

Investigating willingness to pay

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Background

With the need to investigate willingness to pay (WTP) for particular possible solutions for either increasing water supply, or reducing demand, there is a need to delve into previously collected data to see what more we can understand.

In our recent WRMP survey, we investigated:

- The weighting that customers gave to a number of demand side and supply side solutions, by asking customers to allocate a number of points to each solution that they liked
- Customer's willingness to pay for each solution that they allocated at least one point to.

From this data, we have given each solution with an average WTP value, by looking at overall demand side and supply side WTP, and allocating money according to customer's points allocation.

Please note that while we didn't ask specific WTP for each solution separately, we can use the information we have as a guide of where customer's WTP lies.

Estimated WTP has been taken from analysing customer's answers to two questions

1. Please imagine you have 100 "points" to invest in these different ideas to reduce the amount of water that customers use. How much would you give to each of these ideas? The more points you give means the more you like this idea.

2. To invest in these ideas, Welsh Water might need to increase water bills. Would you be willing to pay an extra [price point] on top of your current yearly water bill to enable Welsh Water to invest in these ideas?

Price points tested:

- £4
- £6
- £8
- £10
- £12
- £14

In this question, if a customer said they were willing to pay a certain amount, they saw higher prices (until they said no, or until the highest price had been seen). If they weren't willing to pay a certain amount, they saw lower prices (until they said yes, or until the lowest price had been seen).

We have taken customer's overall WTP from question 2, and proportioned out this amount according to their points allocation at question 1 to deliver the averages outlined on slides 5 and 7.



Estimated willingness to pay shows that, on average, customers may be happy to invest over £1 for most supply-side solutions



£1.36

Transferring water from parts of Welsh Water's operating area where there is surplus water, to parts where more is needed

£1.26

Expanding existing reservoirs or building new ones

£1.23

Treating wastewater to a high standard and re-using it in customers' homes

£1.13

Desalinating sea water ready to be treated for use in customers' homes

£1.03

Trading water with other water companies in the UK that might have more water than they need

£0.71

Taking more water from the environment via rivers and groundwaters

Estimated WTP fits closely with the customer narrative delivered through the WRMP24 research



£1.36

Customers see intra-regional **transfers** as being an important way of making more of the resources we already have

£1.26

Expanding existing reservoirs or building new ones is viewed as a direct solution to a potential water shortfall situation

£1.23

Recycling treated wastewater is seen as being a key part of a more sustainable water future

£1.13

Desalinating sea water for customer usage feels like a ready made solution before many details are presented – but also we know it can polarise opinion when customers find out more about it

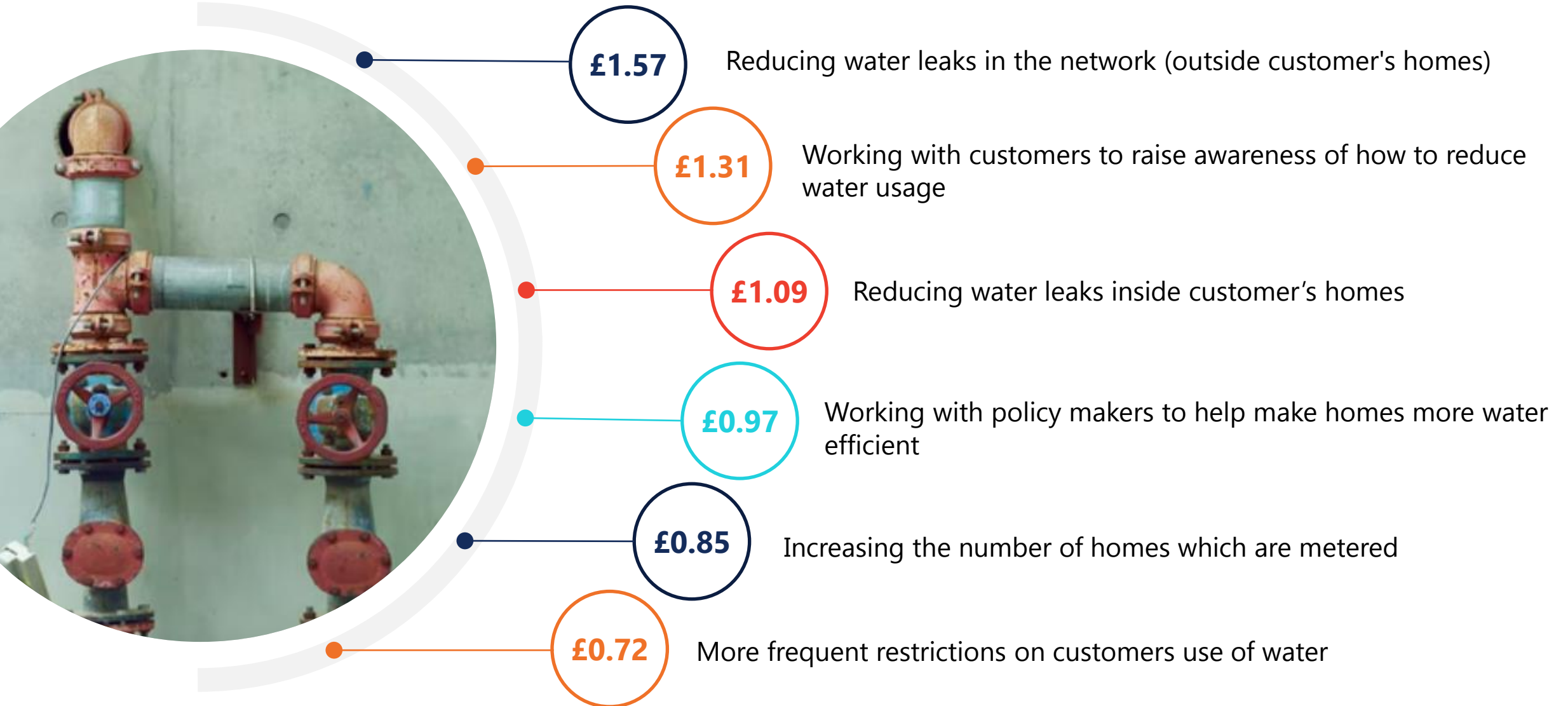
£1.03

Trading water with other water companies in the UK is felt to make financial sense when there is surplus to go around, and only criticised by a small but vocal minority

£0.71

Taking more water from the environment via rivers and groundwaters is usually seen as a last resort, but customers do concede that there are occasions when it may be needed

Our estimated willingness to pay for demand-side solutions values addressing network leaks at over £1.50



This, too, fits closely with the customer narrative delivered through the WRMP24 and metering research



£1.57

Reducing water leaks in the network outside customer's homes is seen as a key way for DCWW to take the lead on demand reduction

£1.31

The research evidences that many customers have appetite to do more to reduce their consumption, thus provides strong rationale for **increasing awareness**

£1.09

Customers support DCWW fixing private leakage on supply pipes and can see how **domestic leakage reduction** can also play an important role in reducing demand

£0.97

Customers recognise that they and water companies cannot do everything alone, and it needs a joined up approach with **policy makers**

£0.85

Increasing the number of homes which are metered is something that many customers are open to

£0.72

More frequent restrictions are of course not wanted by customers, but they understand they may be needed in certain drought conditions



jo@wearerelish.com
oliver@wearerelish.com

3 Angel Walk
Hammersmith
London
W6 9HX

T: 0208 994 2333



wearerelish.com



twitter.com/wearerelish



[@weare_relish/](https://www.instagram.com/weare_relish/)



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