# Appendix 1
# Customer Insight

Our approach to, and findings from, our customer engagement in Wales for the 2019 Price Review

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# Executive Summary

To put customers at the heart of our business we need to understand their needs, and the role that we, as a water company, play in their lives. Our customer engagement for this price review represents the start of this journey for the customers of our new Welsh licence.

We have undertaken a step change in the quality and depth of the engagement we are having with customers for our PR19 and longer term plans. Our *Customer Challenge Group* has made a significant contribution to improving our customer engagement – challenging us to think differently about how we engage with our customers in Wales.

We have developed a new approach to customer engagement that has its theoretical basis in Maslow's hierarchy of needs. This is particularly important in the context of the Well-being of Future Generations (Wales) Act 2015, which emphasises the importance of taking a longer-term view and adopting sustainable solutions. We adapted the hierarchy to reflect the specifics of water and wastewater services. This revealed gaps in our understanding of customer needs and what we could do to address these and in the process, improve the social, economic and environmental well-being of Wales.

We addressed this knowledge gap by applying a greater range of tools compared to previous price reviews with an emphasis on deliberative research and co-creation. We have also ensured that our research captures those who might be harder to reach, for example by targeting communities speaking predominantly Welsh with bilingual fieldworkers, and using in-depth in-home interviews for customers in vulnerable circumstances, whether from a financial or service perspective. We have also drawn insight from analysis of everyday contacts with our customers.

The benefit of our PR19 approach is a much richer and more extensive understanding of our customers and of how we can enhance their lives. In some cases, new research and analysis has validated what we knew already - it's no surprise for example that our customers still want us to continue to tackle sewer flooding and provide safe drinking water. We have also uncovered new insights. The headlines of our research can be summarised as follows:

- Doing the day job – our customers expect us to do our day job – supplying them with clean, safe drinking water and, in Mid Wales, taking their wastewater away, whilst at the same time not causing any adverse impact on the environment.
- Helping those in vulnerable circumstances – we have an opportunity to help even more customers by making some changes to our social tariff and other assistance schemes. Our current 90% discount on bills (in Mid Wales) could be reduced for some customers and still be highly impactful, whilst significantly increasing the number of customers we can help. At the same time, there is an opportunity to increase the discount for our customers in North Wales to make the scheme more impactful. In both regions we can also improve awareness of our support and make the application process easier for customers.
- The natural environment – many of our customers in Wales live in beautiful rural areas, and have a high appreciation of the natural environment in which they reside and with which they interact on a daily basis. Our reservoirs and surrounding areas are an important feature of this environment. We have an opportunity to make better use of these, and through better promotion, create more opportunities for recreation and enjoyment.
- Education and engagement - across all of our research one common theme emerges - customers expect us to be more proactive in our communications to engage and educate them. This includes more effective education about water efficiency and sewer use, but also improved engagement on issues like help with paying bills.

Retaining a local feel – our customers in North Wales appreciate their local water company being "just down the road". Although the acquisition and licence change will bring some changes, there is an opportunity to retain a 'local touch' where possible, whilst at the same time providing additional services and opportunities such as extended call centre opening hours, live webchat and social media channels.

# Appendix 1: Customer insight compendium

This appendix consists of three parts:

- Part A – our approach to engaging customers (as seen in Chapter 2);
- Part B – summary of the insight from our research programme for our outcomes. This section provides additional detail and evidence to support the outcome chapters and definition of performance commitments and targets; and
- Part C – a summary of each of the research projects we have undertaken, including sample size, approach and key findings.

# Part A: Our approach to customer engagement in Wales

## Section 1: Adopting a new approach to customer engagement

The 2019 price review marks a new approach to the way in which we have engaged with customers about water. Our application to vary the Dee Valley Water licence along national boundaries means that we are engaging with our customers at a more local level, dedicated solely to Wales – an industry first. We have talked to our customers in Mid Wales about levels of service specific to their local area, and how their needs and experiences might differ from those of the larger customer base they used to be part of in England. We have continued to engage with our customers in North Wales, who in the past, under Dee Valley ownership, have a very different experience of a local water company, where no customers is more than 40 minutes from the head office.

