENCE)	• Long term reliability of water supply and wastewater service	✓ Improved security of computer systems ✓ Improving resilience of network
ENVIRONMENT	• Meet all legal requirements	✓ Improving water quality in rivers and at coasts ✓ Reducing pollution from untreated sewage

The bill for the new plan for 2020-25 will be on average:
£425 per year
(Assuming no inflation)

For comparison, the average bill today is: £445

Remember that with inflation (predicted at 2%) the average bill for the new plan in 2024-25 would be: £470

I gave them a 7 because although some of [the targets] are good I am surprised at the low ambition
(Empty Nester, Cardiff)

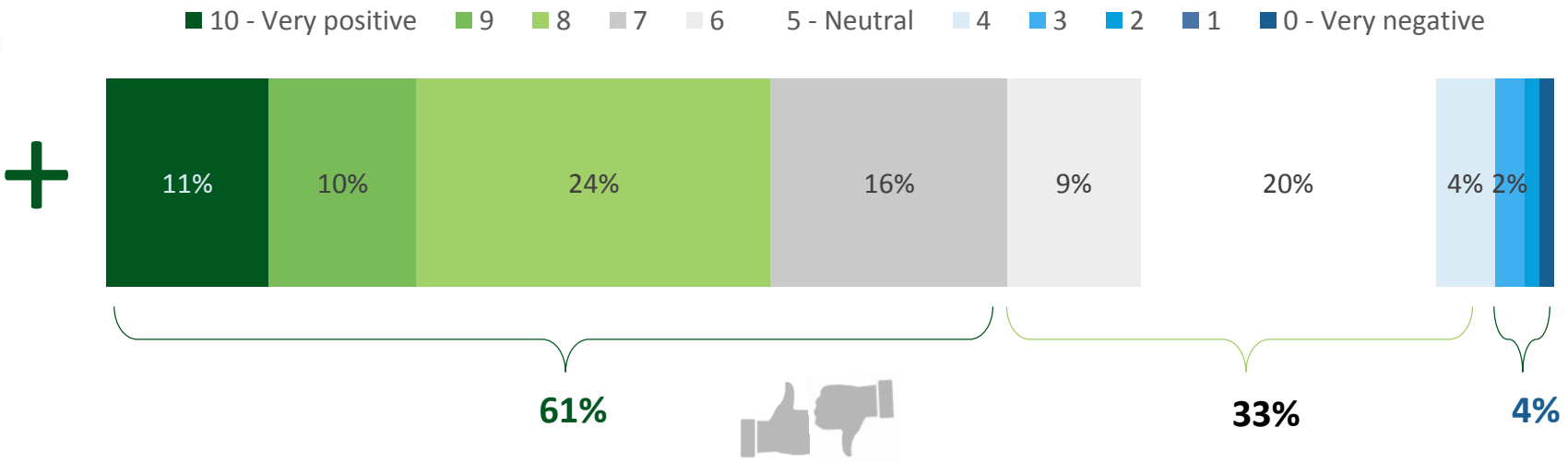
It's not a bad plan but they could attempt to achieve more. They've made it very achievable as a company
(Family, Cardiff)

Quantitatively, the overall impression of the base case costed business plan was positive. However a large minority remain neutral.

Just over six in ten household customers have a positive overall impression of the draft version of DCWW's base plan (rating it 7-10 out of 10), a third are fairly ambivalent (rate it 4-6) and only 4% of customers express an actively negative opinion (0-3).

61%
DCWW customers have a positive impression of the business plan

Overall impression of DCWW business plan



Neutral reasons (33%)

- A quarter of neutral comments relate to bill going **up**
- Other major theme relates to plan being okay, but not amazing – while remaining positive about DCWW
- Minor themes: not trusting DCWW to deliver the plan; plan not ambitious enough; anti-corporations
- Most comments non-committal e.g. 'don't know'

Negative reasons (4%)

- Price/cost/lack of affordability
- Anti-corporations
- General cynicism
- Not a stretching plan/ targets
- Object to fixing lead pipes (owners' responsibility)

QB1. Please rate your overall impression of the business plan that we have shown you, where 0 is a very negative impression and 10 is a very positive impression.
Base: Total sample - Weighted (600)

How are customers responding to the bill impact information?

Qualitative interpretation reveals complexity of cognitive processes: customers are making mental shortcuts based on bill expectations and priming (i.e. getting more costs more)

- General expectations that all bills increase – and in the context of widespread improvements customers appear to see a (small) rise in prices – despite stimulus explaining the opposite
- Qualitatively, and in facilitated discussions, many pleasantly surprised that the plan is not increasing bills
- However, rationale for price decrease not strongly made (no specific efficiencies or new revenue streams that might underline the reduced bill positioning) hence few reach the conclusion independently that bills are decreasing in real terms

Dŵr Cymru Welsh Water

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What is the impact of inflation?

