WSH30-Customer Engagement and Research

Contents

1. Introduction

The purpose of this document is to explain our approach to ensuring that our PR24 Business Plan is based on a clear understanding of customers and communities, and to outline the key results and insights arising from the PR24 research programme.

Whilst this document focuses on research and engagement activities specific to PR24, we of course gather data from our business-as-usual interactions with customers, and engage with customers and other stakeholders in various ways on an ongoing basis. The insight produced by this activity informs our day-to-day business decisions and priorities. It also provides a wider pool of knowledge of our customers which has underpinned the development of our PR24 Business Plan. Our wider customer engagement activities are summarised below.

Figure 1: Company customer engagement activities

Ad Hoc research

- Customer research conducted by independent customer research agencies for one-off purposes. Example: Customer responses to Drought/Temporary Use Ban (2022)

Customer data-driven insight

- This includes all customer contact data, complaints, and customer feedback data. Example: 'Rant and Rave' - which requests and collates customer feedback for each contact.

Tracker research

- Ongoing research which monitors trends of key topics areas over time. Example: our Trust Tracker monitors Trust, value for money and other issues on a monthly basis.

Open public engagement

- Engagemnet events for customers in communities where we have an ongoing presense with large investment schemes.

Behavioural change campaigns

- Ongoing campaigns supporting an overall business objective or target such as encouraging customers to use less water or reducing the number of sewer blockages.

Education

- Dedicated education team engaging with 75-80,000 pupils each year to encourage behaviour change.

PR24 specific comissioned research

- Projects which are specifically designed and aimed at providing evidence and insight for business planning purposes.

This document focuses primarily on the specific research conducted for the PR24 Business Plan and the Long Term Delivery Strategy, though it also touches on related research for the Water Resources Management Plan and the Drainage and Wastewater Management Plan. We summarise the key results and discuss the implications for the PR24 Business Plan.

2. Approach to PR24 customer engagement

2.1. Overall approach to customer engagement for PR24

The development of our approach to customer research for PR24 was based on guidance from Ofwat and CCW, as well as the various reviews and 'lessons learned' exercises from PR19. These included:

- CCW's report "Engaging water customers for better consumer and business outcomes" (2020)
- CCW's "Lessons learned from 2019 Price Review".
- Ofwat's "PR24 and beyond: Creating tomorrow, together" consultation.
- Ofwat's "PR24 and beyond: Reflecting customer preferences in future price reviews – a discussion paper"
- A desk review of best practice from PR19 and feedback from Ofwat on company's PR19 research programmes.
- A review by Welsh Water's Customer Challenge Group, and subsequent discussion with the (renamed) Independent Challenge Group (ICG).
- Discussion with our customer research framework agencies.

Some of the key themes emerging from the reviews of customer engagement at PR19 were:

- Price review research should be part of an ongoing process.
- Research should be focused in areas that are most meaningful to the business planning process.
- Customers should be engaged on topics and in ways that are clear and understandable to them, and on which they feel they have a valid contribution to make. [1]

For PR24, our overall aim was to ensure meaningful and high quality engagement with customers on our business planning process. We took a more structured and considered approach to selecting research engagements than at PR19, with a more limited number of projects but with stronger linkages into the business plan, and with new processes to assure high quality and meaningful engagement, and expert, independent assurance.

2.2. Key questions

Our research programme focused on four key questions underpinning the price review. These tackled issues which are meaningful to and well understood by customers, and on which they would be likely to feel they could offer an opinion. These questions also provided an anchor for our discussions with the ICG and other stakeholders.

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[1] https://www.ccw.org.uk/publication/improving-customer-engagement-for-pr24/
https://www.ccw.org.uk/publication/lessons-learned-from-2019-price-review/

The key questions are:

1. Outcomes: What outcomes to customers expect us to deliver over the short and long-term?
2. Priorities: What do customers think are their biggest priorities for investment over and above statutory requirements?
3. Pace: How quickly to customers want us to deliver outcomes?
4. Bills: What would be an affordable and acceptable level for bills?

These questions are designed to be able to provide responses and insights from customers needed to develop a customer-led business plan. They build on one another to allow progression through our phased plan of engagement (shown in figure 2) to identify customers' key priorities, from those priorities identifying relative importance and pace of change, and then overall the implication of these preference for bills in the short and long term.

Figure 2: PR24 Insight Framework

2.3. Insight framework

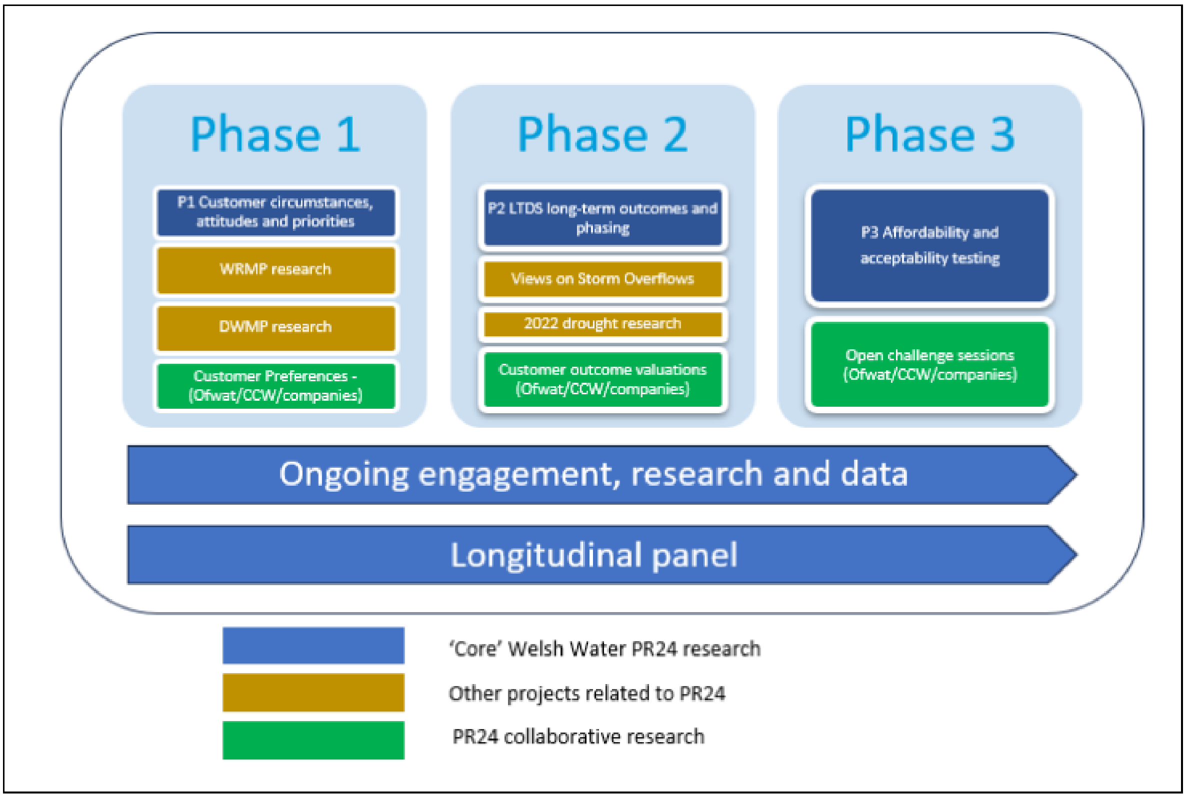
We started by defining a set of principles around which to build the PR24 customer research programme, taking into account Ofwat's standards and CCW guidance. These principles were agreed with our Board and ICG at the outset of the programme in early 2021:

- Our PR24 Business Plan will be set in a long-term context and will be based solely on what is in the best long-term interests of customers and the environment.
- Any specific business plan research will be relevant and meaningful to customers, drawing on the guidance and recommendations of CC Water and Ofwat.

- We will follow best-practice on customer research and seek to ensure that customers are appropriately informed so as to be able to provide considered views in an unbiased manner.
- We will use relevant wider sources of data and information to help form a wider picture of customers' circumstances and needs. Research programme

Building on our overall approach and principles, we developed a programme of research made up of three phases to include 'core' Welsh Water PR24 projects, wider research projects related to PR24, and Ofwat/CCW-led PR24 collaborative research. This programme is summarised in figure 2.

Figure 3: PR24 Research programme



Our **Phase 1** 'Customer Priorities' research project was completed in October 2021. This first phase of research looked at customers' circumstances, their views on general topics such as environment and resilience following the pandemic, and their views and preferences concerning some key strategic questions. This complemented the 'collaborative' research conducted by Ofwat and CCW on performance commitments and customer preferences. We also carried out research to support the development of WRMP and DWMP in Phase 1.

Our **Phase 2** research was primarily designed to support the development of the Long Term Delivery Strategy. It considered long-term ambitions, the pace and urgency of delivery, and questions of intergenerational fairness. Alongside this, Ofwat and CCW conducted research looking at customer valuations of service measures, and we tested customer views on Storm Overflows.

Phase 3 came after the production of a draft Business Plan, and was aimed at testing the affordability and acceptability of that plan. We used the standard methodology developed by Ofwat and CCW in a two-stage process. We also held the first of our Open Challenge Sessions with customers.

Our approach was to gather all of the insight obtained at the end of each key piece of research, and review the conclusions against the four key questions. These then fed back into the ongoing research programme.

2.4. The role of the ICG

In PR14 and PR19, Customer Challenge Groups (CCG) were used to provide independent assurance on the company's customer research.

Our Customer Challenge Group was established for PR14. It was chaired by Peter Davies, previously the Commissioner for Sustainable Futures in Wales ,who joined the CCG in February 2016. He has continued as Chair since then.

Although CCGs were not mandated by Ofwat for PR24, we believe that the independent challenge and scrutiny of our research programme, and how we reflect customers' views in business plans, is valuable and constructive.

We therefore continued with our challenge group but put in place separate assurance arrangements that meet Ofwat requirements. This meant that the ICG was able to focus more closely on its core functions of challenge and scrutiny. It was renamed the Independent Challenge Group to avoid confusion with the different model for PR19 and PR24.

The ICG's website, including minutes of meetings, can be found here link.

The ICG is represented on the PR24 Forum that is chaired by Welsh Government in order to represent the customer perspective.

The ICG continues to ensure that the company appropriately reflects customers' views in our plans. It provides scrutiny and challenge to ensure that the needs of current and future customers and communities are at the heart of how Welsh Water operates. The diverse membership of the ICG reflects a range of customer perspectives and includes experts in customer research and engagement. Organisations represented within the group include those working on behalf of older people or people in vulnerable circumstances, and environmental organisations.

ICG Members

Current membership includes the following individuals:

Table 1: ICG members

CCG Member	Organisation
Jonathan Johnson	Consumer Council for Water
Gail Davies	Afonydd Cymru
Nigel Draper	Independent
Mari Arthur	Independent
Sue Husband	Business in the Community
Dave Horton	CoProduction Network
Dimitrios Xenias	Independent expert research advisor
Alun Evans	Citizens Advice Bureau
Solitaire Pritchard	Pobl Group
Rachel Lewis-Davies	NFU Cymru
Eifiona Williams	Welsh Government (observer)

The diverse membership of the ICG reflects a range of customer perspectives and includes experts in customer research and engagement. Organisations represented within the group include those working on behalf of older people or people in vulnerable circumstances, and environmental organisations.

ICG Meetings and independent secretariat

The full ICG will have met on 18 occasions from the initial agreement of the research framework in December 2020 through to PR24 Business Plan submission, with members also joining additional assurance sessions. The ICG Chair contributed to three Welsh Water Board meetings and also attended the PR24 Forum.

The ICG has an independent secretariat provided by Cynnal Cymru, a sustainable development organisation. They host the ICG website, publish minutes and documents and take minutes of meetings, all of which are publicly available via the website.

ICG members (as well as Welsh Water's Executive Team and Board) have been able to view online focus groups and have taken part in direct discussions with customers as part of our Longitudinal Panel (see 3.2 for more detail).

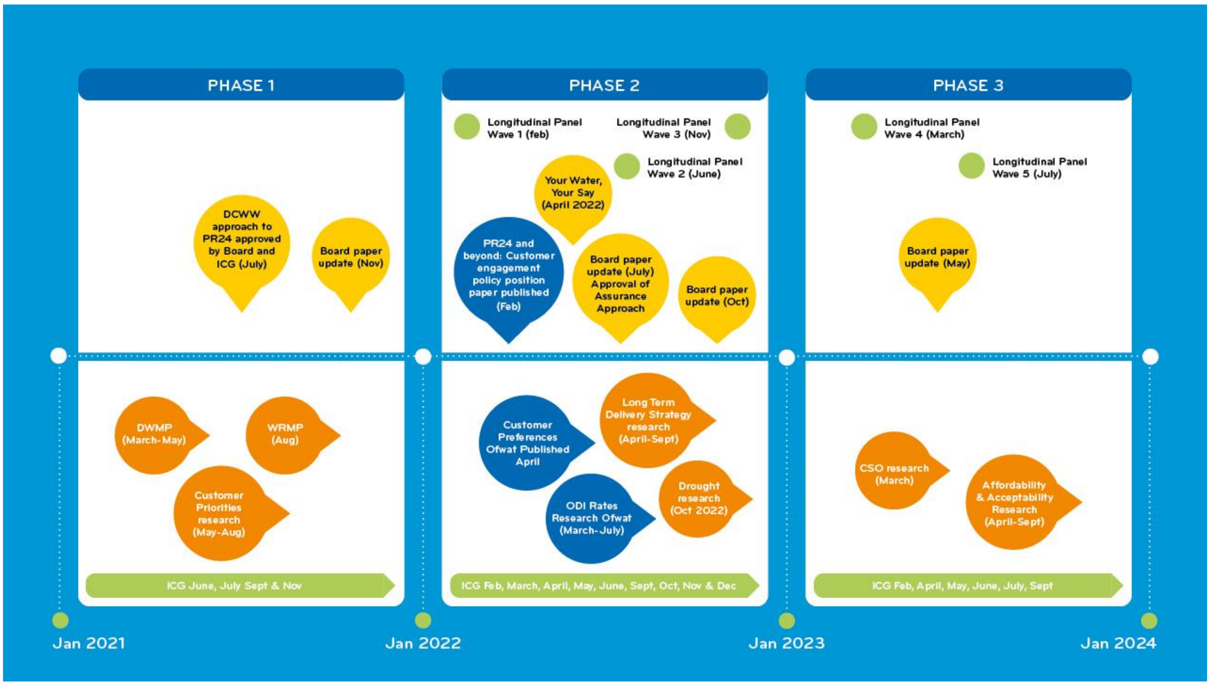
A detailed timeline of discussions and input from the ICG can be found in the ICG report here (link).