Traditionally, customer engagement for price reviews across the water industry has involved research focused on obtaining customer support for industry-centric issues and investment choices, with a strong reliance on “willingness to pay” research. Since PR14, customer insight at Dee Valley has included “Rant and Rave” (customer feedback after contacts) and customer satisfaction tracking research, however there is still more we can do to understand customers’ longer term or more general views (as opposed to “here and now” issues) about their water service. Our Executive and Board challenged us to approach customer engagement differently. Specifically, we have been challenged to:

- try new techniques;
- engage with different types of customers;
- make greater use of data; and
- build a continual process of engagement.

We have also benefitted greatly from challenge from our *Customer Challenge Group (CCG)*. This has prompted us to tailor our research content and sampling approach and to use the Welsh language where customers prefer it. For example, in our face-to-face valuation research we used bilingual interviews for all fieldwork for the first time.

Our customer engagement programme has also been much more extensive compared to PR14. At the last review Dee Valley consulted less than 1300 customers throughout the entire process of developing and resubmitting their plan. For PR19 we have more than doubled the number of customers we have engaged with. To date we have done research with around 3200 customers (split equally between Mid Wales and North Wales) and analysed the findings of the over 600 North Wales customers who had previously taken part in Dee Valley tracker research. The direct consequence of these changes is that we have developed a more strategic, tailored and extensive approach to customer engagement.

# Section 2: Our strategic customer insight framework

Over the past two years we have developed a new customer insight framework based on the hypothesis that there is a hierarchy of customers' needs and not all needs are equal.

In addition to this, we have ensured that our research programme abides by a set of key principles:

- our approach needs to be proportionate and targeted to deliver value for our bill paying customers;
- the tools we use to understand our customers' needs should reflect the underlying characteristics of the issue or service; and
- our sampling strategy needs to reflect our customer base.

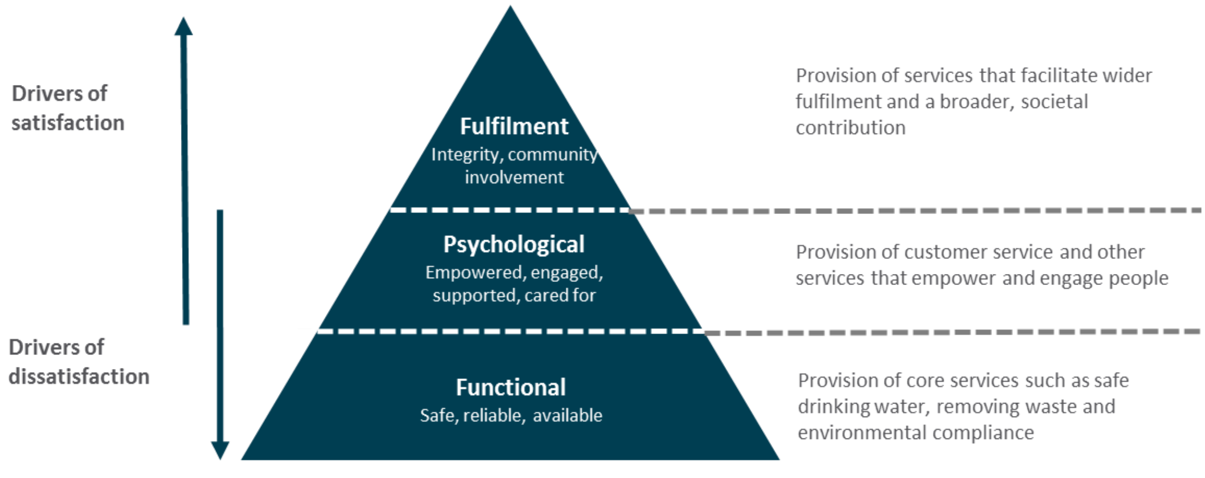
We have used these principles to define a programme of research for Hafren Dyfrdwy. This enables us to develop our understanding of the needs of our diverse customer base, and subsequently to explore our role in customers' lives and to co-create propositions.