- Customers do not naturally disentangle inflationary vs. actual price rises: the £470 figure is a price increase in customers' minds
- Inflation is an estimate: people treat it with caution, suspect it will be higher than projected
- Shown with and without inflation, several draw the conclusion that bills are staying 'more or less' the same

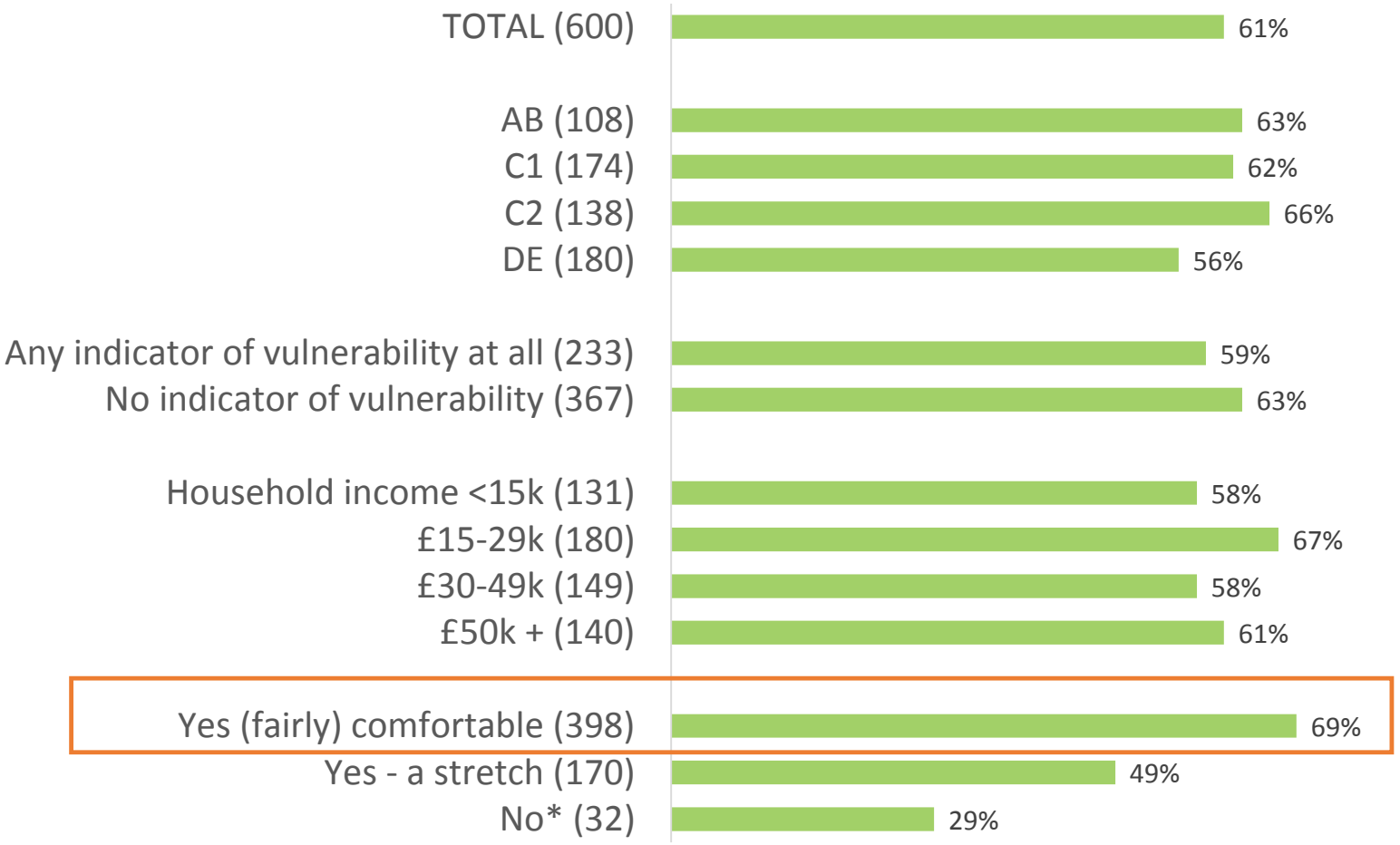
Re 2% inflation: *That's what it says but whether that will happen?*
(Empty Nester, Cardiff)

You wouldn't think twice [about paying more] *for faster broadband*
(Empty Nester, Cardiff)

Inflation will be higher than 2%, it's higher than that now
(Empty Nester, Lampeter)

Overall impression of base case business plan – by subgroup

% of different customer groups who had a positive impression of the base case business plan



No significant difference between SEG, income or vulnerability, but directional indications that more affluent groups have a more positive impression of the base case

QB1. Please rate your overall impression of the business plan that we have shown you, where 0 is a very negative impression and 10 is a very positive impression. Positive impression – those who scored the base case 7-10. Base: Total sample - weighted (600) * WARNING low base size (32)

