

PR24 Longitudinal Engagement

Prepared for Welsh Water

March 2022



Agenda



**Research objectives
and approach**



**Updating customer
experiences and
perceptions**



**How customers want
to shape future
DCWW investment**



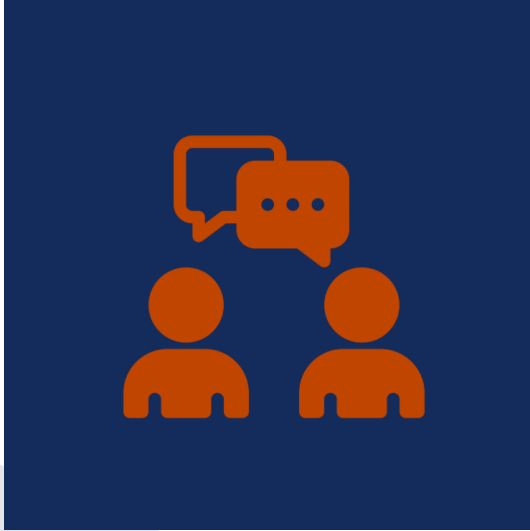
**What this means for
PR24 and next steps**

Longitudinal engagement to ensure DCWW maintains a customer perspective at the heart of PR24 planning

- Building PR24 business plans outward from a customer perspective
- Providing ongoing context to PR24 during challenging socio-economic times
- Maintaining open dialogue with customers throughout PR24 cycle
- Reviewing assumptions, hypotheses and asking the key questions as they arise
- Collating a more informed customer viewpoint to deliver better insight



Wave 1 late Feb 2022, building on results from Aug 2021 engagement



24 x Zoom depth interviews

Most appropriate methodology to ensure we can cover fairly sensitive financial ground with customers on the impact of the cost of living crisis

- 21 recruited from 2021 PR24 phase 1 research
- Mix of gender and life stage, all 18+
- Included some who struggle to pay bills
- Mix of urban, suburban, rural and semi rural
- Location: 5 x Clwyd/Gwynedd, 4 x Powys, 2 x Dyfed, 9 x Glamorgan/Gwent, 4 x Hereford



Content that builds on priorities from Aug 2021

1. Updating contextual factors
2. Developing customer priorities
 - Understanding if/how views have evolved and why
 - Identifying shorter, medium and longer term customer expectations from DCWW and mapping onto timeline
 - Applying relative £ value to these priorities



Updating customer experiences and perceptions

Recent DCWW customer service experiences have been positive



We had a stop tap leak that the Council couldn't fix and Welsh Water came out in 2 hours to replace the old lead piping there. You can't get much quicker than that!



Fair amount of engagement with DCWW in last 6 months across a small qualitative sample

- due to planned disruption, unplanned disruption, billing, arrears, home move, leakage
- all resolved at least satisfactorily with good comms, sometimes felt to be going above and beyond expectations e.g. call out within 2 hours, payment plan after customer lost job



Beyond these direct experiences, little wider exposure to DCWW in last 6 months

- only 3 x references to river pollution despite exhaustive UK media coverage – and this was generally not attributed to DCWW CSOs, but rather to a need for agricultural reform

We see further evidence of the high levels of customer satisfaction from 2021 research and perceived good service through the pandemic

Increased cost of living is beginning to hit our customers quite hard



I am already having to hold off on some bill payments until the next week. I've seen this talk on the news about heating vs eating and I can see myself having to make those decisions myself soon.



Several changes in employment linked directly to the pandemic

- has meant either reduced income during the pandemic, temporary financial disruption, or in most extreme instance falling into arrears on household bills



Increased cost of living now felt by all, and likely to impact affordability, discretionary spend and at worst may even result in heat vs eat for more vulnerable customers

- energy bills sky-rocketing and causing some financial distress
- food shopping increased, esp fresh, leading to new habits
- petrol increasing and leading to changes in driving habits
- insurances increasing
- less able to put money aside to save

Little doubt in this context that water bills will be affected for some of our customers in the months ahead and we need to be prepared with help

Hard balance to strike - investing in climate change with ongoing affordability challenges



We must still invest in the water infrastructure right now to prevent future problems and future emergency price hikes, even if it does mean paying a little bit more.