In summary the ICG report concludes:

- The company has been successful in securing an understanding of the views of its customer base, which have informed the proposed business plan.
- The customer research programme for PR24 has been well structured to provide answers to 4 key questions and phased to contribute into the business planning process.
- There has been a strengthened independent assurance process which has found that the research has complied with Ofwat guidelines and been effective in providing answers to the research questions which have fed into the business plan.
- The company has made progress in increasing opportunities for customer engagement since PR19 and established a customer insight framework as part of the evidence base for the business plan. There is though need for a further step forward in customer engagement to maximise opportunity for coproduction and behaviour change in the delivery of the business plan.
- As was the case in PR19 customers recognise the need for investment and better-informed customers are more willing to accept the level of bill increase proposed in the plan. Customer support is dependent on transparency and clear accountability for delivery.
- Customer research demonstrates high level of acceptability of the business plan, with an 84% positive response. Customers accept that the plan covers what needs to be delivered and that the investment should not be put off, but increases will add pressures to stretched household budgets, with around half the customer base finding proposed bill increases difficult to pay. Hence there needs to be a clear focus on how the company supports customers in challenging financial circumstances.
- There is increased awareness and concern about environmental performance, which needs to be addressed as a priority. While the ICG understands the limitations of affordability, finance ability and deliverability, customers do expect more ambitious targets for leakage and pollution.
- Customers are clear as to the importance of intergenerational fairness and do not want to see urgent investment put off for the future but would prefer a gradual increase in bills set against outcomes to meet 2050 objectives.
- The ICG has expressed concern that current performance levels are below the required glide path to 2050 and that this will impact on investment required to meet performance targets.
- Customers recognise that others must play their part in achieving improved outcomes. The company has a central role in enabling these collaborations, but there are clear responsibilities for Welsh Government, local authorities and other key stakeholders.
- There is high customer expectation of the not-for-profit company, both in the delivery of its core services and in its wider contribution to the wellbeing of Wales

3. PR24 engagement programme

Figure 4: Timeline of PR24 engagement programme



3.1. Research Methodologies

We contracted external research companies to conduct our research programme. We used a framework of five agencies with differing experience and specialties to allow us to draw on different expertise and resources depending on the brief of the project.

Questionnaires and materials for the research were developed by the lead research company for each project. They were also peer reviewed by one of the other research companies. Our ICG members were also party to these discussions and assisted in the challenges made to the company.

The below table shows the different research methods we used in our PR24 research programme.

All respondents were able to take part and complete the surveys in Welsh if requested. All recruited samples were developed to be representative of our customer base with quotas on specific segmentation such as financially vulnerable, physically vulnerable, hard to reach and younger or future customers.

Table 2: PR24 research methodologies

Methodology	Description
Qualitative Focus Groups (8-12 participants)	Exploratory research conducted in small groups between 8-12 people moderated by an independent researcher. Usually 3-4 hours long.
Quantitative surveys – usually online	Survey which gives the ability to gather data. Can be conducted at any scale needed but usually no longer than 15 mins in length.
Cognitive interviews	One to one interviews with customers to check if the survey and stimulus material is clear, understandable and logical.
One to One surveys	Surveys completed at a customer's home or preferred location by an independent researcher with or without the aid of a support assistant. This is usually with customer in a vulnerable circumstance who may otherwise not be able to participate in the research due to communication or cognitive issues.
Stakeholder & Non-Household interviews	Telephone or 1-2-1 interviews with representatives of a specific company/group of customers.
Hard to reach/Community Hubs	In communities where we know there is lower literacy, low mobility, poor transport links or poor internet access we conducted research in a community centre providing iPads. Customers had help from research field staff if needed.
Longitudinal Panel	Repeated panel of the same 30 customers who have been re-engaged with throughout the programme of research.
Future customers	Where the topic of discussion would be relevant to customers in the future we included a segment of future bill payers. These are customer not yet paying bills but receiving our service e.g. students or young adults living at home. We also engaged with a specific group run by the Welsh Government's Future Generations Commissioner for Wales. The group is called the 'Future Generations Leadership Academy' and they are a group of participants aged 18-30 recruited from a wide range of sectors and organisations within Wales. The participants learn leadership skills and good practice around

	implementing the Well-being of Future Generations. We engaged with the group during their participation in the programme and then recruited Alumni members to our Longitudinal Panel.
Vulnerable customers	Where appropriate a sample of customers were included in research quotas for specific vulnerability indicators such as financial vulnerability.

3.2. Longitudinal Panel

The creation of a Longitudinal panel was suggested by ICG following the PR19 research programme as a way to track changing customer views over a longer period of time and to capture the perspective of a more informed customer base. This would then be used alongside other commissioned research with ‘uninformed’ customers.

Relish Ltd were commissioned to run this group which is comprised of a customer panel of around 30 customers. The aim of this group was to provide a longitudinal perspective of customers’ views relating to the company, our performance, societal issues and our business plan.

The majority of panel members were recruited from the customers who took part in our Phase 1 research conducted in June/July 2021. Others were then sourced to ensure appropriate representation of our customers – although with such a small group they cannot be considered statistically representative of our customer base. From Wave 3 onwards we also recruited Alumni from the Welsh Government’s ‘Future Generations Leadership Academy’.

The Panel has had five waves of engagement as outlined below:

Figure 5: PR24 Longitudinal Panel research

1. Wave 1 Feb 2022: Part of Phase 1 PR24 research project (see above).
2. Wave 2 June 2022: Immersion session with the Board and ICG members as part of the Phase 2 Long Term Delivery Strategy research.
3. Wave 3 Nov 2022: Revisiting Phase 1 and exploring further Phase 2.
4. Wave 4 March 2023: Part of Phase 3, the qualitative phase of Affordability and Acceptability testing.
5. Wave 5 July 2023: Immersion session with ICG to explore wider customer results of the Affordability and Acceptability testing research.

The results of these sessions are covered in section 4 of this document.

3.3. Alignment with Ofwat principles of high-quality research

Ofwat's document "PR24 and beyond: Customer engagement policy – a position paper", states:

"Water company research should follow best practice and lead to a meaningful understanding of what is important to customers and wider stakeholders."

It also sets out standards for high quality engagement.

The table below (table 3) outlines these standards and summarises how Welsh Water has met these.

Table 3: High quality engagement principles and response

Principle	Response
Useful and contextualised Research should have practical relevance. It should be clear why the research has been undertaken, to what it will contribute and how. The research should be designed with quality rather than quantity as a priority (in other words, a better quality of research, rather than a larger quantity of research). As much as possible, research findings should be presented alongside a wider evidence base.	In PR24, our approach was to focus on four key questions we will answer using a phased programme of work. This ensured we were talking to customers about issues that they could understand and to which they wanted to offer an opinion. We developed an insight framework to bring together our commissioned customer research alongside external research sources.
Fit for purpose The sample and methodology should be appropriate for the research objectives	ICS - an independent research agency used to peer review our research (see section 3.5) provided assurance that sample and methodologies used in our research was acceptable
Neutral design Research should be designed so that it is neutral and free from bias	ICS peer reviews found research design to be acceptable (see section 4.9.2. and 4.15.)
Inclusive Research should include different audiences and socio-demographics, considering local or regional or national populations, business customers and business retailers. Where possible, research findings should identify and report on variances by sociodemographic and consumer types (for example, bill payers, future customers	ICS peer reviews found research demographics to be inclusive. (see section…) Any differences between customer groups are called out in each research report and summarised in section 7 of this document.
Continual Companies' research programmes should be continual, enabling day-today insight gathering, as well as specific and relevant research for informing business plans and long-term delivery strategies. This will allow areas of concern or change to be more easily identified and acted on	We have developed an ongoing Research Log using the findings from Welsh Water commissioned research as well as external sources of research. This has sat alongside a three phased program of commissioned research which has been simplified to more effectively target the overall aim of each phase. We have also created a Longitudinal panel as a way to track changing customer views over a longer period of time and to also capture the perspective of a more informed customer base. This has been used alongside other commissioned research with 'uninformed' customers.

Shared in full with others Research should be published in full, as soon as possible	Research has been shared with ICG and published on our company website throughout the programme
Independently assured Research should be reviewed by people or organisations that are independent of the company. Those reviewing research should have a range of relevant skills and experience and feel confident and able to challenge on all elements of research. Information shared with them should be relevant and timely. Water companies should be transparent about the research findings and whether, and in what ways, it has been used	See section 3.5. for assurance outline. This has been undertaken in two projects: 1) Peer review of key pieces of research undertaken for PR24 purposes looking at the appropriateness of the methodology and survey design prior to research being undertaken; followed by a review of the research findings to ensure that the appropriate conclusions have been made. To conduct this we used ICS who are on our framework of research providers but whom were been commissioned to conduct any of the research work itself. 2) A separate agency (Traverse) worked with Jacobs (who report on our wider performance metrics for our Annual Performance Report) to provide an overall assessment of our approach to research, the alignment with Ofwat's customer research principles and an assessment of the alignment between the research results, and the trade-offs being proposed in our plans. This operates as an iterative process allowing us to adapt our approach as necessary in line with their feedback.
Ethical Research should be conducted in line with widely accepted ethical standards	All research agencies used for commissioned research projects are Market Research Society members and adhere to their standard practices and guidelines, including ethical standards.[2] This was a requirement in our procurement process while recruiting companies.

[2] https://www.mrs.org.uk/standards/binding-guidelines

3.4. Alignment with Ofwat principles for customer challenge

In Ofwat's published document "PR24 and beyond: Customer engagement policy – a position paper"[3], it states:

"Customers and their representatives must be able to challenge the companies' ongoing performance, business plans and long-term delivery strategies. The purpose of customer challenge is for companies to receive feedback on what issues matter to customers, what their views are on various aspects of companies' activities, and to enable customer comment on how well plans reflect their needs, priorities and preferences."

It also sets out standards for Customer Challenge.

The table below outlines these standards and summarises how Welsh Water had met these.

Table 4: Customer Challenge principles and Welsh Water Response

Principle	DCWW Response
Independent The people involved, and process of challenge, are independent of the company	The ICG provides independent scrutiny and challenge, ensuring that the needs of current and future customers and communities are at the heart of how Welsh Water operates. ICG Members are appointed independently by the ICG Chair. The Secretariat function is provided by Cynnal Cymru – an external, independent organisation – and was appointed by the Chair. All associated meeting minutes and documentation is made publicly available on the Cynnal Cymru website.
Board Accountability The company board is accountable for having in place and listening to challenge from customers and stakeholders	The company presented regular updates to the Board on the results and draft conclusions produced by the research programme (see timetable Figure 5 for dates). The ICG Chair attended Board annually to provide a report and feedback on its challenges relating to customer engagement. The Board was also keen to ensure that it heard directly from customers on

[3] https://www.ofwat.gov.uk/wp-content/uploads/2022/02/PR24-customer-engagement-policy.pdf

	their circumstances, their priorities, and their views of the services provided by Welsh Water. In June 2022 our Board held a 'customer immersion session' with members of the Longitudinal Panel, which was a structured conversation around a range of topics relevant to the business planning process.
Ongoing Challenge is ongoing, addressing both development and delivery of business plans. Companies should be able to provide evidence of welcoming and responding to challenges on their day-to-day performance as well as during the development of their business plans for price reviews and long-term delivery strategies.	To date during AMP8, the ICG has met 18 times and the Independent Environmental Panel (IEAP) has met 15 times where company performance and plans have been scrutinised and challenged. The Welsh Government PR24 Forum – comprising Welsh Government, water companies, regulators and key stakeholders - has met regularly during the process. The company has also held an annual Vulnerable Customer conference as well as a WaterSource conference (catchment management) to support the development of associated strategies. The ICG agendas included topics such as company performance, the vulnerable customer strategy and our Water Resilient Communities project. As part of the company's ongoing engagement activities, there are regular stakeholder, community and customer interest group meetings to discuss individual capital investment schemes, subject matters of concern to customers (e.g. river water quality) and wider public meetings. Sum 400 such events have taken place since 2020. There have been a minimum to two meetings of Glas Members every year to scrutinise the company's performance as well as dedicated session on the PR24 Business Plan.

Informed The challenge process is informed by high quality, comparative information and trends over time.	Where relevant to the research comparative information has been provided to customers, for example in Phase 2 research when discussing long term ambitions comparative information was given to customers to they could understand current performance and how this compared with other companies. ICG meetings have also included regular updates on wider company performance including reports from CCW, UKSCI and OFWAT.
Transparent The company is transparent about the nature and response to challenge and its relative performance. Companies should be able to provide evidence to demonstrate how they are listening to customers. This should include: • An explanation of how evaluations of different business plan options have taken account of customer views, with a focus on the options which provide the greatest benefit for customers and the environment. • Timely publication of evidence of customer views gathered through research or engagement exercises (with consideration of customer data protection and commercial sensitivities). • A published record of all challenges raised by customers or their representatives. • Published evidence of the company's responses to these challenges, including reasons for why no action is required. • Clear identification of areas of disagreement	All research reports have been published online and can be found here. The Your Water Your Say public meeting report, answering the challenges raised can be found here. The ICG Report which includes the "key questions" that they challenged the company about can be found here (link). Minutes of all ICG meetings and challenges raised during meetings can be found here.
Representative Challenge comes from a representative range of customers and is open to all relevant local/national stakeholders.	The diverse membership of the ICG reflects a range of customer perspectives and includes experts in customer research and engagement. Organisations represented within the group include those working on behalf of older people or people in vulnerable circumstances, and environmental organisations.