Option: an enhanced plan

Enhanced business plan WITH optional extras – plan content stimulus

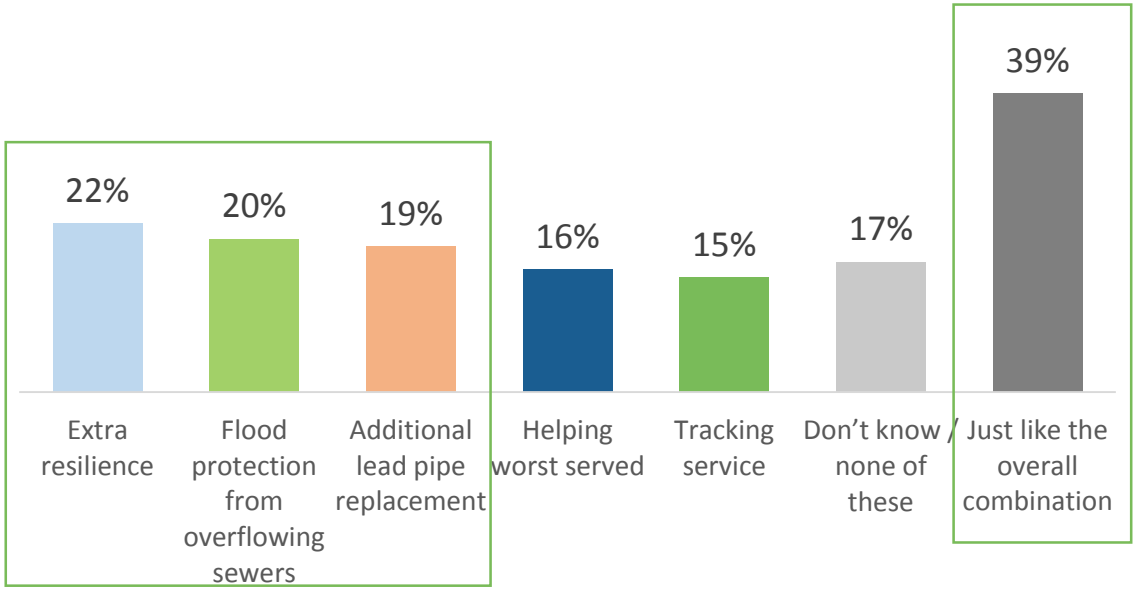
Optional Extras	Detail
A new appointment tracking service	A **new** system to book appointment 'slots'
Extra measures to ensure reliable water supply in extreme weather	**Additional** investments to keep water flowing to 100,000 customers in extreme weather
More of customers' lead pipes replaced	**A larger** programme of replacing lead pipes: 7,000 replaced instead of 3,500
Extra protection from flooding caused by overflowing sewers in heavy rainfall	**Extra** measures to protect an additional 20,000 customers at risk from this
Helping households with serious ongoing problems with wastewater and sewage service	Around 400 households have serious ongoing issues with wastewater service like persistent sewage odour that are costly to fix. Welsh Water would permanently fix these issues **for 100 homes**

How appealing or unappealing are optional extras in the enhanced plan

Almost 4 in 10 domestic customers *'just like the overall combination'* of options rather than any specific optional extra. Whereas, two-thirds of domestic customers are unwilling to be drawn on which optional they find most unappealing. This reflects the broad appeal of the **enhanced** plan with optional extras**.**