Climate change has felt prominent in recent months, with named storms, changing weather patterns and COP26

- feels like the reality for many years to come and a widespread belief that it will get (much) worse before it gets better
- strengthens the belief that there is need to invest now in infrastructure that can cope, and to reduce the damage that the next generation/s have to deal with
- enough talk by politicians, there needs to be more action



However, this comes at a crunch time when customers are potentially least able to afford bill increases

- customers do not believe this negates the need to invest now
- but they are concerned that measures are taken to ensure those struggling to pay are supported

This will be the key tension that underpins all water company responses to PR24, and ongoing customer consultation is vital to get it right

Protecting natural rivers and ecosystems matter to people; they want investment and urgency to safeguard natural beauty in Wales

Meet Steve

A biology teacher with three teenage children who owns a rural home that is not on a water meter. With a dual household income, life is comfortable financially but the rising cost of living isn't lost on him.

Primary concerns...

- Protecting natural water ways and local ecosystems from floods and climate change related causes
- Reducing pollution to ensure future generations can safely free-swim and canoe local rivers like he did growing up
- Protecting eco-tourism by ensuring investment prioritises natural beauty

Investment areas to prioritise...

- Adapting to the impacts of climate change
- Reducing pollution and improving river water quality
- Protecting infrastructure against floods and other threats



Young people worry about the world they'll inherit; they want investments made today to protect local infrastructure and the planet in the future

Meet Sam

A recent university graduate still living with his parents, Sam is looking to move out in the next few years and wants his water company to reflect his forward thinking values and to invest accordingly.

Primary concerns...

- Future state of the planet and life in local area without immediate climate change action
- Reducing pollution and safeguarding against extreme weather occurrences to ensure his generation will have a safe place to live
- Treating the local environment with the due-respect that previous generations haven't

Investment areas to prioritise...

- Adapting to the impacts of climate change and extreme weather
- Reducing pollution and improving river water quality
- Protecting infrastructure against floods and other threats



Rising cost of living is a primary concern to many of our customers; what matters to them is a sure-service, customer support and affordable bills

Meet Karen

A single mum to a teenage son who owns the terraced home that they share, Karen recently returned to work after a long Covid-related furlough. She credits her frugality and budgeting for managing to get through the pandemic and manage the rising cost of living.

Primary concerns...

- A sure service that always provides clean, reliable tap water
- Protecting infrastructure against floods and other threats to a reliable water supply
- Customer service availability to ensure if something does go wrong, it can be remedied quickly

Investment areas to prioritise...

- Reducing the risk of major water supply interruptions
- Protecting infrastructure against floods and other threats
- Customer service improvements