## 2.1 Hierarchy of customer needs

At the heart of our research framework is our understanding that not all customer needs are equal. There is a hierarchy of needs and the tools which we use to understand these will be different; and we shouldn't ask customers to make trade-offs across different types of needs (for example trading off safe drinking water with aspects of customer service).

Our categorisation of customer needs draws on Maslow's[1] three levels – delivering basic needs, meeting psychological needs and creating opportunities for self-fulfilment. We established our initial view of the hierarchy, as it relates to the water sector, through a targeted piece of qualitative research across England and Mid Wales in 2016 which revealed the themes and issues that are important in people's lives, before exploring the ways in which, as a water company, we might already fit within the resulting picture.

Our analysis on the hierarchy of needs revealed that fulfilling basic needs may only serve to meet customers' expectations but may not improve satisfaction, whereas failing to meet those needs could drive dissatisfaction. As we move, in a cumulative fashion, towards the top of the hierarchy we observed needs that could increase satisfaction. This is illustrated in the figure below.




[1] A Theory of Human Motivation; *A.H.Maslow (1943), Psychological Review, 50, 370-396*

Traditionally, water companies, including Dee Valley, have only focused on understanding customer needs at the bottom of the hierarchy. We have realised however that:

- we have an opportunity to learn much more about how we can meet customers' psychological and self-fulfilment needs, thereby improving customer satisfaction. This is particularly relevant in context of the "Well-being of Future Generations Act", whereby some of the solutions we adopt to address basic needs can actually deliver self-fulfilment needs (e.g. providing sustainable drainage solutions); and
- we could improve our understanding of basic needs - this will enable us to target areas of customer dissatisfaction.

Since our original view of the hierarchy and the 2016 research was done before the acquisition of Dee Valley, we have validated our understanding of customer needs through a further round of specific research with our customers in both Mid Wales and North Wales (customer needs research). This has highlighted some specific differences for our customers in Wales (for example when discussing the environment), but also revealed that there are many similarities.

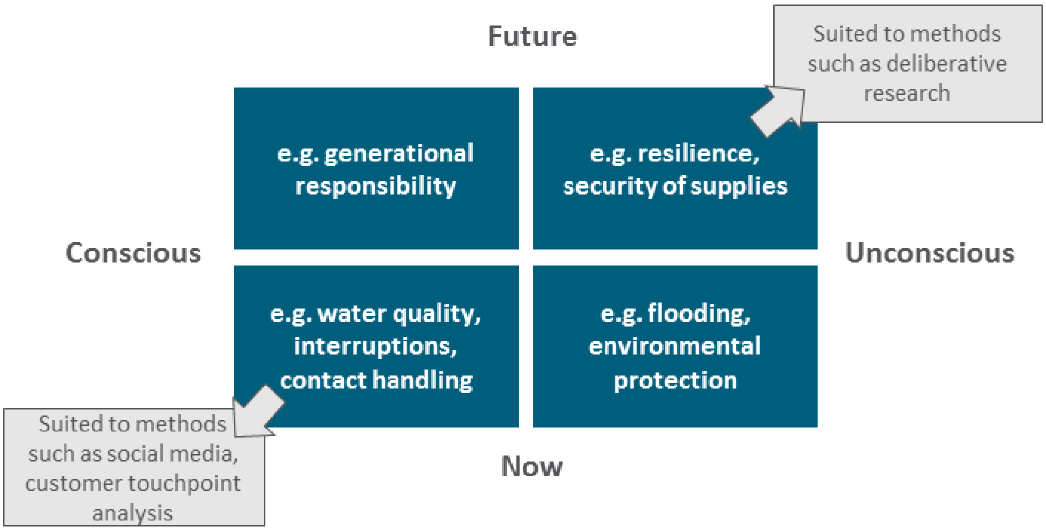
## 2.2 Insight tools chosen from our customers' perspective

The hierarchy helped to reveal gaps in our understanding of customers' needs. But we haven't simply asked customers how to fill these gaps – instead, we've used research techniques that take into account how our customers understand issues, by considering:

- where the service/issue sits within the hierarchy;
- the extent to which customers are conscious of the service/issue; and
- whether the issue occurs today or could occur in the longer term.