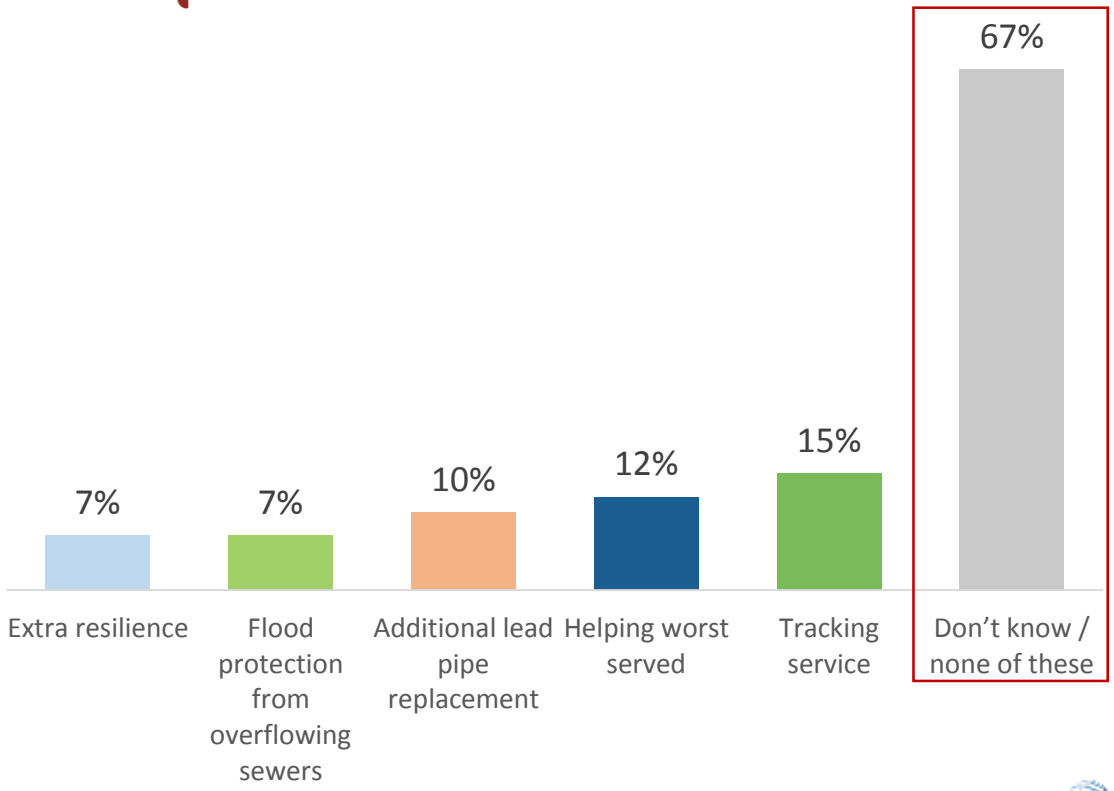
Most appealing optional extras

Base: All respondents (600)



Most unappealing optional extras

Base: All respondents (600)



QC2. Which, if any, of these options do you find particularly appealing? QC2. Which, if any, of these options do you find particularly unappealing?

In-depth response to the optional extras in the enhanced plan

Detailed options
A **new** system to book appointment 'slots'
Additional investments to keep water flowing to 100,000 customers in extreme weather
A larger programme of replacing lead pipes: 7,000 replaced instead of 3,500
Extra measures to protect an additional 20,000 customers at risk from **flooding caused by overflowing sewers in heavy rainfall**
Around 400 households have serious ongoing issues with wastewater service like persistent sewage odour that are costly to fix. Welsh Water would permanently fix these issues **for 100 homes**

Most motivating options in the in-depth discussions

- These benefit the largest numbers of people
- If there is any risk to health, customers support acceleration of lead replacement (though not all agree, as reported)
- Sewage flooding an emotive topic, and therefore seen as priority

Appointment tracking widely criticized in the group discussions

- No expectation to pay extra for what is commonplace in other sectors
- Current communication seen as good enough e.g. texts, calls
- Customers question how often they would benefit from tracker
- NB: more relevant to SMEs who would value this service most

We could be moving into one of these houses, with lead pipes, so hugely relevant to us
(Future, Bangor)

I am not convinced the proposed engineer tracking system will be of any great benefit to customers, the money might be better spent on pollution control
(Quantitative survey)

[Appointment checker] I'd prefer a phone call to say 'I'm on my way'
(Hereford, SME)

Preference for business plan – bill impact stimulus

Summary of differences: Plan without options vs. plan with options

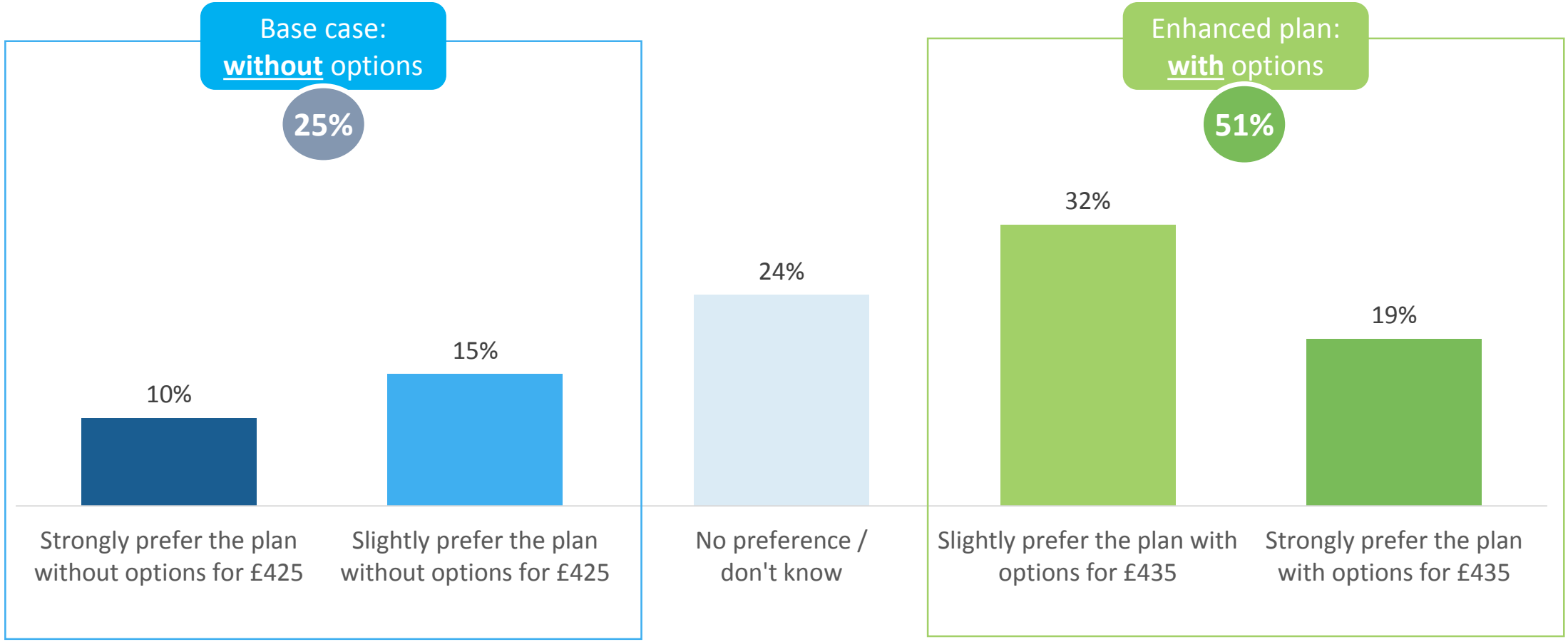
The bills shown also include everything described in the main plan