**How customers want to shape future DCWW
investment**

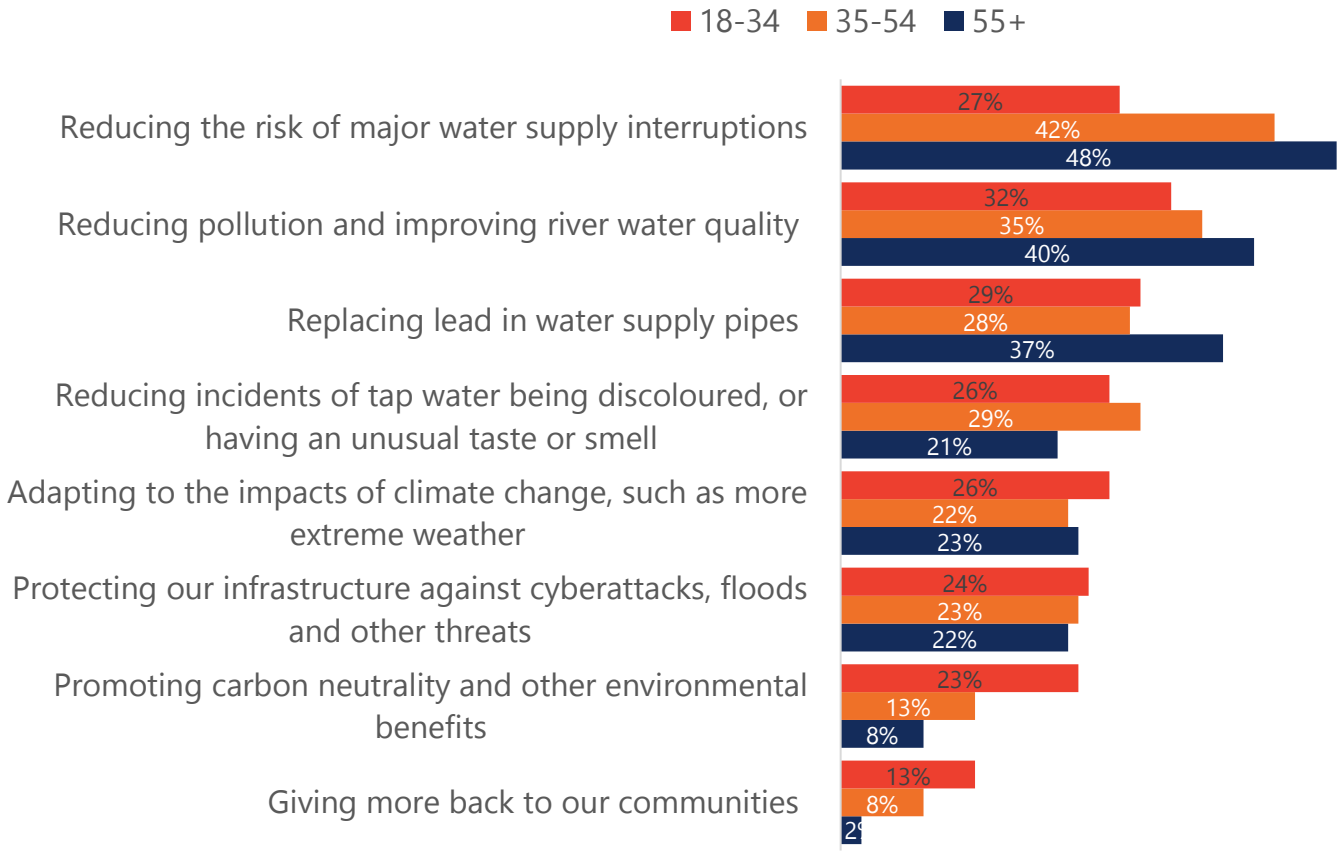
From 2021 research: Customer investment priorities

Customer investment priorities by age

(Total sample)



Tested at 95% significance
vs. other age groups



C2 / C2A: Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to invest in.

Base: 18-34 (222), 35-54 (335), 55+ (442)

2022 'build' questions: What we asked customers for each area

After showing results for each investment area from 2021 quantitative prioritisation, we asked the following in 24 x qualitative depth interviews:

- 1 What, if anything, are you aware of that has happened that changes how you feel about this priority?
- 2 How immediate of a priority is this, vs medium or longer term consideration? Let's plot it on a 25 year timeline...
- 3 How much of an example £10 annual bill increase would you want allocated to this priority?