The further one goes into the future, the less customers are conscious of the key issues that might affect them, future generations, and their water service. We have used the model below to map some of the key research topics to the four dimensions – the spectrum of consciousness and whether the issue affects customer experience now or in the future. This has guided decisions on research approach and methodology. For example, we consider that issues such as resilience, which is unconscious and future facing, are best addressed using deliberative research, which builds awareness and uses active participation to get more informed opinions. Issues such as complaints handling – a 'now' issue and one of which customers are well aware - can be explored using analysis of day-to-day customer contacts.

**Choosing research tools based on our customers' perspectives**



## 2.3 Sampling and methodologies that reflects our region

We serve a diverse region – covering urban areas such as Wrexham, Welshpool and Newtown and also very rural, agricultural and mountainous areas, particularly in Mid Wales. In North Wales, we supply water services only; in Mid Wales we supply some customers with water and wastewater services, and we supply other customers with a water-only or wastewater-only service. 60% of our household customers in North Wales have a water meter, whereas only 43% of our customers in Mid Wales have one. Throughout our research, we've embraced this diversity and the rich mix of backgrounds of our household and non-household customers. We've worked to understand whether their needs and views differ and how we can use a more bespoke approach to engaging them.

We were challenged by the CCG to recognise the vital importance of the Welsh language to many of our customers. Most of our projects offered participants the choice of participating in either Welsh or English. This meant we translated survey materials into Welsh (ensuring that local dialects were catered for), utilised bilingual interviewers, and offered qualitative depth interviews in the Welsh language.

We took into account the demographics of our region and used this to inform recruitment specifications for our research to ensure that the findings are representative. We conducted much of our research by telephone and face-to-face, often in customers' homes and workplaces. This ensured that we did not exclude those with limited transport options, those with health or well-being issues and those who do not use the internet. We also proactively conducted interviews in villages where a high proportion of residents have Welsh as their preferred language, and at the Welshpool cattle market, to ensure we captured the views of farmers, who might otherwise not have participated in our research. We also proactively targeted the sizable segments of customers in Mid Wales who receive a water-only or wastewater-only service from us.

Where relevant, we defined quotas which reflect our customer base (using data from the Office of National Statistics, census and profiles of bill paying customers) and if necessary weighted the results accordingly. In our analysis we have also looked at differences between respondents such as urban vs rural, household income, social economic group (SEG), whether they have a water meter and the degree to which they identify as Welsh. We also took care to evaluate the views of the 'just about managing' financially segment (JAMs), who now make up a fairly large proportion of the population.

## 2.4 Using comparative information to empower customers

Customers are often unaware of how their water company compares, in terms of service and performance, to other suppliers in the UK. We believe that appropriate contextual and comparative information can empower customers in their decision making.

We therefore included comparative information where possible in our research. For example, in our valuation research we highlighted for respondents where performance is above, below, or about average, based on consistent definitions and industry data from Discover Water. We also explored the role that comparative information plays when discussing future performance targets in our PCs and ODIs research project. We find that the majority of customers find comparative information important for transparency, particularly in a monopoly industry; however, in discussions on future service levels we find that the first consideration tends to be based on customers' own experience (either direct of anecdotal), or perceptions as to what their water company ought to be doing.

## Section 3: Our insight programme

**Using our framework, we've developed a programme of research to uncover new insight coherently and cumulatively, building on our existing knowledge.**

Our programme includes:

- quantitative research, including a stated preference valuation "willingness to pay" study;
- qualitative and deliberative research, including a focus on asset health and resilience and an extensive programme to understand customers' needs;
- review of third party research, to better understand issues in Wales; and
- day-to-day analysis, such as customer complaint data and insight from frontline employees.