	Plan without optional extras	Plan with optional extras
	Future bill: £425 if no inflation; £470 if 2% inflation	Future bill: £435 if no inflation; £480 if 2% inflation
Appointment 'slotting' & tracking service	No change – no tracking service	'Slotting' and tracking service available
Improving resilience of water supply	Ongoing steady improvements	Extra improvements for 100,000 customers
Replacing customers' lead pipes	3,500 lead pipes replaced	7,000 lead pipes replaced
Flooding protection from overflowing sewers in rainstorms	Continuing to target properties vulnerable to flooding	Additional preventative measures to protect 20,000 customers at risk
Fixing repeated wastewater and sewage service problems	No change	Permanently solve problems for **100** homes

N.B. Current average Welsh Water bill is £445 per year

Preference for base case business plan or enhanced plan with optional extras

Domestic customers are more likely to prefer the **enhanced** business plan with optional extras, than the base case, with nearly a quarter having no real opinion either way.



QD1. Considering both the benefits and the bill size, would you prefer that Welsh Water went ahead with the plan with or without the package of options.
Base: Total interim sample - weighted (600)

In-depth response to the choice of plan

Plan with optional extras

Future bill: £435 if no inflation; £480 if 2% inflation

51%

Preference for enhanced plan preference WITH options

- Bill increase perceived to be small compared to improvements gained: £10 a small increase spread over a year; good value for money
- Plan enhancements will benefit more customers
- Potential to reduce costs in the long term: perception that enhancements will increase efficiency (and even reduce bills in the future)

I wouldn't mind paying a bit extra to see more from the plan
(Family, Cardiff)

A £10 increase is nothing
(Empty Nester, Cardiff)

It doesn't seem much extra money on the bill, for all of those extras which will help a lot of people
(Quantitative survey)

I went for 'B' [with options]. If there is something to be done, do it today. The tracking service I can do without but the rest is value for money
(SME, Cardiff)

Plan without optional extras

Future bill: £425 if no inflation; £470 if 2% inflation

25%

Preference for package preference WITHOUT options

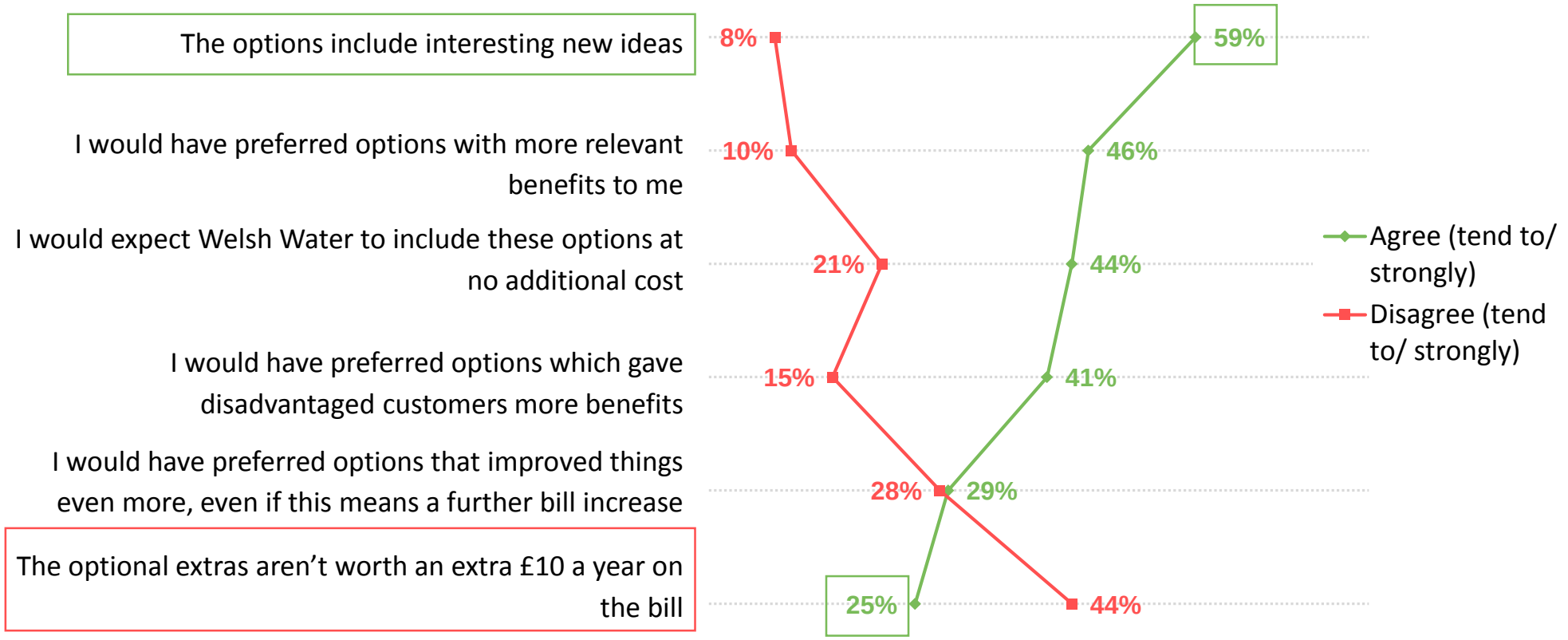
- For some, any increase in costs is unjustifiable and/or opt for the cheapest option out of necessity
- Options lack personal relevance/unlikely to use the optional extras hence unwilling to pay more
- In qualitative, cost conscious SMEs more likely to opt for base case plan