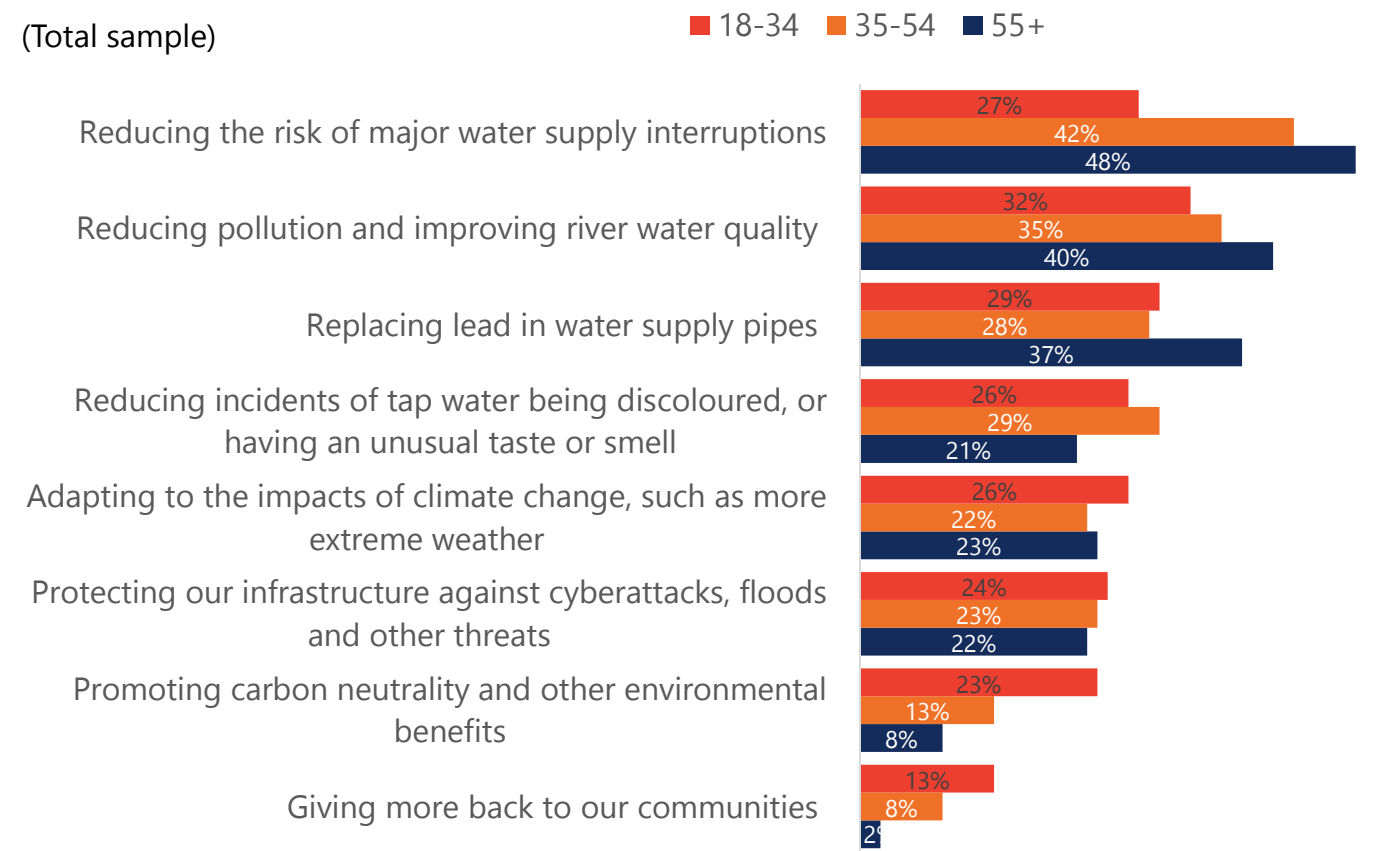


Building on the 2021 results: Summary overview

Previous research from 2021

Customer investment priorities by age

(Total sample)



Customer service

Longitudinal qual from Feb 2022

When customers want investment

5 years

now

5-10 years

ongoing

now

5 years

10+ years

20+ years

ongoing

How much of a £10 bill increase (average)

£1.71

£2.08

£0.92

£0.84

£2.11

£1.04

£0.73

£0.23

£0.40

C2 / C2A: Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to invest in. Base: 18-34 (222), 35-54 (335), 55+ (442)

Qual sample n=24

Video: Let's see how our customers came to the decisions they made on investment...

Click on the link below to watch the video:

<https://vimeo.com/685541336>

Password: RelishWelsh



Priority no.1 in 2021
research



Reducing the risk of major water supply interruptions

More investment from 2027



- Seen as part of the **core responsibility** of DCWW, rather than something that occurs regularly
- Assumed to be an area of **considerable ongoing investment**, thus less perceived need for imminent further investment
- However, customers recognise a **need to update ageing water infrastructure**, thus feel like it needs attention fairly soon
- Will additionally help to **future proof network** for climate change impact – so dual benefit

Well it is important that [the infrastructure] is maintained to a certain standard, but when it goes wrong it will be gradual and won't be immediate.

Providing a reliable water service is the core thing that [Welsh Water] do. So long as interruptions are few and far between, we can live with the odd outage.