	We also held our public 'Your water your say' event in April 2023 which included a self selecting sample of our customer base and stakeholders. Event report and slide deck can be found here.
Comprehensive Challenge covers a comprehensive range of areas including: • water and wastewater services • customer services • significant investment (large one-off schemes) • performance levels • bill impacts	Company performance has been regularly reviewed at ICG every six months. Affordability and vulnerable customer strategy updates have also been regularly reviewed at ICG, with strong input into the development of the Cymuned scheme (see PR24 Business Plan section 12.5 for further information).
Timely Customers are able to challenge on a timely basis, with companies responding within a reasonable time period. Companies' challenge arrangements should allow sufficient time for effective challenge.	Customer research followed the same progress and timetable of activities to develop our business plan and so research was always conducted within a timely manner to influence ongoing decision making. See timetable of programme in section 3. We also held our public 'Your water your say' event in April 2023. This allowed customers to provide feedback on draft plans. The event report and slide deck can be found here.

3.5. Alignment with Ofwat principles of Assurance

In, "PR24 and beyond: Customer engagement policy – a position paper", Ofwat set out expectations of the companies' evidence of assurance. Companies are expected to demonstrate the following:

- Independence – Assurance of the quality of customer engagement, and how the companies have used the findings in their business plans and long-term delivery strategies, should be provided independently of the companies with no restrictions on reporting.
- Transparency – Companies should share all relevant customer engagement and research evidence to enable whoever is providing assurance to reach a fully informed,

independent view of how the company has taken account of customers' views. Companies should be able to demonstrate how they have taken account of evidence from customer engagement. Companies should be able to explain why they have not taken account of evidence from customer engagement or research wherever this is the case.

- Expert – Assurance of customer engagement should be undertaken by people or organisations that have relevant expertise and are appropriately resourced to complete the assurance exercise.
- Comprehensive – Assurance needs to assess the extent to which the company's customer engagement meets the standards for high-quality research and any other relevant statements of best practice, including how it has applied the best practice for triangulation of customer data from alternative sources.
- Board ownership – Company boards should demonstrate oversight of the customer engagement assurance process.

In order to meet the assurance requirements, we put in place two levels of assurance on our customer research activity.

The aim of this assurance process was to provide an assessment of:

- The quality of engagement with customers and stakeholders
- The extent to which customers' and stakeholders' views have informed business plans and long-term delivery strategies.

This was undertaken in two ways:

1) Peer review of key pieces of research undertaken for PR24 purposes looking at the appropriateness of the methodology and survey design prior to research being undertaken. This was followed by a review of the research findings to ensure that the appropriate conclusions were drawn. To conduct this we used ICS who are on our framework of research providers but whom were not commissioned to conduct any of the research work itself.

2) A separate agency (Traverse, who are not part of our research framework) worked with Jacobs to provide an overall assessment on our approach to research, the alignment with Ofwat's customer research principles and an assessment of the alignment between the research results and the trade-offs being proposed in our plans. This operates as an iterative process allowing us to adapt our approach as necessary in line with their feedback. Note that Traverse ceased trading after reviewing our Phase 2 research and a new supplier (Blue Marble) was appointed for Phase 3 assurance.

   Employees from Traverse who completed this assurance work are now employed by Blue Marble who are on our research framework. The ICG supported the decision to work with Blue Marble due to their background knowledge of the previous reviews. They are not involved in the implementation of Phase 3 research that they are assessing.

   We worked closely with ICS and Traverse/Blue Marble to provide the evidence base for assessment of the quality of our engagement. Members of our ICG were also involved in the process of assessment through attending meetings with assessing companies and also receiving the report finding documents for further discussion at ICG meetings. This enabled ICG to challenge the company on gaps or recommendations found in the report. Links to all assurance reports and challenges can be found in Annex 1.

3.5.1. The quality of engagement with customers and stakeholders - Peer Review

ICS Consulting is an independent consultancy with expertise in market research and strategic investment planning for utilities and were commissioned to conduct the peer review of materials. This review proves included a review of all materials, and discussions with the company, the research agency commissioned to carry out the research, and ICG members. This allowed an open dialogue about the areas highlighted for review and the decisions about which materials shown to customers might need amendment.

To conduct a thorough and structured review of materials ICS created a series of assurance criteria. These were developed in two strands:

1. Criteria for reviewing research design and materials.
2. Criteria for reviewing reported findings.

These criteria were based on Ofwat’s principles for good engagement, as outlined in the “PR24 and beyond: Customer engagement policy” and the guidance issued by the Market Research Society and the Cabinet Office. They also took account of approaches in other sectors including transport and energy. This approach is shown in figure 7 below. A summary of the approach can be found in document here.

Figure 6: Approach to Peer Review Assessment

Ofwat Principles	Review of research design and materials	Review of reported findings
Useful & Contextualised	✓	✓
Neutrally designed	✓	✓
Fit for purpose	✓	✓
Inclusive	✓	✓
Continual	✓	✓
Independently assured	N/A – Part of assurance process	N/A – Part of assurance process
Shared in full with others	N/A	✓
Ethical	✓	✓

3.5.2. The extent to which customers' and stakeholders' views have informed business plans and long-term delivery strategies

Traverse and DCWW agreed that the following four questions would be used to understand how much customer and stakeholder views have informed the business plans and long-term delivery strategies:

1. Did the activities/output achieve what was set out in the intent/purpose in the framework?
2. To what extent have the four key questions been answered?
3. Have Welsh Water put the right outcomes and proposals to customers?
4. Is there a clear line of sight between engagement/research and the business plan?

Traverse completed two assessments, one after Phase 1 activity and one after Phase 2 activity. Blue Marble carried out the final assessment after Phase 3 activities continuing to use the Traverse method of assessment. There are therefore three reports showing this assessment which can be here (Phase 1 assurance report, Phase 2 assurance report and Phase 3 assurance report.)

The high level results of all assessments can be found in section 6 of this report.

4. Key projects and results

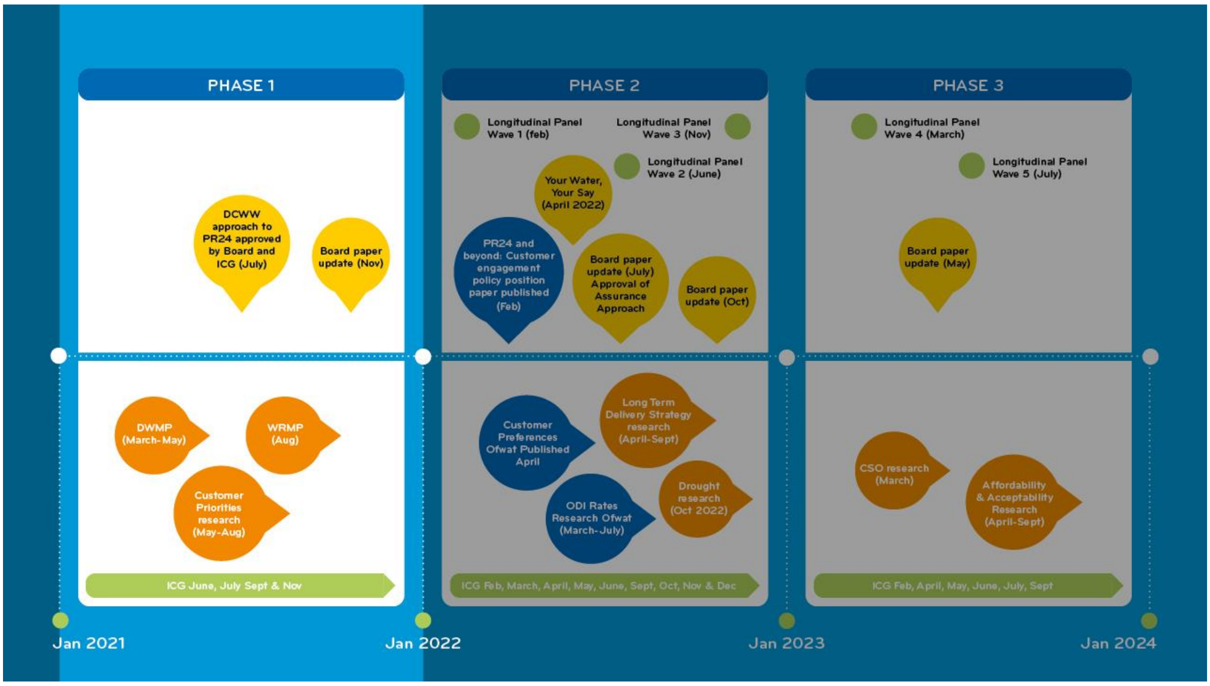
In this section we present the findings and interpretations of results from the phased programme of research outlined previously.

Research findings can be found published on our website here.

Section 4.5. then explores how we have used these insights to answer the key questions we set out in our approach.

4.1. P1: Customer priorities and perspectives

Figure 7: P1 Timeline



4.1.1. Methodology

This first major piece of research was conducted by Relish Ltd and was designed to understand customers' circumstances and views in the aftermath of the pandemic. It also sought to understand customer views and preferences concerning some of the major strategic questions relevant to starting to build our Business Plan for PR24.

The fieldwork was conducted in June and July 2021. Relish undertook a quantitative survey (online and by telephone) with 1,000 customers in Wales, and qualitative depth interviews with 30 DCWW customers. The quantitative sample was selected to be representative of our customer base in terms of gender, age, location, rurality, household income, and metered status. Hafren Dyfrdwy customers were included so that results could be presented on an 'All Wales' basis. The qualitative sample was selected to include a diverse representation across the same factors.

The scope of the research was:

- perceptions of the company including affordability.
- the extent to which customers were concerned about the economic fallout from the pandemic.
- the ways in which views of climate change, extreme weather events, carbon neutrality and river pollution are evolving.

- perceptions of the importance of service issues such as discolouration, and preventing higher impact but lower probability events.
- the extent to which companies think sustainable approaches to investment are justified at the expense of the lowest possible bills.
- perceptions of the relative level of priority around various investment objectives, and
- early views of the acceptability of bill increases.

4.2. High-level results

Changing circumstances and perceptions:

- Among those who work, 42% have been affected by changes in income as a result of the pandemic.
- 23% of customers were more concerned about job security than they were before the pandemic.
- Some evidence that more people were struggling to pay their bills, but only 15% of customers said their water bill was “a stretch” or they “cannot afford it” compared to 19% when the same question was asked in 2017.
- Water bills have remained manageable for most.

Attitudes towards climate change and the environment:

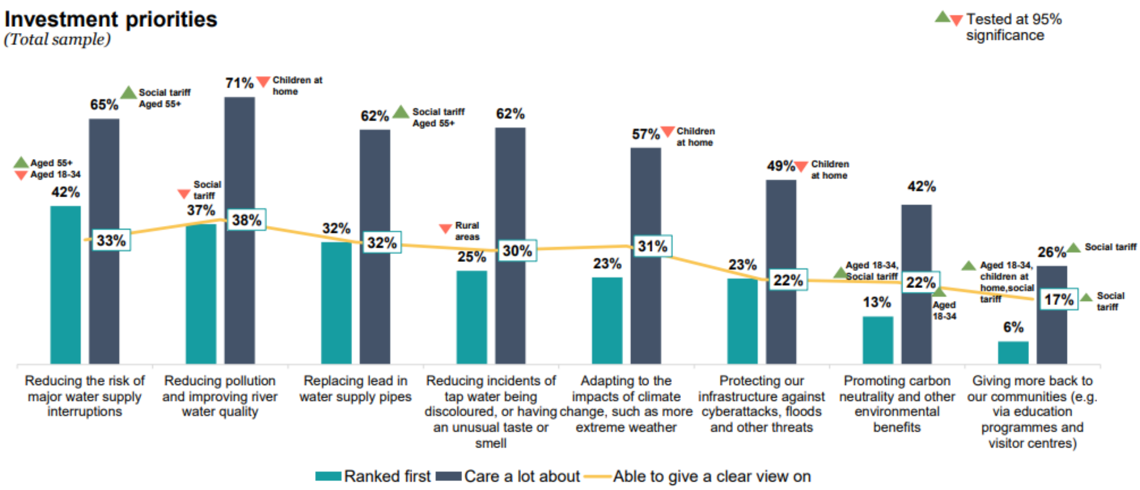
- Well over half of customers were more concerned about the environment and climate change than they were 2 years previously, especially older customers.
- Two thirds of customers were concerned about extreme weather events, with a majority reporting an increase in their level of concern the two previous years.
- Most customers (>70%) saw value in investing in a sustainable water service, even if that meant slightly higher bills.

Long-term planning: resilience, sustainability and affordability:

- 63% of customers thought water companies need to be more prepared for major resilience challenges like another pandemic.
- Two thirds of customers agreed that we should be willing to pay more to invest now in order to prevent future problems.
- Most said they were willing to pay more on their bills (£10 a year was median choice), but a minority (especially younger customers) had affordability concerns.

We asked customers to rank a selection of service issues in terms of "most important for your water company to invest in", how much they care about each, and whether they felt they were able to provide a clear point of view. The results are shown below.