The options would be of no benefit to me so no need to pay for them
(Quantitative survey)

I'm lucky enough to live in an area which doesn't flood and there is no internal leakage. I believe our pipes are plastic. I don't think I would benefit from the extras
(Quantitative survey)

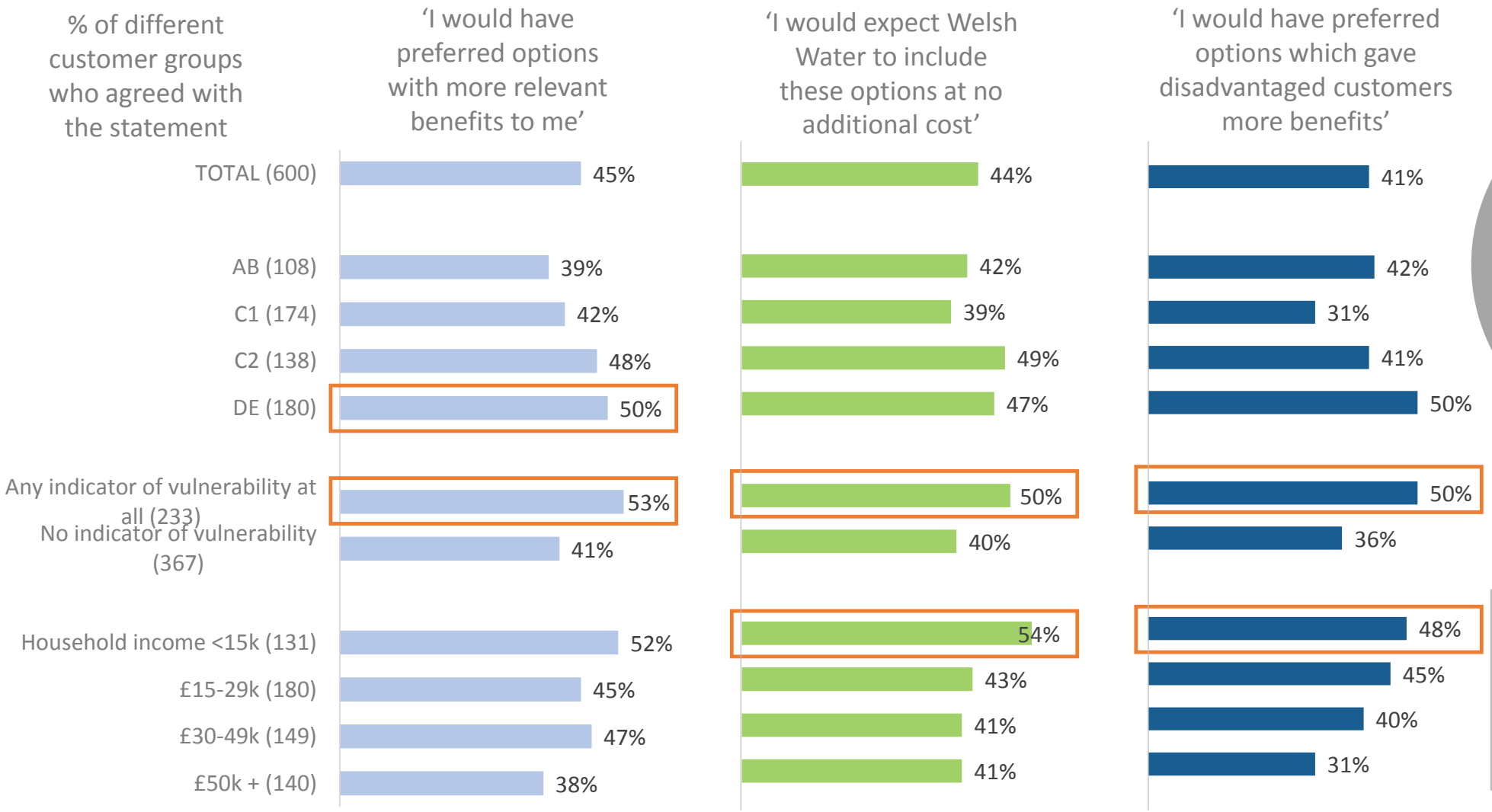
Attitudes towards optional extras in enhanced plan