Priority no.2 in 2021
research



Reducing pollution and improving river quality

More investment
from now

2022



2047

Extra investment from
example £10 increase:

£2.08

- Very few references to recent media coverage of **CSOs** and even when there is knowledge, little attribution to DCWW – more about agricultural impact
- But even without this recent media context, many have direct **recent experience of polluted rivers** (visible debris, odour etc.), and are concerned about impact on leisure, fishing and drinking water
- **Local natural environment** is important to people in Wales and anything that compromises this is felt to warrant imminent and sizeable investment

This has to be immediate. They've got to fix and reduce what's happening to our rivers currently or it risks becoming unfixable if we leave it too long.

I want my kids and their kids to be able to free-swim in the river just like I did when I was young. River pollution isn't just unsightly, it's a health hazard.

Priority no.3 in 2021
research

Replacing lead in water supply pipes

More investment within
next 10 years



Extra investment from
example £10 increase:

2022

5 years

10 years

2047

£0.92

- Although it feels intuitively bad that there is still lead in the network....
- Understanding that lead is **only between stop tap and mains** in some properties reassures many that this is not a widespread issue
- That there is still some lead **requires a DCWW plan to ensure future removal**, but this may be as much about investing in campaigns to increase customer awareness of their responsibilities
- Thus, desired investment is not immediate nor as great as for some other priority areas

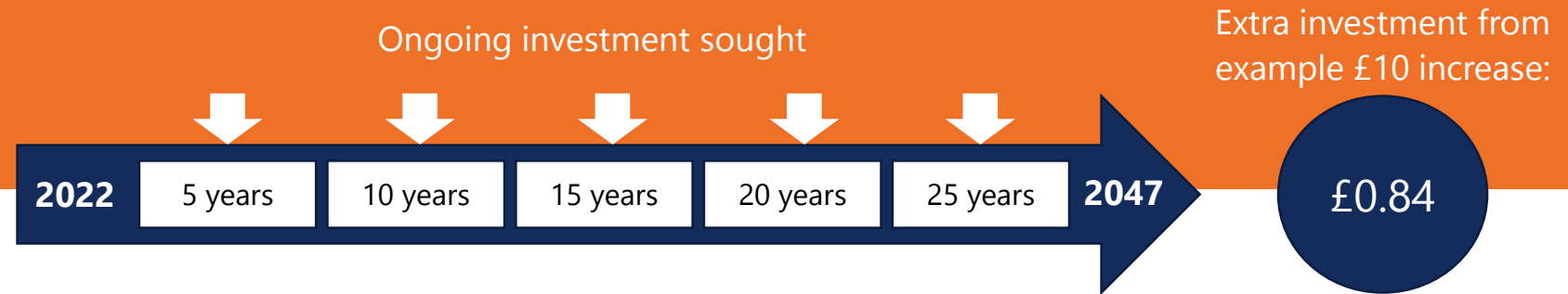
They do need to do something about this but it doesn't feel like it needs to be a rush job given what we are saying about how much lead is left.

I'm sure that if the lead was making people sick that Welsh Water would prioritise and address it right away... but so long as no one is getting ill, other areas deserve attention first.

Priority no.4 in 2021
research



Reducing incidents of tap water being discoloured, or having unusual taste/smell



- Perceived as **core responsibility of water co** to supply safe, clean and fresh drinking water, thus ongoing investment is expected
- **If data shows instances are high, then some further investment required** – but they don't feel high to customers we spoke to
- Those who have experienced notifications or discoloured water have found it to be **temporary only** and with **no known health implications** – so doesn't feel like immediate priority or need for particularly high extra investment

It certainly is important this one because we use our tap water for cooking and drinking, but I wouldn't say it's a major issue or needs loads of extra investment.

This doesn't happen often and when it does, you usually just have to run the tap until it is sorted. So long as it isn't a health hazard, we can live with the odd time this happens.

Priority no.5 in 2021
research

Adapting to the impacts of climate change, such as more extreme weather

More investment
from now

Extra investment from
example £10 increase:

2022

2047

£2.11

- Recent multiple **named storms, COP26**, and widespread **media coverage** since the summer make climate change feel very real and very impactful
- We see a **distinction between the less informed (quant) audience in 2021 and the more informed (qual) audience** in terms of how much of a priority this should be
- More informed customers prioritise this as being of **utmost urgency with need for considerable extra investment**, so great is the perceived threat and lived experience of climate change

You need to make these changes now. The last few days during the storms, the amount of blocked drains I have seen around the place feels like more than I've ever seen before.