Figure 8: Phase 1 ranking of investment priorities



1.1. Reducing the risk of major water supply interruptions was ranked first by the most number of customers, followed by reducing pollution and improving river water quality and then reducing lead in water supply pipes. Longitudinal Panel Wave 1

4.2.1. Methodology

The first longitudinal panel was conducted in Feb 2022. This consisted of 24 online depth interviews, as follows:

- 21 recruited from 2021 Phase 1 research.
- Some who struggle to pay bills.
- A mix of urban, suburban, rural and semi rural customers.
- Customers from different regions: 5 x Clwyd/Gwynedd, 4 x Powys, 2 x Dyfed, 9 x Glamorgan/Gwent, 4 x Hereford.

The aims of this wave of the panel were to:

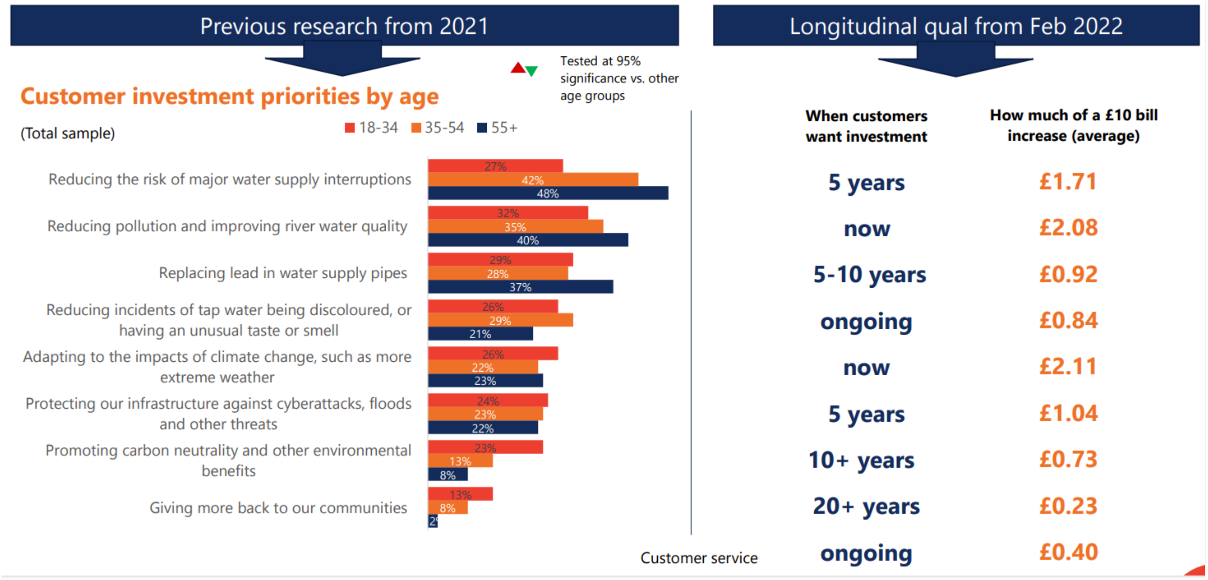
- Update contextual factors since the P1 research.
- Develop a better understanding of customer priorities.
- Understand if and how views have evolved since the P1 research and why.
- Identify short, medium and longer term customer expectations of investments
- Apply relative £ value to these priorities- see figure 8 for results

4.2.2. Results

- The increased cost of living was beginning to hit customers quite hard. Striking the right balance between investing in issues like climate change and affordability will be hard – but customers don't believe this negates the need to invest now. However, measures must be in place to support those who are struggling to pay.
- Climate change and river water quality were the two areas in which customers wanted to see prioritised investment as the lived reality of climate change becomes more noticeable.
- Whilst 'reducing the risk of supply interruptions', 'replacing lead', 'customer service', and 'reducing tap water discolouration/taste/smell' were all ranked as important, they were not considered as urgent as climate change and river water quality.

- 'External threats to infrastructure', 'promoting carbon neutrality', and 'communities' were seen as medium to longer term considerations with lower amounts of extra investment desired.

Figure 9: Longitudinal Panel Wave 1 results



4.2.3. Implications of Phase 1 results

The implications for business planning arising the results of Phase 1, at that point in the timeline, were as follows:

Table 5: Implications of P1 results

Implication	Further action/insight
We need to look carefully at evidence of economic hardship and how it develops over the time until we finalise our business plan.	Following on from this we looked closer at bills over the long term in Phase 2 research and again in Phase 3 Affordability and Acceptability to track the impact of the economic climate. We have on recurring tracker on value for money. This has been on a gradual downward trajectory since 2020. CCW's "Water Matters" research shows our customers view value for money to be significantly higher that other WaSCs on average.
It was not obvious, at that point, that water bill	We saw no increase in demand for financial assistance over 2022, and the number of

affordability was any more of an issue than it was at PR19, for the majority of customers.	households on our main social tariffs was largely unchanged, with the number of applications lower than we expected. However, we have continued to monitor our own collections data, wider research data and other sources and consequently maintained additional capacity to support customers via our social tariffs
Customers understand that climate change is seen as a major threat that requires considerable focus and investment.	Climate change adaptation and resilience was a common theme through PR19 research which has been reflected in our Long Term Delivery Strategies and hence the Business Plan for AMP8.
We should choose sustainable, low carbon, solutions wherever possible, implemented gradually to avoid sharp bill increases.	Our business plan has been built using multi-capital valuations wherever possible to consider the wider benefits of different solutions as appropriate, including greenhouse gas emissions, and the impact on biodiversity and other environmental impacts over the long term. Our long term objective is for nature-based and catchment solutions to become the default options when looking at options for new infrastructure.
Customers are more concerned about 'big risks' than about everyday service levels. We should focus on mitigating risks caused by climate change over the long-term.	The majority of customers do not have any experience of any particular service issues (CCW's Water Matters Report suggests 22% of customers contacted Welsh Water in 2022). They are therefore often surprised when presented with information that the company is performing poorly against targets or relative to the industry. While we are seeking to improve on those measures where we are lagging, we have taken care not to ignore wider 'low probability, high consequence' risks in our plan.
We should seek to 'future proof' our infrastructure in a sustainable manner.	We will increase the resilience of our water supply network aiming to have fewer, more resilient water treatment works by 2050. Also we plan a programme of resilience enhancements to include security upgrades, flood protection, power resilience and improving connectivity between water supply zones.
We should find that a modest bill increase is acceptable, when challenges are presented to customers, but social tariffs will need to be	Our social tariff scheme will continue to allow discounts of up to £209 off the yearly bill and include a provision to add new participants. We have also launched the first scheme of its kind in the sector to help people who are not on

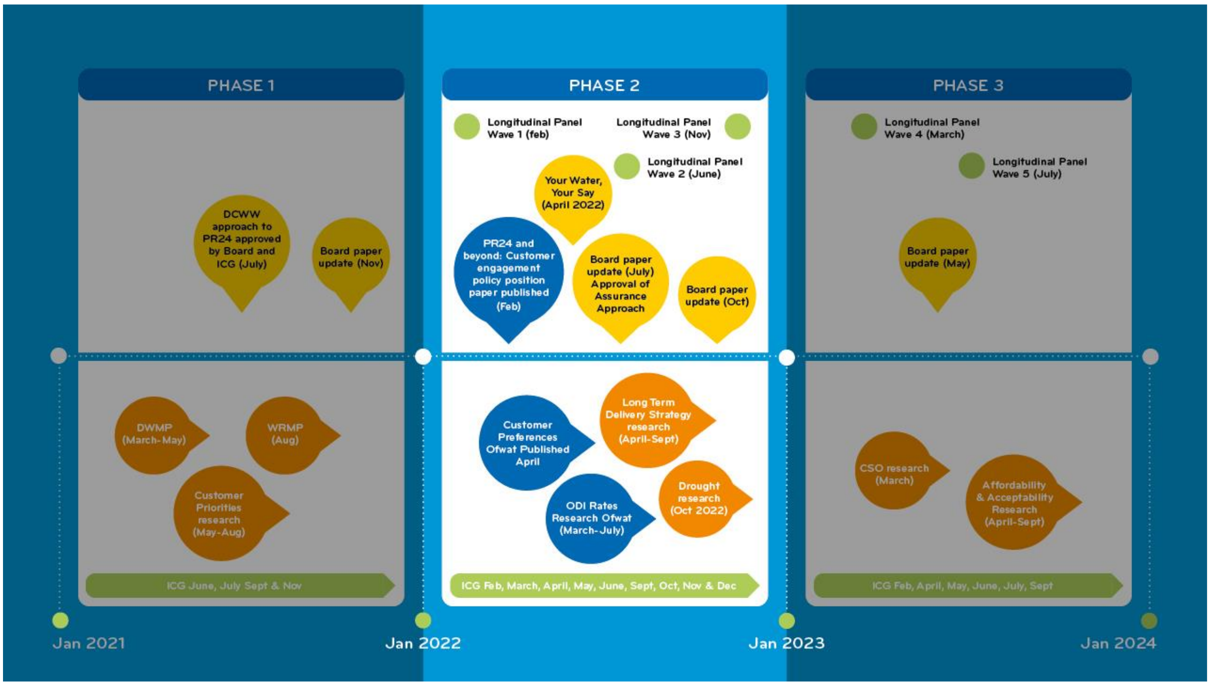
maintained and possibly expanded.	means-tested benefit but who have negative budgets. We have launched this as the Cymuned (Community) scheme.
Our longitudinal panel supported the above assumptions strengthening the need to be mindful of affordability issues and prioritise the environment and climate change.	Our plan for the next five years represents a step change in our commitment to the environment. Our plan for delivering environmental improvements goes as fast as we believe is possible if it is to be deliverable, affordable and financeable.

4.2.4. Phase 1: Assurance and peer review

Due to the timing of the guidance being issued, we had already commenced Phase 1 research before Ofwat published its guidance on assurance of customer research. Therefore we had not put in place our approach to assurance at this point. There was consequently no peer review of our Phase 1 research.

4.3. Phase 2

Figure 10: P2 Timeline



4.4. P2: Long-term outcomes and phasing

4.4.1. Methodology

Phase 2 research was aimed at meeting Ofwat's requirements on the customer research needed to inform the development of the Long Term Delivery Strategy. It was designed to build on Phase 1 research to look at long term ambitions (25 years), the pace and urgency of outcomes, and intergenerational fairness.

The research was led by one of our research partners, Blue Marble. The fieldwork was conducted in Aug and Sept 2022. Materials and survey questionnaire for both stages were peer reviewed by ICS. A separate report available with changes made given recommendations

The key questions for customers for this piece of research were:

- How ambitious should companies be over the long-term?
- What outcomes should they be aiming to deliver by 2050?
- How quickly should companies be aiming to deliver those outcomes early?
- What profile of investment and bills would customers consider to be most fair?

Blue Marble undertook a two-stage approach. Stage 1 was an initial in-depth qualitative exploration of customers deliberation about long term ambition, consisting of nine 90 minute online deliberative focus groups with future (younger) customers, household and non-household customers representative of our customer base in gender, age, location, rurality, household income, and metered status.

Stage 2 was a quantitative online survey of 986 customers. 852 of these were self-completed online and 134 interviews were conducted via our 'Community Hub' approach. The sample was also demographically representative of household bill payers and for non-household customers there was a mix of businesses and organisations in terms of industry and size.

Community hub approach: Assisted completion with an interviewer.

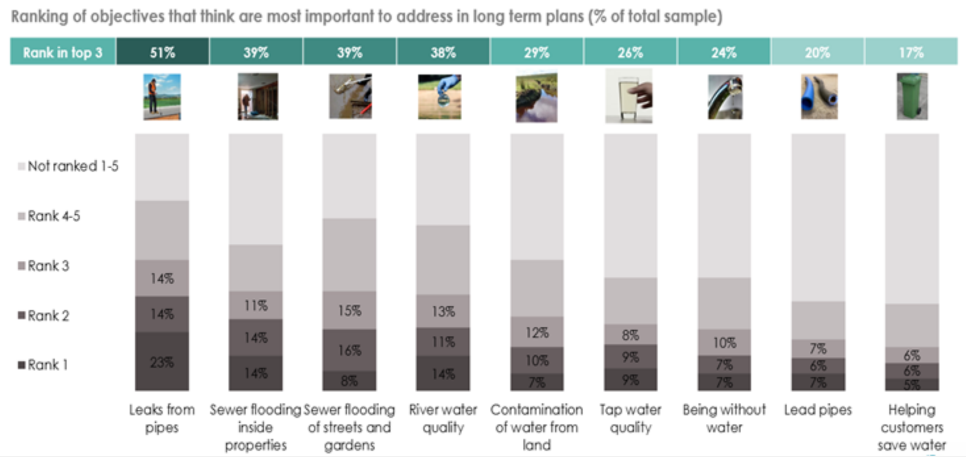
This approach helped us reach 'offline' and 'seldom heard' customers who may not have taken part in the survey otherwise. We did this in four locations across Wales where deprivation levels: Merthyr Tydfil, Neath, Caernarfon and Rhyl.

4.4.2. Results

- Customers were highly preoccupied with the cost of living, and unhappy about bill and price increases.
- Despite this, the majority acknowledged the need for longer-term investment and were willing to support modest bill increases to support this, rather than wanting to completely prioritise bills being as low as possible.