6 out of 10 household customers think the additional options '*include interesting new ideas*', although there does appear to be scope to make the options seem more directly relevant. A quarter of respondents think that *'the optional extras aren't worth the extra £10 a year on the bill'.*



QD4. Thinking again just about the optional extras we have shown you, how strongly do you agree or disagree with the following statements? Base: Overall (600)

Attitudes towards optional extras – by subgroup



Domestic customers in **vulnerability** more likely to have preferred options with more relevant benefits to them; and which give disadvantaged customers more benefits. More likely to expect additional options at no extra cost

Demonstrates the pressure on less affluent households to reduce expenditure on all costs, looking to businesses, such as DCWW, to support in this

Dŵr Cymru Welsh Water

QD4. Thinking again just about the optional extras we have shown you, how strongly do you agree or disagree with the following statements? Base: Total sample - weighted (600)

blue marble

Conclusions

Summary of findings

- Customers have given a clear result: the majority would support DCWW progressing with an enhanced plan
- Primarily, this is because the additional cost of £10 per year is good value in light of the additional investments that will help many thousands of customers

However

- The research has also indicated that the customer groups who are less supportive of the plans generally, and of the enhanced option specifically, are the most vulnerable and from the lowest income groups
- The level of appeal for the base case plan (61%) may not be enough to translate into a high acceptability score.
- Indications that the plan is not ambitious enough and/or does not include areas that resonate most strongly with customers

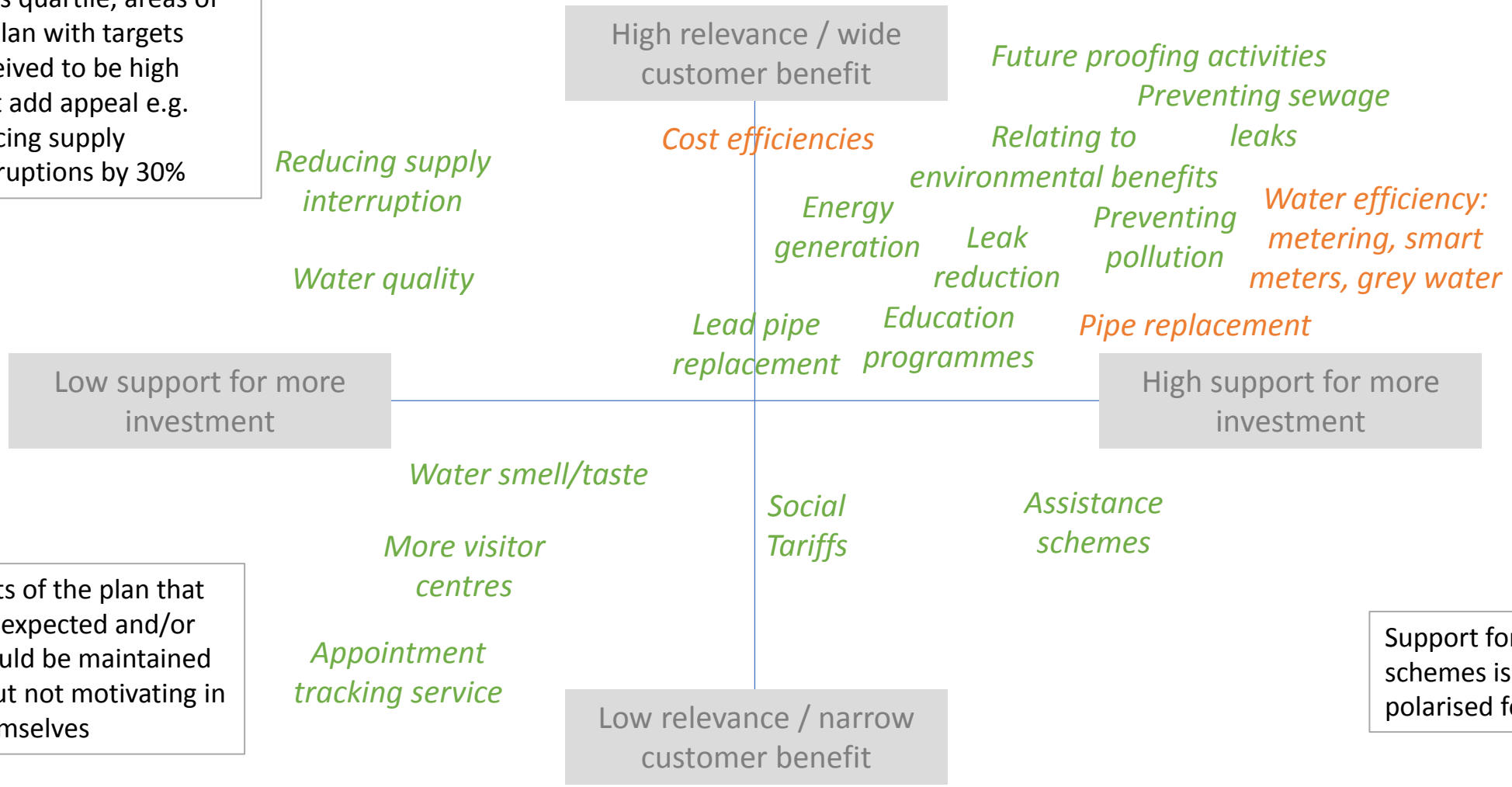
I'd keep the bills the same and push targets up instead of reducing the bills
(Family, Cardiff)