If you spoke to people ten years ago, you'd find the odd climate change sceptic. It's hard to see what's happening with these storms and not conclude that climate change is real and needs attention.



Priority no.6 in 2021 research

Protecting infrastructure against cyber attacks, floods and other threats

More investment from 2027

Extra investment from example £10 increase:

2022

5 years

2047

£1.04

- **Flooding** feels as if should be part of climate change investment (on previous chart) and higher priority needing higher investment soon
- **Cyber attacks**, although credible in the current unstable world, are a less urgent priority for customers vs known threats of climate change
- Thus, customers tend to split this area for investment apart which slightly reduces the importance, the urgency and the level of investment

I've seen this type of thing in the movies about water supplies being attacked but it doesn't feel so imminent in real life.

You hear about big companies getting hacked all the time and needing to pay ransom money in crypto-currency to get their services back. It's not far-fetched to see that happening to Welsh Water.

Priority no.7 in 2021
research



Promoting carbon neutrality and other environmental benefits



- Although a part of the wider response to climate change, this is very much **expected already**, as well as being seen as intangible and hard to measure – it's seen as more of an '**intention**'
- Thus, investing more money in the promotion of carbon neutrality is seen as less necessary than other areas for investment, and certainly not as urgent as many
- Perception that water companies should have bigger and more pressing areas for investment

This focuses on being seen to be being carbon neutral rather than actually doing it – so it's not something I want them to spend a whole lot more on.

In a lot of ways, this will take care of itself. The greener option will soon be the more economically efficient one, so in the future it will just make both environmental and business sense.

Priority no.8 in 2021
research



Giving more back to our communities

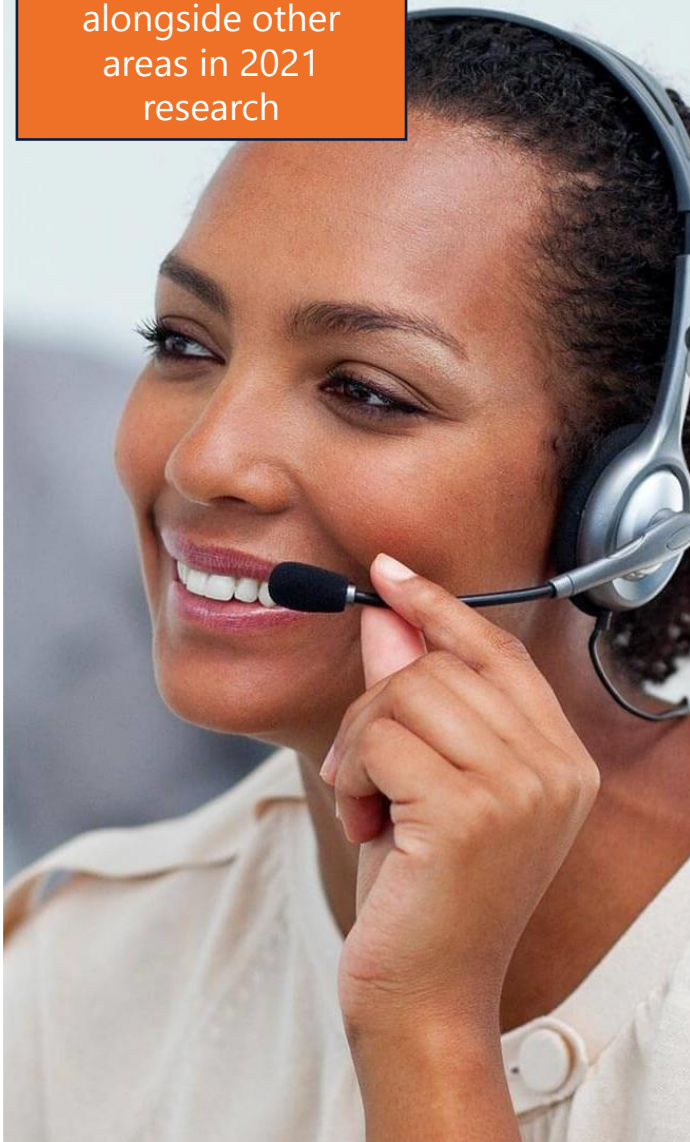


- With customers still not clear on how DCWW can give back to communities, and so many other pressing investment priorities, they push this well into the future and attribute very **low potential extra spend**
- Clear that this is **not seen as a major customer need** as such
- This is not however to say that communities are not important for DCWW, just that there is a disconnect between water industry and consumer understanding and expectations