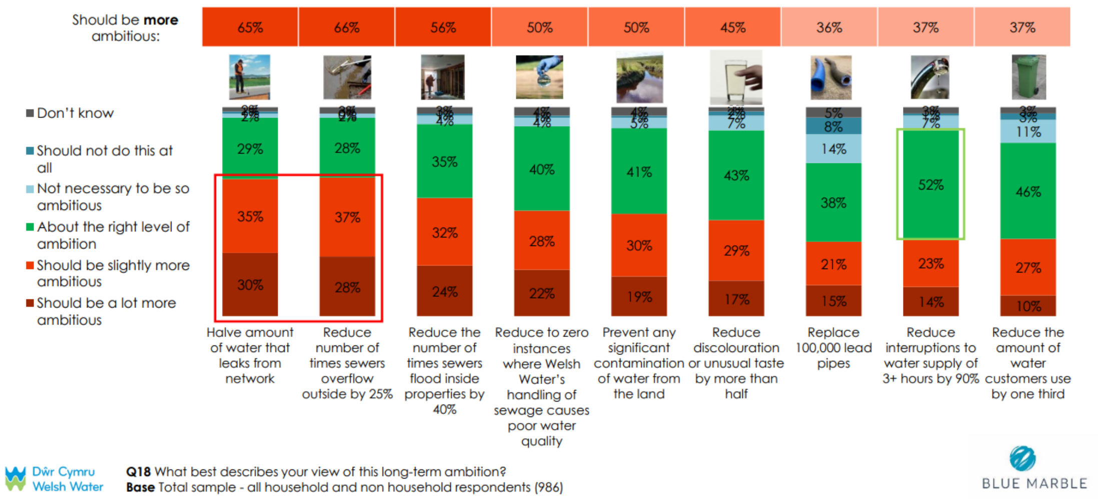
- Customers were generally not aware of threats to water supply, and so not spontaneously concerned about the prospect of a deteriorating service from Welsh Water.
- There was evidence of growing concern over declining river water quality.
- Broadly, 'importance' and 'urgency' of long-term outcomes were closely related:
    - Leakage and internal and external sewer flooding were seen as the most important and urgent outcomes (figure 10).
    - Responses to lead pipe replacement were more varied.
    - River quality was seen as important but was not the highest priority
- Customers question whether others (e.g. local government) are also responsible for the outcomes.

Figure 11: Phase 2 LTDS- Ranking of objectives



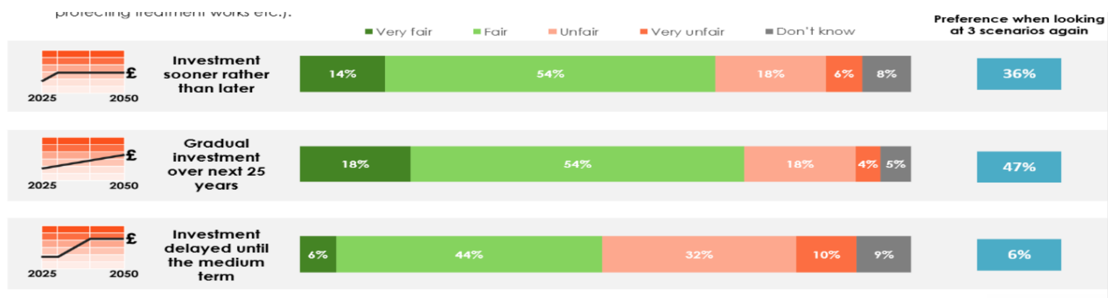
- Customers suggest that the level of ambition should be higher for leakage, and internal and external sewer flooding, based on the information provided (figure 12).

Figure 12: Phase 2 Level of ambition



- In terms of bills and fairness, the 'fairest' and most preferred long-term bill profile scenario is seen as gradual investment over the longer run, as opposed to 'front loading' investment, or delaying it further into the future (figure 13).

Figure 13: Phase 2 LTDS- Bill profile preference



1.1. Storm overflows research

4.4.3. Methodology

As part of our ongoing research programme on issues of importance to the business we conducted a piece of research looking at the attitudes and understanding towards Storm Overflows (SOs) in 2021. With the continued scrutiny and focus on SOs throughout the PR24 process we decided to re-run this research to assess how or if views had changed.

Owing to our proposed bespoke Performance Commitment on reducing Storm Overflow Harm we added some specific questions to the survey to understand customers' views on the proposal.

The survey took place between 6th and 20th of March 2023. It took place in two stage: a quantitative stage which was an online survey answered by 400 nationally representative respondents and a qualitative stage which was a community online panel conducted over 5 days by 30 respondents, engaging with a broad range of customers and future customers.

4.4.4. Results

Perceptions of Welsh river water quality

- The number one source of pollution is still thought to be rubbish dumped by people; this also continues to be the most visible kind of pollution.
- While river pollution from sewers is less visible than littering, 1 in 2 local river users report having seen it (on occasion).
- On prompting, most people (4 in 5) do think levels of river pollution in Wales are a problem, although ‘a bit of a problem’ as opposed to a ‘a big problem’.

Awareness of CSOs

- Two fifths of customers say they have heard of storm overflows before – 42% awareness in 2023 compared to 31% in 2021.
- Three fifths of the population unaware of them (or uncertain)
- This lack of awareness means many people still don’t have any real impressions of how much SOs discharge, or how transparent Welsh Water is on the issue.

What do consumers want/expect to happen?

- Once people are aware of SOs, 3 in 5 think there is a need to urgently reduce their use.
- Reducing the operation of SOs was the highest ranked investment priority. Reducing leaks was also seen as a top priority.
- Our qualitative panel showed increasing willingness to pay for investments. Given options of £5 / £10 / £25 a year bill increase, in 2021 the majority would have been willing to have a £5 a year increase – with some saying more. In 2023, a majority of customers were in favour of the highest option: a £25 a year increase to bills to minimise SO usage.

How should progress be measured?

- When given two measures to choose from, survey respondents (less informed) preferred reducing the number of spills, whilst online community respondents (more informed) favoured reducing the proportion of SOs that have a harmful impact. This is consistent with other research that suggests when customers are more informed on an issue, or have opportunity to discuss it in more depth, they become more supportive of the problem and take a longer term view longer term view.
- Measuring the total number of is more tangible and easier to understand, but neglects the question of the environmental harm done.
- Customers want to see proof of action being taken on SOs.

4.5. Longitudinal Panel Wave 2

4.5.1. Methodology

The second wave of the Longitudinal Panel was conducted in June 2022. This was an ‘Immersion Session’ with the Board and ICG members as part of the Phase 2 PR24 research looking at Long Term Ambitions. This particular session was designed to allow Board and ICG to interact directly with customers to meet guidance that:

Company Boards should be accountable for having in place a mechanism for, and listening to, customer challenge' and being 'able to demonstrate how business plans and wider decision-making take account of matters that are important to customers, including those highlighted through the customer challenge process' Ofwat guidance PR24 and beyond.

This session forms one part of the evidence that board has met this expectation. Therefore, the summary of outcomes below was not designed to form a point of insight but to bring to life and support existing research findings.

4.5.2. Results

- The current mood on household finances is very difficult, with no sense that things are going to get better any time soon. This means that customers have very short term perspectives and struggle to think several years into the future.
- Customers in these sessions were more open to potential future bill increases to fund environmental investment, than to fund safe and high quality drinking water or demand reductions.
- Leakage remains a high priority issue for many of our customers.

4.6. Longitudinal Panel Wave 3

4.6.1. Methodology

A third wave of Longitudinal Panel research was conducted in November 2022, exploring long term outcomes content that was central to the October 2022 research by Blue Marble (section 4.3.1.). During this panel we were able to gain insights into a more informed view on our ambitions and compare this with the results seen in Phase 2 from wider customers. This wave was a 7-day online community with n=24 customers n=19 recruited from previous phases of this research and we introduced 5 alumni from the 'Future Generations Leadership Academy'.

4.6.2. Results

- The cost of living is now having a significant financial, physical and emotional impact on our customers, with some struggling on all fronts.
- However water bills are not seen as a significant contributory factor. Water are unlikely to be unpaid, despite customers being very financially stretched.
    - A minority sat their water bills have gone up, but feel this is understandable due to inflation.
    - Water bills are low in comparison to energy bills and fuel prices, and have not gone up nearly as much.
    - It is essential to keep communicating to customers about support available for those struggling to pay water bills.

- Whilst affordability is important, more informed customers say it is felt to be even more important to deliver on each of the longer term outcomes, particularly for ensuring a reliable water supply and protecting and improving the environment.
- Leakage, sewer flooding and river water quality are the most important areas to address in long term plans for customers responding to the survey. For more informed customers, reducing leakage is less important, and protecting water quality and avoiding major supply interruptions become more important.
- Customers often support increasing investment sooner, while recognising the need for a gradual approach to protect affordability. This is particularly the case for more informed customers.

Specific views of Future Generations Leadership Academy Alumni

- Views of future customers are mainly aligned with our other informed customers. However, they tend to place a greater emphasis on behaviour change.
- Future customers tend to want investment sooner.
- These customers could rather see bills go up in the short term in order to make invest sooner.

4.6.3. Implications of Phase 2 results

Reviewing all of the above findings, the implications for business planning arising from this research, at that point in the timeline of our programme of work (i.e. Phase 2 took place in April - Sept 2022), are as follows:

Table 6: Implications of P2

Implication	Further action/insight
Indicators of affordability and value for money have decreased in phase 2 and therefore we are seeing more customers with financial concerns. We should look at a range of services and measures in our PR24 plan which will help aid customers at a disadvantage due to their financial situation.	We have launched the first scheme of its kind in the sector to help people who are not on means-tested benefit but who have negative budgets. We have launched this as the Cymuned (Community) scheme in two areas – Denbighshire and Rhondda Cynon Taff, and will be rolling it out more widely across our operating area. Continue to look at striking the right balance between investment and affordability.
Environmental focus still a concern and important to customers and so we should still choose sustainable, low carbon solutions where possible.	As set out in our Long Term Delivery Strategy, our plan for the next five years represents a step change in our commitment to the environment. Our plan for the environment goes as fast as we believe is possible if it is to be deliverable, affordable and financeable.

	Our long term objective is for nature based and Catchment solutions to become the default options when looking at new infrastructure.
Support from customer for gradual bill profile means we need to consider our profiling of bill increases and the communications customers will receive about these.	We have chosen to apply a step increase in the first year, followed by smaller increases in subsequent years of the AMP. We believe that our proposal is the best way to meet the objective of predictable and stable bills, which we know our customers prefer, while allowing for the necessary increase in average revenues over the period compared to AMP7.
The economy is now affecting customers and a bigger influence on their decision making. Despite of the economic outlook, the majority of customers acknowledge the need for longer-term investment and are open to some degree of balanced bill increase.	This worked started to inform our thinking on bill impact and we acknowledge increases will present a significant challenge. Innovation and efficiency will help to keep costs down but given that the majority of customer accept that increased investment is necessary and do not wish for this to be postponed, bill increases will be necessary. We aim to maintain support for customers struggling to pay through continued provision of our social tariffs and our Cymuned scheme.
However, half of customers feel it will get harder to pay their water bill over the next two years and so we need to continue to monitor affordability implications of our plan	We will continue to provide help to customer struggling with our range of social tariffs
Overall priorities have not changed substantially from phase 1, with the exception of leakage which has increased in importance.	While Leakage is a high priority for customers the timing of Phase 2 research being conducted was during a very dry summery with drought restrictions in parts of Wales. We therefore need to assess this increase in importance alongside other data.
We have more understanding of pace of investment, River water quality is a priority but not seen as urgent as sewer flooding. This will give us insight to support phasing of our investment plans.	These results have fed into discussion and development of the NEP with NRW and the PR24 forum. We will be reducing phosphorus discharges into ricers in Special Areas of Conservation and tackling Storm Overflows which are having the biggest impact.

4.6.4. Assurance of Phase 2 research

As detailed in section 3.5. ICS Consulting were commissioned to conduct the peer review of our research. These criteria are based on Ofwat's principles for good engagement, as outlined in the "PR24 and beyond: Customer engagement policy" in addition to a review of the guidance issued by the Market Research Society and the Cabinet Office; as well as looking to transport, water and energy companies' approaches.

The following two tables show a summary of the findings identified by ICS for the Qual and Quant stages of Phase 2 research. These recommendations fall into the following categories:

- Accept with no revision
- Accept with minor revisions
- Accept with major revisions
- Clarification requested

For each phase of assurance findings, we also documented our response to recommendations. These reports can be found here (company response to assurance reports Phase 1 and & company response to assurance reports Phase 2.)

Phase 2 Qual

The figure below is the initial findings of recommendations from ICS:

Figure 14: P2 Peer Review Qual findings

Ofwat Principle	Decision	Detail
Useful & Contextualised	Accept with major revisions	Increase context to enable discussion and focus on the research questions
Neutrally Designed	Accept with minor revisions	Leading language, rotate options
Fit for Purpose	Accept with major revisions	Improve practical application and ensure consistency
Inclusive	Clarification requested	
Continual	Clarification requested	Document that language used and Strategic Objectives reflect wider DCWW insight and learning. Maybe option to playback hearing from Phase 1 but recognise time constraints
Ethical	Accept with no revisions	Clear consent obtained in recruitment
Independently assured	N/A	
Shared in full with others	N/A	

The recommendations were detailed in a separate comprehensive document to highlight the specific areas of recommendation which can be found here. Blue Marble created a detailed response to all the recommendations highlighted in the ICS report to show where recommendations have been accepted and to show where they have not and the reasons why. This report is called can be found here.

The majority of recommendations are taken onboard and materials altered to ensure neutral and useful context and comprehension for customers. The main areas where we were not able to make adjustments were due to time/methodology constraints of the chosen methodology. As this is a complex topic we have to make simplifications in order to make materials accessible to customers and not overwhelm them with information. We feel the final stimulus reaches the appropriate balance to ensure we gain useful insight without overwhelming customers.