Summary of plan elements that resonate most strongly

In this quartile, areas of the plan with targets perceived to be high don't add appeal e.g. reducing supply interruptions by 30%

In this quartile, areas of the plan with targets perceived to be low can disappoint e.g. reducing leakage to 17%

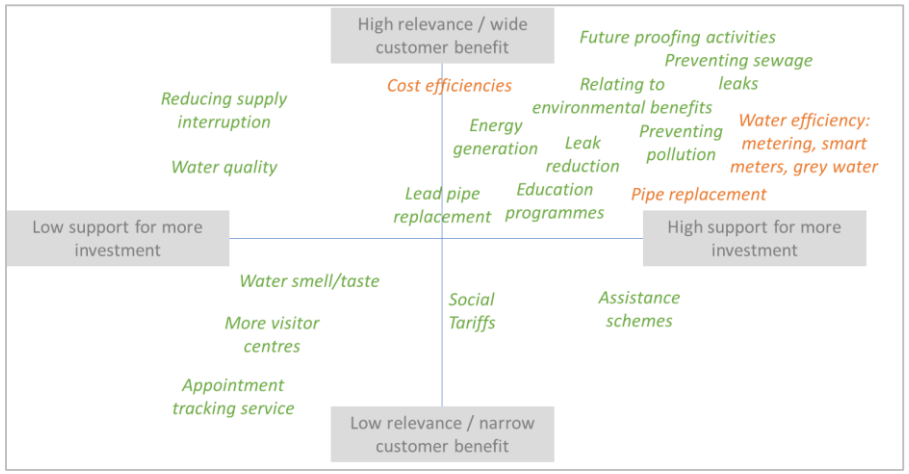
In orange text, some areas that customers want to see are missing



Parts of the plan that are expected and/or should be maintained – but not motivating in themselves

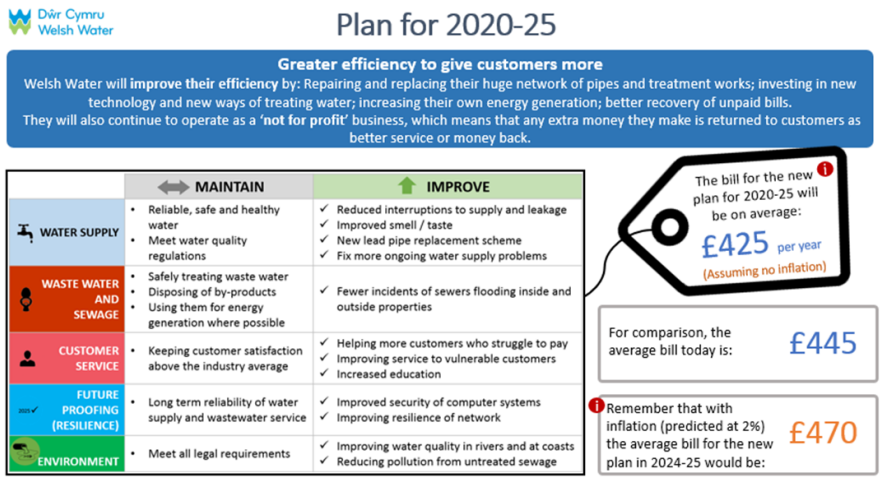
Support for Assistance schemes is clear, but more polarised for social tariffs

Implications for final iteration of draft plan and Acceptability Testing stimulus



The plan content

- Clarify the relevance/benefit of plan elements using four quartiles analysis e.g.
  - Illuminate areas of high relevance with accessible examples (e.g. catchment management)
  - Show benefits of investment in areas where customer benefit less intuitive (e.g. link social tariffs to lowering debt generally?)
- Help customers understand the scale of investment and/or that incremental improvements are harder to achieve (the 80:20 rule)



The bill impact

- Bill impact (reducing bills) is getting lost: can not rely on the numbers alone
  - Inform customers about efficiencies and cost reductions, including use of technology to improve operation: this is the story that interrupts default cognitive processes that bills are going up
- Does NFP status impact what DCWW can do in the plan? If so, this is likely to improve customer acceptability

DCWW Business Plan Acceptability

Stage 1: customer preferences for base case and enhanced plan

19th April 2018

blue marble

Dŵr Cymru Welsh Water