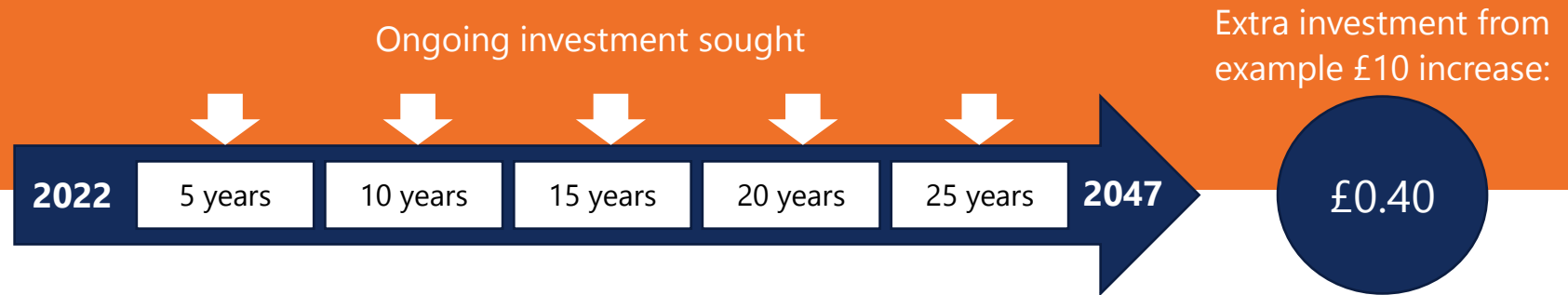
This sounds to me like pop up tents and free wristbands, when the role of the water company is to provide clean and reliable drinking water.

As a not-for-profit company, the best way for [Welsh Water] to give back to the community would be to deliver in other areas and allocate this investment to something else.

Not ranked
alongside other
areas in 2021
research



Customer service improvements



- Customer service experienced directly by some of these customers has been **largely positive**, in line with high customer satisfaction ratings in 2021
- Whilst customers are clear that they prefer DCWW to prioritise a sustainable water future over big investment in future customer service, they also recognise that **over time customer service will change and DCWW will need to keep pace** – thus, extra investment is seen as more **ongoing at a low level of spend**

When I had a problem recently they were here within 2 hours which was excellent. So I definitely don't want lots more money chucked at it.

They're a not for profit organisation and aren't selling package upgrades like other companies we deal with. So there's a limit to what they need to offer on customer service.



What this means for PR24 and next steps

What this means for PR24



Despite customers feeling the pinch with the increased cost of living, they **want investment in a water infrastructure that is resilient against climate change with some urgency now** – in particular as the lived reality of climate change becomes more noticeable and more stark month by month.



On specific areas for investment, **'adapting to the impacts of climate change' as well as 'reducing pollution and improving river quality' feel the most urgent and worthy of most additional investment.** It is also clear that a more informed base applies more priority to adapting to climate change.



Whilst 'reducing the risk of supply interruptions', 'replacing lead', 'customer service', and reducing tap water discolouration/taste/smell' are ranked as important overall, they are not such immediate priorities – they are **more medium term or ongoing areas of focus at a lower level of additional investment.**



At the lower end of the priorities, 'external threats to infrastructure', 'promoting carbon neutrality', and 'communities' are **seen as medium to longer term considerations with lower amounts of extra investment** desired.

Next longitudinal engagement with these more informed customers will be in June

- Virtual customer immersion day for DCWW Board via Zoom
- 4 x 45-minute themed discussion sessions in which 16 Board members and 16 customers will engage directly with each other
- Wrap-up session for Board to tease out learnings, insights and take-forwards for PR24





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