Phase 2 Quant

The figure below is the initial findings of recommendations from ICS:

Figure 15: P2 Peer Review Quant findings

Ofwat Principle	Decision	Detail
Useful & Contextualised	Accept with minor revisions	Review descriptions and ensure consistency
Neutrally Designed	Accept with minor revisions	Review descriptions and ensure consistency
Fit for Purpose	Accept with minor revisions	Review descriptions and ensure consistency
Inclusive	Clarification requested	Review sampling
Continual	Clarification requested	Document learning from Qual phase and how it has been used to shape the quant survey and stimulus
Ethical	Accept with no revisions	We assume a standard intro will be used to comply with MRS code of conduct (Clause 30 and 31), including purpose of data collection, length of survey, etc.
Independently assured	N/A	
Shared in full with others	N/A	

Again the full recommendations were detailed in a separate document found here. A detailed response is also included in the Blue Marble response document can be found here.

As above, the majority of recommendations were taken onboard and materials altered to ensure neutral and useful context and comprehension for customers. The main areas where we were not able to make adjustments were due to time/methodology constraints of chosen methodology. As this is a complex topic we understand we have to make simplifications in order to make materials accessible to customers and not overwhelm them with information. We feel the final stimulus reaches the appropriate balance to ensure we gain useful insight without overwhelming customers.

Phase 2 final reporting/findings

Following on from completing peer review of materials, ICS completed another review to understand how the final research reflected the feedback given before entering fieldwork. Full report can be found here.

Overall ICS accepted that the work was carried out in line with Ofwat's guidance on best practice for PR24 with clarification on some points to ensure conformity.

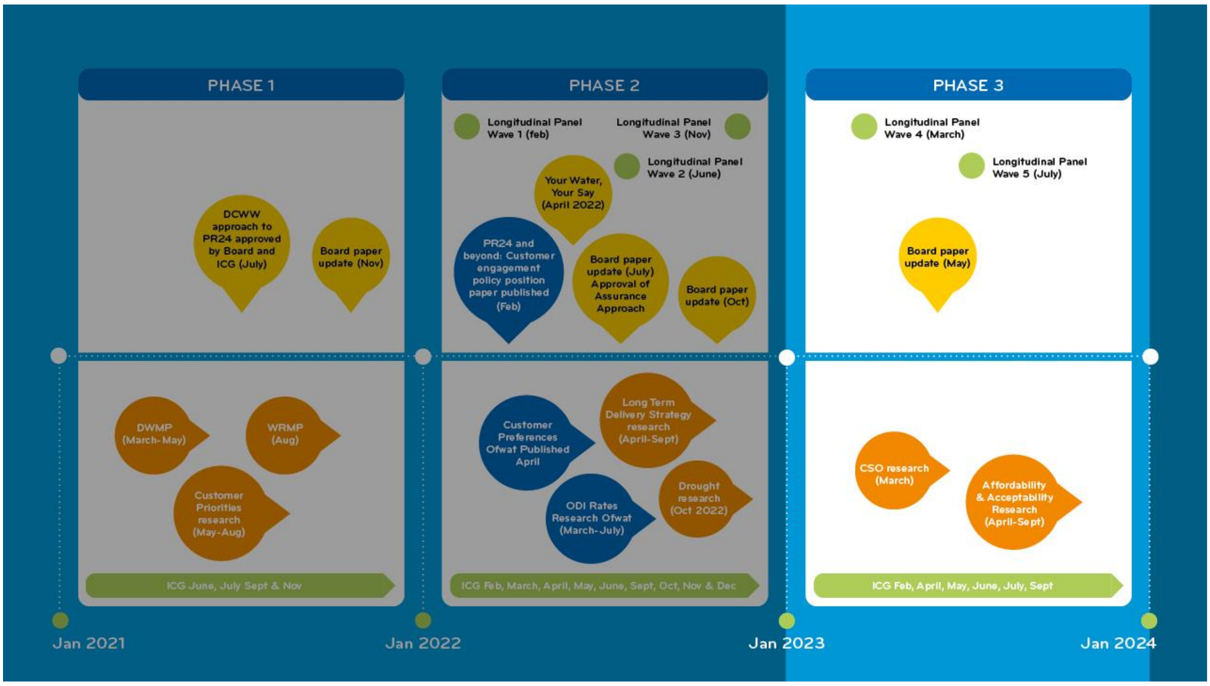
In summary we:

- Changed design elements to allow customers a better cognitive experience.
- Provided more information to contextualise issues where necessary such as comparison information to show where Welsh Water are poor performers.
- Implemented rotations to remove any content bias.

- Revised the recruitment specifications so that younger bill payers were included in the future customers group.
- Digitally excluded have been considered and we introduced a 'community hub' approach in the quantitative survey.

PHASE 3

Figure 16: P3 Timetable



Phase 3 research was aimed at meeting Ofwat's requirements on the customer research needed to discuss aspects of our proposed business plan with customers in relation to specifically the Affordability and Acceptability. Accent research Ltd were commissioned to carry out both qualitative and quantitative pieces of research on our behalf.

4.7. Affordability and Acceptability: Qualitative stage

4.7.1. Methodology

160 customers were engaged in the qualitative engagement across four locations (Cardiff, Hereford, Tenby & Bangor) as follows:

- 72 household current bill payers
- 24 future customers
- 16 with health vulnerabilities (8 on DCWW's PSR and 8 eligible but not on PSR)
- 16 with financial vulnerabilities (8 on DCWW's social tariff and 8 eligible but not on DCWW's social tariff)
- 24 NHH micro
- 8 NHH small to large.

The research consisted of:

- Pre-Task reading and questionnaire
- 4 extended deliberative events of 4 ½ hours
- Depth interviews with 10 customer with mobility, health and some financial issues
- A Post-event questionnaire

We followed the standardised guidance for this research specified by Ofwat and CCW. This was reviewed by ICS as part of the Assurance approach, and the outcome is summarised in Section 4.16 below.

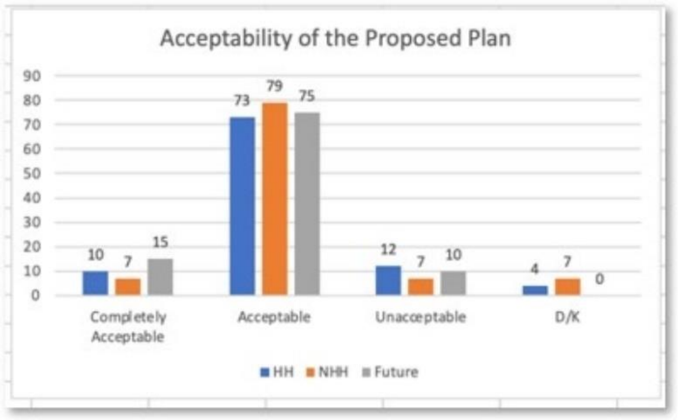
As set out in the guidance we showed customers a 'Proposed Plan' and a 'Least Cost' plan. In our case there was very little difference between the two, as the vast majority of our plan is obligatory and non-discretionary. For the 'Must Do' plan we removed investment in lead pipes, reducing risk to water supply, wider environment work and some of safety and quality drinking water and bills were lower by £6.30- stimulus material can be found here.

Deliberative events took place on 22nd, 23rd, 27th and 28th March 2023. The fieldwork was undertaken against a backdrop of economic uncertainty (rising interest rates, soaring inflation, biggest drop of living standards on record, looming recession, etc) and water sector under scrutiny in the news on CSOs and river pollution.

4.7.2. Results

86% of HH customers found the 'Proposed Plan' acceptable.

Figure 17: Acceptability of the proposed plan

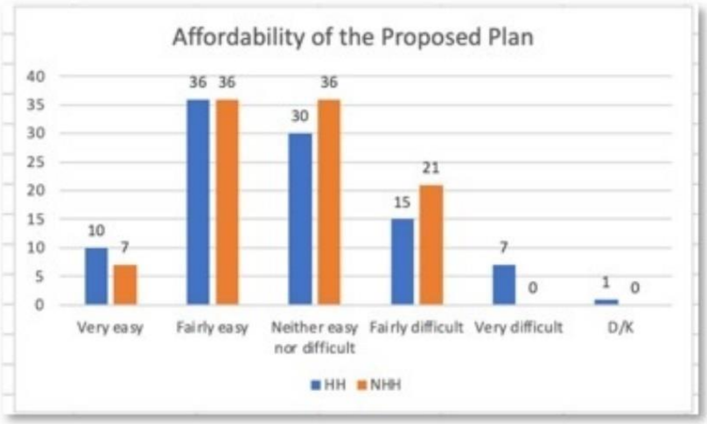


46% of Household customers say the 'Proposed Plan' would be 'very easy' or 'fairly easy' to afford.

Overall acceptability was lower for the 'Must Do' plan - 50% of HH customers found this plan acceptable or completely acceptable. This was principally due to them being uncomfortable with the removal of the lead pipe programme. They feel it is unfair to delay investment for later and for future generations and overall feels less ambitious.

The small difference in the annual bill amount between Proposed and Must Do plan (£8 a year) – does not change affordability opinions.

Figure 18: Affordability of the proposed plan



During the first breakout sessions, customers talked about the key priorities and areas where they wanted to see improvements. These were (not in importance order):

- **Environment:** Impact on supply and demand, protecting rivers and seas, reducing pollution from storm overflows.
- **Infrastructure:** Improving sewer drains, addressing leakage, improving resilience, pipe replacement.
- **Supply Side Solutions:** Improving storage, long term planning, dams and reservoirs
- **Innovation:** Dams for hydro Power, technology such as smart meters, smart network
- **Protecting vulnerable customers**: Fair water bills.
- **Health responsibility:** Pollution in rivers and lead pipework.
- **Demand management:** Reducing usage, improve education, greater interaction, better communications including mainstream media.

The environment is a spontaneous concern that customers want Welsh Water to address urgently and so the high spend on this is generally supported.

The lead pipe replacement programme was seen as an important area to address. This contrasted with the phase 2 research where lead pipe replacement was ranked low on customers' list of objectives. However, the context of the research and the way the questions were asked was different.

4.8. Affordability and Acceptability: Quantitative stage

4.8.1. Methodology

We followed the standardised guidance for this research specified by Ofwat and CCW. This was reviewed by ICS as part of the Assurance approach, and the outcome is summarised in Section 4.14 below.

Customers were sampled by a mix of push-to-web letter sent to them in the post and by email as per sampling targets set by the guidance.
1,872 Household (HH) interviews were conducted, 1,304 interviews were generated by an email approach and 568 by post. The Ofwat mandated minimum sample size was 500.

836 Non-Household (NHH) interviews were conducted. All NHH participants came from email sample provided by Welsh Water. The Ofwat mandated minimum sample size was 200.

In total we had a response from 1796 customers HH customers and 838 NHH customers. This exceed the minimum sampling quota set in the guidance.

The methodology was heavily prescribed, by the "Guidance for water companies: testing customers' views of the acceptability and affordability of PR24 business plans" document issued by Ofwat and CCW ("the guidance").

Welsh Water's Independent Challenge Group was informed and consulted throughout the research process, including inception, design, and fieldwork (particularly on parts of the research where the guidance was not specific, there was room for interpretation, or in the rare instance that it was thought best not to follow the guidance on a particular issue).

Deviations from guidance were as follows:

- Following cognitive feedback, a total figure (of bill impact plus inflation) was added to each bar on the bill chart graph as feedback from customers was that this would benefit comprehension. This was added with the approval of Welsh Water's Independent Challenge Group.
- Results from the qualitative and quantitative cognitive interviews also showed that participants found contextual information on Welsh Water insightful. Therefore, the decision was taken, with agreement from the ICG, to include introductory slides to provide some background information. These can be found in section 3.3 of the Phase 3 Quantitative report found here.

4.8.2. Results

In the survey, customers had much less time to consider details of the plan and were presented with less detailed information. However, the results provide a 'snapshot' view of customer sentiment about the high-level performance proposals in the plan and, critically, about the bill proposals.

84% of household customers as a whole found the plan to be 'acceptable'. Within this group we analysed the results from customers struggling financially, 80% of whom endorsed the plan as 'acceptable'. Similarly 85% of customers with a 'vulnerability' supported the plan. The result was 82% for non-household customers.

In terms of the bill proposals specifically, only 15% of household customers said that the bills would be 'easy' or 'very easy' to afford to pay. This dropped to 2% for those struggling financially, and 14% for customers with a vulnerability. 47% of household customers said they would find the bills 'difficult' to afford to pay. The results were similar for non-household customers (see table below).

Figure 19: Affordability and Acceptability of the Plan- Quant results

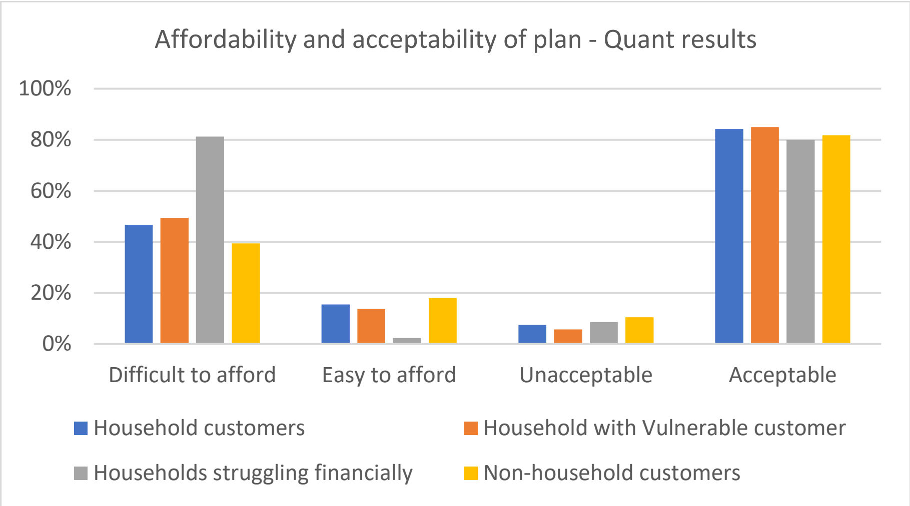


Table 7: Affordability and Acceptability of the plan- Quant results

	Household customers	Household with Vulnerable customer	Households struggling financially	Non-household customers	Household and non-household customers
Difficult to afford	47%	49%	81%	39%	45%
Easy to afford	15%	14%	2%	18%	16%
Unacceptable	7%	6%	9%	10%	8%
Acceptable	84%	85%	80%	82%	84%

The following summarises our interpretation of these results as they apply to our Business Plan:

1. While the low number finding the bills 'easy to pay' is disappointing, this should not be surprising. In a time in which bills and prices are rising relentlessly for customers, it is to be expected that few will say that rising water bills will be easy to pay.
2. This result should not be interpreted as saying that only a small proportion of customers will be able to afford to pay their water bill. Payment of water bills is not optional, and through the cost of living crisis, so far at least bad debt levels have remained stable.
3. The vast majority of customers found the plan overall to be acceptable. Those who considered they would not be able to afford to pay their forecast water bills would be unlikely to answer in this way.
4. We therefore conclude that customers do not welcome the increase in bills, but reluctantly accept them in the context of the increased investment and improved performance and outcomes.

This is consistent with previous research that suggested that customers do not wish to see investment postponed, even at the expense of higher bills. We also note that the more informed customers are about the challenges, and about our plans, the stronger the support from our plans and the willingness to make a contribution through higher bills.

4.9. Longitudinal Panel wave 4

4.9.1. Methodology

A fourth Longitudinal Panel was undertaken in March 2023 to supplement the Phase 3 affordability and acceptability qualitative research. This wave was a 2-hour total engagement over a week long online community with 22 customers on the online platform and one 60-minute Zoom depth for customer with communication difficulties.

4.14.1. Results

There was clear overall support for the Proposed Plan from this small group of informed customers. It was seen as comprehensive and well-rounded and addresses the core issues that these customers have consistently highlighted as their priorities and areas of concern such as leakage, infrastructure improvements, climate change, SOs.

Most of these informed customers feel that the Proposed Plan is affordable, sometimes more than expected considering its coverage. However, there are some with genuine affordability concerns stemming from the cost of living crisis, and Welsh Water must work hard to ensure they are aware of support available.

The consensus is that the level of ambition in the Proposed Plan is broadly right, although customers do think we could go further on reducing pollution incidents sooner.

There are some more nuanced responses relating to ambition on individual performance commitments and enhancement areas:

- Internal sewage flooding and pollution incidents, although meeting current targets, did not appear to be particularly challenging trajectories of improvement during AMP8.
- Some concern that the water supply interruptions target was not likely to be met by 2025.
- Although some also query leakage targets as being not particularly ambitious, there is some acknowledgement that DCWW was not a poor performer on this compared to other water companies.
- In contrast to the wider results from focus groups, there have been several comments that the lead pipe replacement work could be dialled back since this is customers’ own responsibility.
- There were comments that reducing greenhouse gas emissions should already be occurring and seem like a lower priority for enhancement.

- The Proposed Plan is preferred to the Least Cost Plan by all but those most impacted by bill increases as the bill reduction appeared small relative to the reduction in investment.

4.10. Longitudinal Panel wave 5

4.10.1. Methodology

The fifth and final longitudinal panel was conducted in July 2023. This was our second 'Immersion' session for the ICG. The session aim was to facilitate discussion and debate around the main acceptability testing research materials and results from the wider acceptability testing study conducted by Accent. In order to ensure we could compare results with the wider acceptability study, we used the same research materials presented in the qualitative affordability and acceptability research.

As with the previous immersion session, the summary of outcomes below was not designed to form a point of insight alone but to bring to life and support existing research findings.

Relish facilitated 2 x 60-minute simultaneous discussion groups online with the longitudinal panel customers, covering the following areas:

- Cost of living context
- Priorities for DCWW
- Proposed Business Plan for 2025-30
- Service enhancements
- Water related performance commitments
- Wastewater related performance commitments
- Questions from the ICG and DCWW

This was followed by 2 x further 60-minute simultaneous discussion groups (in which the ICG and DCWW were able to see customers they had not seen in the first sessions) covering the following areas:

- Introductions and cost of living context
- Affordability of the proposed business plan for 2025-30
- Support for proposed business plan
- Least cost must do business plan
- Phasing as part of business plan
- Questions from the ICG and DCWW

This was followed by a wrap-up session with Relish, Welsh Water and the ICG after customers had departed.

4.15.1. Results

There were 8 key messages which emerged from the discussion with customers. These are outlined below.

1. Tell customers about how you invest their money and why.
2. PR24 must make up for 'lost ground' in infrastructure investment.
3. Environmental improvement is essential and an immediate priority.
4. Show more ambition on pollution and leakage.
5. Higher knowledge and trust help build case for increased bill impact.
6. Work hard to communicate financial support to those who need it most.
7. Collaborate more with other agencies so responsibilities are shared.
8. Phasing is acceptable, but not if it pushes problems into the long-term.

4.11. Assurance of Phase 3 research

As detailed in section 3.5. ICS Consulting were commissioned to conduct the peer review of our research. These criteria are based on Ofwat's principles for good engagement, as outlined in the "PR24 and beyond: Customer engagement policy" in addition to a review of the guidance issued by the Market Research Society and the Cabinet Office, and approaches taken in transport, water and energy sectors.

Affordability and Acceptability Qual

ICS concluded that:

"Following an iterative review of materials, ICS Consulting have determined that the DCWW A&AT research design meets or exceeds Ofwat's standards for collaborative customer research, as outlined in Ofwat's PR24 Customer Engagement Policy. The research is found to be transparent and inclusive. It has practical relevance and is useful and contextualised, it is designed to be neutral and free from bias, and it is fit for purpose for meeting the research objectives. Where the approach deviates from Ofwat's guidelines, this is only in minor ways and has been a deliberate and considered approach made in conjunction with the Independent Challenge Group to take account of the findings of the cognitive interviews."

Full document can be found here.

Figure 20: P3 Peer Review Qual findings

Ofwat Requirement	Assurance Level	Compliance risk
Sampling Approach	Exceeds minimum requirements	Very low risk
Stimulus and materials	Meets requirements	Low risk
Presentation of plan options	Meets requirements	Low risk
Approach to deliberative discussion	Meets requirements	Low risk
Analysis	*Out of scope*	Low risk
Reporting	*Out of scope*	Low risk
General requirements and guidance	Meets requirements	Low risk

Affordability and Acceptability Quant

ICS concluded that:

"Following an iterative review of the quantitative materials, ICS Consulting determined that the DCWW A&AT Quantitative Affordability & Acceptability questionnaire, supporting stimulus & Post Quantitative interview Report (conducted by Accent) is aligned with the criteria set out in Ofwat's PR24 affordability guidance. The research is found to be transparent and inclusive. It has practical relevance and is useful and contextualised, it is designed to be neutral and free from bias, and it is fit for purpose for meeting the research objectives.

In the few places the approach deviates from Ofwat's guidelines (6), this is only in minor ways and has been a deliberate and considered approach made in conjunction with the Independent Challenge Group to take account of the findings of the cognitive interview."

Full document can be found here.

Figure 21: P3 Peer Review Quant findings

Ofwat Requirement	Assurance Level	Why?
Quantitative questionnaire	Meets requirements	• There are several minor wording discrepancies from the prescribed Ofwat questionnaire, but these are inconsequential. • Extra text has been included to make inflation easier to comprehend.
Stimulus and materials	Meets requirements	• Before research began, cognitive testing led to edits to these materials that improved comprehension and neutrality and thus, better adhere to Ofwat guidelines.
Presentation of plan options	Meets requirements	• Customers were asked to prioritise water and wastewater investment areas separately. This adheres to Ofwat guidelines, but it is arguably useful to include a priority question that includes all these areas. This would provide a holistic view of what investment areas are prioritised. • Numbering each of the key investment areas without randomisation is potentially leading. It is recommended future iterations not specify a number and randomise the ordering of each investment area.
General requirements and guidance	Meets requirements	• Both the quantitative questionnaire and supporting materials are felt to be concise, accessible, meaningful and presented in a balanced way. • Each iteration of the questionnaire and materials have been thoroughly tested to ensure that edits made enhanced the clarity of the materials.

4.12. Implications of Phase 3 results

Reviewing all of the above findings, the implications for business planning arising from this research, at that point in the timeline of our programme of work, are as follows:

Table 8: Implications of P3

Implication	Further action/insight
Affordability responses given by customers are without context of investment plans and therefore represent an answer based purely on ability to pay increasing bills and not value for money. We know that affordability is not answered in absolute terms though and often there are multi-layered factors impacting on customers' responses. CCW and OFWAT's work on this acknowledges this point. In response to the bill affordability question*: Participants found this question emotionally challenging to answer as there was a lot to consider before selecting an option.*[4]	Affordability answer (of 15% for HH customers) was understandably low (without any context) given the current economic climate and that the overall acceptability score was given despite respondents being aware of the proposed bill increase, and so this shows the importance of explaining to customers why bills need to increase. See section 12 in our Business Plan for more information on Customer Bills and Affordability.
The environment is a spontaneous concern that customers want Welsh Water to invest in urgently.	Our plan includes our largest ever environmental programme. It tackles high priority SOs, but also invests heavily in reducing phosphorous discharges, which is the stated priority of the Welsh Government. Meanwhile we will be laying the groundwork for a nature-friendly SO programme for AMP9 (2030-35) and beyond. See section 6 in our Business Plan for more information on Protecting and improving the environment.
Customers expect more ambition on leakage and pollution incidents	We acknowledge customers' views on these and will strive to go further. However, the targets shown to customers had already been subject to internal challenge and were at the limit of what the Executive and Board consider could be committed to as being achievable within the constraints of the investment plan. Given the importance placed on river water quality by customers and regulators, have now accepted the challenge to reduce pollution to 24 incidents per year by 2050. We plan to make progress in this journey during AMP8, reaching 68 incidents per year

[4] Affordability and Acceptability: testing engagement with information - Ofwat

	by 2030, a 24% reduction on our current five-year average. Our long term target is to reduce leakage by 50% by 2050 against a 2017-18 baseline in line with our 25-year WRMP. In AMP8 we will continue to bear down on leakage levels through trunk mains repairs and network detection and fix. We will help household customers to reduce water usage and step up activity to support reductions in business demand.
The acceptability question is asked in relation to the business plan as a whole including the bill proposals.	Customers on the whole accept the plan, including the bill increases, but they don't say that bill increases will be easy to afford. This accords with the wider research that says that customers will accept to pay higher bills if needed, but that doesn't mean it will be easy for them. The result on 'affordability' should not be interpreted as customers saying that they will not be able to afford to pay their water bill. See section 12 in our Business Plan for more information on Customer Bills and Affordability.

5. Your Water, Your Say

As part of the PR24 Price Review Customer Engagement programme, Ofwat and CCW expect our customers to have a say on our plans through 'Open Challenge' sessions which allow customers and stakeholders to raise questions and challenge our plans.

These were held in two sessions - one while our plan was being finalised and one after plan submission.

Our first 'Your Way, Your Say' session took place on the 6th of April 2023. In this session Peter Perry (Chief Executive) presented a 15 minute summary of the Business Plan followed by a 90 minute session allowing attendees to ask questions about key features of business plans as well as local priorities or service issues.

The second 'Your Water, Your Say' session took place on the 17th of November 2023 to allow customers, communities and other stakeholders to question the company on whether and how the issues that were previously raised have been addressed in its PR24 submissions and raise any new issues.

The first session was attended by 71 participants, including five representatives of our Executive team as well as members of the PR24 team at OFWAT.

Some customers also attended to represent a company or interest. These included businesses, local stakeholder groups, vulnerable customer organisations and local Councillors.

The session was chaired by an independent person appointed by CCWater and Ofwat.

The Q&A session was organised into four themes: Customer service priorities, Long-term outcomes and how the five-year plan delivers the first part of the long-term delivery strategy, Environmental outcomes, and Affordability.

Questions covered a wide variety of topics including:

- Drought resilience.
- Water transfers.
- River water quality and pollution.
- Infrastructure and SOs.
- Brexit and water quality.
- Fish stocks.
- Executive pay.
- Average bill amount compared to other companies.
- Local issues relating to Hailey Park development .
- Affordability in the long term.
- Financial support for vulnerable customers.
- Carbon reduction.
- Leakage and PCC reduction targets.
- Welsh language services.

There were no questions or concerns raised around the affordability of the proposed bill increases.

We published a record of the meeting on our website and a response to the challenges raised and how these issues were addressed in the PR24 business plan in the document "Stepping up to the challenge. Our plans for 2025-2030: You said, we did".

6. Overall assurance results

As detailed in section 3.5. our assurance approach was to assess our research and insight by two methods:

- The quality of engagement with customers and stakeholders through peer review (conducted by ICS)
- The extent to which customers' and stakeholders' views have informed business plans and long-term delivery strategies (conducted by Traverse & Blue Marble)

ICG welcomed the strengthening of the assurance process for customer research, through peer reviews and commissioning of a specialist agency to assure the validity of the research and therefore removing this duty from members of ICG.

This additional assurance capacity has allowed the ICG to focus on engagement that aims to build relationships between customers, citizens, and the company, rather than the assurance of the customer research process, and to ensure that the outcomes are reflected in the PR24 business plan.

The ICG fed directly into the review of the assurance having private sessions with Traverse and Blue Marble. A summary of their findings is detailed in the final reports produced by Traverse and Blue Marble which can be found here (Phase 1 assurance report, Phase 2 assurance report and Phase 3 assurance report).

Peer review assessment findings have already been detailed in the previous relevant results sections. This section outlines the headline findings from these assessment of the extent to which customers' and stakeholders' views have informed business plans and long-term delivery strategies.

6.1. The extent to which customers' and stakeholders' views have informed business plans and long-term delivery strategies

Overall, Traverse's review of Phase 1 found that:

- DCWW's Insight Framework and log of research, outlined the purpose or intent for each area of research and these were all broadly achieved in the research.
- Two of DCWW's four key questions should be answerable at this stage and they expect the remaining two questions on the pace of delivery and acceptability to be addressed in Phases 2 and 3.
- The outcomes and proposals put to customers throughout Phase 1, and those planned for Phase 2, appear to be adequately grounded in the findings of previous research.
- Overall, there is a clear line of sight between engagement/research and the emerging business plan.

Overall, Traverse's review of Phase 2 found that:

- There were no areas where the research did not achieve what was set out in the framework.
- The objectives, however, could be clearer in both the framework and the reports.

- Three of DCWW's four key questions should be answerable at this stage and they expect the remaining question on the acceptability to be addressed in Phases 3.
- Overall, there is a clear line of sight between engagement/research and the emerging business plan.

Overall, Blue Marble's review of Phase 3 found that:

- The intent/purpose of the documents did achieve what was set out in the framework.
- Overall, the four key questions have been answered. The AAT stage of the process is not designed to delve into all of the questions in great detail, but where possible within this framework we feel the four key questions have been addressed and answered.
- The documents reviewed have continued to explore and bring together what was learned in earlier phases. DCWW have put the right outcomes and proposals to customers.
- There are no explicit references to bespoke performance commitments and related ODI rates, nor company-specific adjustments to the allowed cost of debt. The initial plan did not include bespoke performance commitments and or company-specific adjustments to the allowed debt. In the final version, however, DCWW have included a commitment around CSO harm, which was included in a separate piece of research earlier this year.
- From the documents reviewed, it is evident that there is a clear line of sight between the engagement / research and the business plan.

7. Customer engagement key questions conclusions

As discussed in section 2.2, we used key four questions to guide our insight and evidence.

Below is a summary as to how we have a used the insight gathered in responding to these questions.

1. Outcomes: What outcomes do customers expect us to deliver over the short and long-term?

2. Priorities: What do customers think are their biggest priorities for investment over and above statutory requirements?

3. Pace: How quickly to customers want us to deliver outcomes?

4. Bills: What would be an affordable and acceptable level for bills?

The section below summarises the conclusions we have come to after gathering all relevant information and research during the lead up to submission and the implication this has had on the business plan proposals.

7.1. Outcomes: What outcomes do customers expect us to deliver over the short and long-term?

Research on customer preferences found that all activities discussed with customers with considered to be important, but those that might affect individuals personally tended to be seen as the most important activities. The graphic below summarises the views of customers.

Customers have shown support for the majority of investment opportunities we have put to them. They have challenged the level of ambition of some of these e.g. leakage and sewer flooding, but overall importance correlates closely with urgency.

Customers understand that many of our systems are fragile and we need to build in more resilience for the future against known (and unknown) risks.

Customers believe that it is important for water companies to invest to 'head off' growing issues such as climate change and agree these issues should be tackled in the shorter term.

Adapting our operations for the impact of climate change and improving river water quality were investments we would need to focus on in the short term. Despite the immediate concerns of the cost of living crisis, few customers advocate delaying investment and a gradual investment approach is considered the fairest and is most preferred to ensure we don't leave a poor infrastructure legacy for the future.

Were there any differing views amongst groups or tensions between research and other data sources?

- Compared with PR19 research there is an increased focus on resilience and heading off long term challenges

- Leakage became a higher rank of importance in phase 2 of our research, but we think this needs to be used with caution as the timing of the research aligned with the drought and temporary use ban in Pembrokeshire in summer 2022.
- There is evidence from the research that more informed customers – such as those on our longitudinal panel - prioritise investment similar to the majority of customers, though with some nuanced differences based around their knowledge and understanding of the perceived size of challenge and resources needed such as river water quality being something we should invest in sooner.
- Those on social tariffs are generally less concerned by changes to the climate and more likely to care a lot about giving back to the community and ensuring there is affordability help for those how need it
- Older respondents placed greater importance on water supply and lead replacement

7.2. Priorities: What do customers think are the biggest priorities over and above any statutory requirements?

Customers priorities have varied in ranking across the breadth of time we have been conducting our research, mainly we think due to the timing of when research has been conducted e.g. Phase 2 research was conducted during dry summer of 2022 and so Leakage was a top priority.

However, there are common priorities which have been consistently ranked higher in all research. These areas are:

- Leakage
- Internal & external sewer flooding
- River Water Quality
- Environment & sustainability

Other areas of investment although ranked lower are still considered to be important.

An emerging priority in the past 12 months has been the security of water supply. Supply interruptions is, overall, not a main priority due to the low numbers of customers ever having received poor service in this area.

However ,the droughts in 2022 and increasing focus on the environment mean customers are seeing the realities of issues like climate change and are wanting us to do more now to ensure these issues don't build up for future generations.

Were there any differing views amongst groups or tensions between research and other data sources?

- Compared with PR19 research there is an increase focus on resilience and heading off long term challenges sooner rather than later
- Leakage became a higher rank of importance in phase 2 of our research, but we think this needs to be used with caution as the timing of the research aligned with the drought and temporary use ban in Pembrokeshire in summer 2022
- Our more informed customers, evidenced through the Longitudinal Panel, f understand more about the complexities involved in delivering some services and improvements and a feel that the level of ambition in our Business Plan is just about right with less feeling that targets need to stretch further than they already do.

- Our River Water Quality research reflected this, showing that when customers were given the choice of reducing CSO spills or reduce the number of spills that were having a harmful impact, survey respondents less informed customers (responding through a short survey) preferred reducing the number of spills, whilst online community respondents (who were more informed on the issues) favoured reducing the % of spills that have a harmful impact. This is consistent with other research we've conducted that suggests when customers are educated/made more aware of issues, or have opportunity to discuss their underlying cause and scale of investment needed to make improvements, their views often change to be more considered about longer term impact and the cost of the solution.
- Younger consumers often have a greater appreciation for the long-term environmental consequences of companies' actions and see this area as a higher priority.

- Those on social tariffs are generally less concerned by changes to the climate and more likely to care a lot about giving back to the community and ensuring there is affordability help for those who need it.
- Overall, there few differences in priorities for customers with an indicator of vulnerability, although lead pipes, appears to be both an objective of more urgency and requiring more ambition compared to all households possibly due to worries relating to existing health concerns.

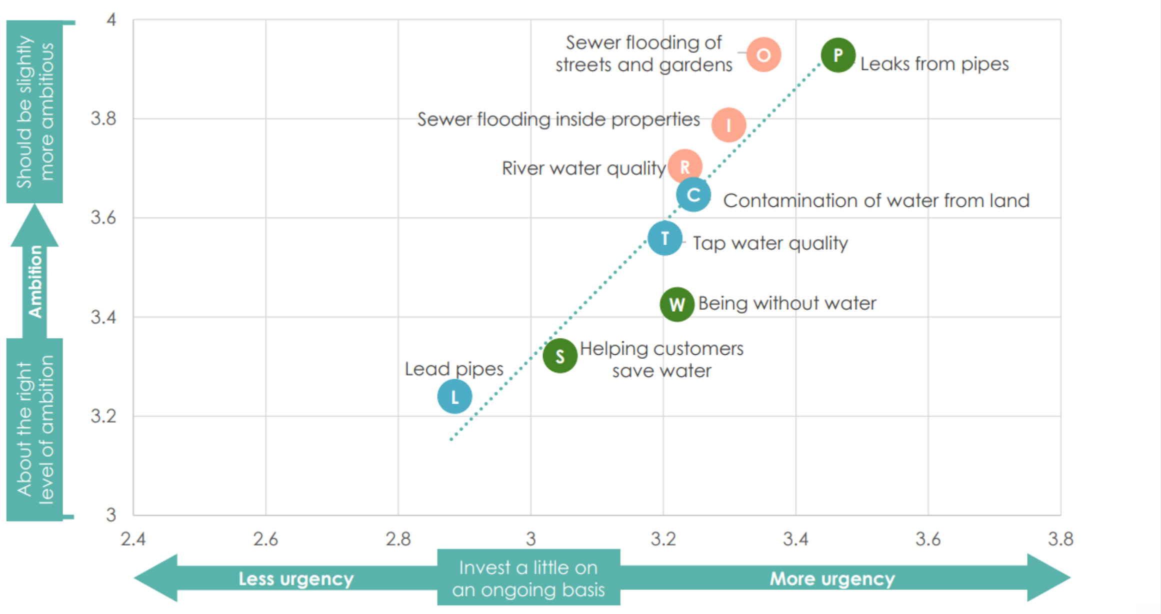
7.2. Pace: How quickly do they want us to deliver their priorities?

The 'urgency' by which customers expect outcomes to be delivered matches closely with the acceptance of levels of ambition in our plans. For example, in figure 22 we see that leakage is a high priority to invest in sooner which also means customers feel we should be more ambitious and where priorities are not as urgent they find levels of ambition to be about right.

Pace of delivery is mainly influenced by the acceptability of bill increases. Overall customers appear to support balanced delivery of investment over the long-term, so that bills increase gradually over time, as opposed to more investment 'up front', or delaying investment until future periods. This viewpoint from customers doesn't seem to have changed however in areas where customers find the investment area most important they also support investing in these areas sooner.

From the graph below of all HH customer in Phase 2, greater perceived urgency tends to correlate with wanting to see more stretching long term ambitions. Relative urgency is a little lower for outdoor sewer flooding, river quality & lead pipes.

Figure 22: P2 findings Urgency vs Ambition



Were there any differing views amongst groups or tensions between research and other data sources?

- Overall there were few differences for customers with an indicator of vulnerability, although lead pipes, appears to be both an objective of more urgency and requiring more ambition compared to all households – possibly relating to health concerns.
- Younger respondents (18-29) would prefer investment sooner rather than later, while older customers (60+) prefer gradual investment over 25 years.
- Whilst the younger generation were more likely to see investment as more urgent, we also heard, through our qualitative research, the internal conflict between managing personal costs and the 'moral' obligation to protect the environment.

7.3. Bills: What do customers think would be an acceptable/tolerable level of bill increases over 2025-30 and the longer term?

Our Phase 1 research, which came early in the business planning process, gave customers a choice between £10 or £20 bill increases a year, flat bills, or a £10 reduction a year, with commensurate differences in our ability to 'prepare for a sustainable water future'. Almost two-thirds of customers chose a £10 or £20 bill increase if it meant doing more, a. There is greater acceptability of a bill rise now versus PR19 where 52% were happy to accept a bill rise, vs. 65% now. That said, customers are clearly concerned about the impact of the 'cost of living' crisis and do not want to see bills rise any more than necessary in the short term. Those who are able to afford modest bill increases show concern for those who are less able to pay and say that they should be supported.

In Phase 2 research we learnt that customers would prefer gradual increases rather than the 'shock' increases they have seen in energy bills. This was especially the case for customers in vulnerable circumstances who would prefer to know their outgoings well in advance to adequately plan for the future. A gradual approach to investment, with bill impacts phased over time, is considered to be the fairest for current and future generations. This appears to be a view shared both by younger and older customers.

While we know customers will not welcome a rise in bills, and only 15% of household customers said that the bills would be 'easy' or 'very easy' to afford to pay, overall 84% of customers accept the plan as a whole once also understanding bill increases and investment proposals. This suggests that while customers can’t say that bill increases will be easy to afford, they accept that they are needed in order for investment. This accords with the wider research that says that customers will accept to pay higher bills if needed, but that doesn’t mean it will be easy for them.

Difference in views between key customer groups

- Most are willing to pay more on their bills, but it is important to balance this against the views of younger customers and those on social tariffs, who have affordability concerns

Annex 1- Customer Research Document Catalogue

A1_DWMPPhase1_research_results

A2_DWMP_Phase2_Qual_research_results

A3_DWMP_Phase2_QualandQuantIntegrated_research_results

A4_WRMP_research_results

A5_WRMP_MeteringandEfficiency_research_results

A6_WRMP_Estimated WTP_research_results

A7_LongitudinalPanelWave1_research_results

A8_LongitudinalPanelWave2_research_results

A9_LongitudinalPanelWave3_research_results

A10_LongitudinalPanelWave4_research_results

A11_LongitudinalPanelWave5_research_results

A12_ P1CustomerAttitudesResearch_results

A13_ P1CustomerAttitudes_Questionnaire

A14_ P1CustomerAttitudes_Stimulus

A15_ P2LongTermOutcomes_QualandQuantResearch_results

A16_ P2LongTermOutcomes_QualResearch_results

A17_ P2LongTermOutcomes_QuantQuestionnaire

A18_ P2LongTermOutcomes_QualQuestionnaire

A19_ P2LongTermOutcomes_QuantStimulus

A20_ P2LongTermOutcomes_QualStimulus

A21_ CSOResearch_results

A22_ P3AffordabilityandAcceptability_QuantResearch_results

A23_ P3AffordabilityandAcceptability_QualResearch_results

A25_ P3AffordabilityandAcceptability_QualQuestionnaire

A27_ P3AffordabilityandAcceptability_Qualdeliberativesessionsstimulus

A28_ P3AffordabilityandAcceptability_Qualbusinessplaninfographic

A29_ P3AffordabilityandAcceptability_QualCoginterview_results

A30_ P3AffordabilityandAcceptability_QuantCoginterview_results

A31_AssuranceReportP1

A32_AssuranceReportP2

A33_AssuranceReportP3

A34_AssuranceReportP1_Companyresponse

A35_AssuranceReportP2_Companyresponse

A36_PeerReviewApproach

A37_PeerReviewP2Qual

A38_PeerReviewP2Quant

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A41_PeerReviewP3Qual

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