In some cases our research consisted in joint projects with our English licence, taking care to ensure representative samples in both England and Wales, in order to maximise the efficient delivery of our programme. In other cases we commissioned bespoke projects, with an approach that that was specific to the topics we wanted to explore in Wales.

We've used a range of insight to understand our customers' needs

| Research method | Description |
|---|---|
| **Customer needs and priorities research** | Improves our understanding of customers' needs, wider priorities and the role that a water company plays in meeting those needs |
| **Customer satisfaction tracker survey** | Monitors the extent to which customers trust their water company and are satisfied with the service |
| **Operational insight** | Expands our understanding of the causes of satisfaction and dissatisfaction using complaints and "voice of the customer" feedback |
| **Valuation research** | Willingness to pay research quantifies the importance of service improvements in the context of other areas of our plan |
| **Deliberative research** | Allows detailed discussion on important topics, moving from the spontaneous customer view to a more informed perspective. Topics have included lead pipes, water efficiency, asset health, resilience, ODIs and performance commitments |
| **In home interviews** | Allows detailed discussion on customer needs, particularly for those customers in vulnerable circumstances from both a financial and health and well-being perspective |
| **Co-creation** | Enables customers to work with our employees on specific topics or to solve specific challenges |
| **Research on helping customers who struggle to pay** | Improves our understanding of how we help customers who are struggling to pay their water bill, the effectiveness of our current offerings, and how much customers are willing to cross-subsidise other customers |
| **Acceptability research** | Allows us to understand whether customers find the overall service package and bill levels acceptable and affordable |
| **Research commissioned by CCWater** | Surveys of water company customers commissioned by CCWater, such as Water Matters (household customers) and Testing the Waters (business customers) provide valuable insight on the perceptions of our customers vs those of other water companies |
| **Engagement with employees** | We ran workshops with employees to explore their views on customer dissatisfaction and priorities for investment |

All of our main research projects have been conducted by professional market research agencies which are accredited by the Market Research Society (MRS), who champion the highest ethical, commercial and methodological practices. In addition to this, we have an experienced in house market research team, who hold MRS membership. Using independent professional market research agencies has ensured we obtained reliable and objective feedback and conclusions from our projects. In addition to this, research agenci es will ensure that current data protection legislation is complied with, as well contributing their experience from similar projects.

### 3.1 Our leading research and insight projects

We've summarised six of our key research projects below. Full details on each project is included in Part C of this Appendix, and the insight from all projects is synthesised for each outcome in Part B.

## Understanding customer needs

Our customer needs projects has enabled us to develop a much deeper understanding of our customers, their lives. Our focus was on understanding the needs of our customers from an "outside in" perspective and what is important in their lives. Our programme included diverse research techniques – including deliberative workshops, in-home interviews and co-creation with customers. In selecting these techniques we recognised that some customers in vulnerable circumstances might feel less comfortable in a group s etting, or might be unable to attend a workshop due to sensitive personal health or well-being circumstances. Therefore, alongside our deliberative workshops we **conducted in-home depth interviews** with these customers.

Witnessing customer behaviour in their own homes also provides a different perspective than asking for stated behaviour as part of a survey, for example when exploring attitudes to water saving. We used **co-creation** with customers to explore one of the key themes that came out of our customer needs research, namely the desire from customers for more education and engagement with their water service, and to explore potential improvement options for assisting customers in vulnerable circumstances.

Co-creation differs from "traditional" market research; our co-creation events were designed to:

- generate opportunities for staff (including Exec and Board members) to hear directly from customers;
- facilitate 'co-creation' of solutions to challenges posed by the company and the research programme;
- give customers a real 'say' on a range of specific business questions; and
- provide us with some tools for taking forward its communication and engagement programme.

Our customer needs and co-creation programme has provided a considerable depth of insight on our customers, and in particular the areas of service they are interested in hearing more about.

## Supporting customers in vulnerable circumstances

We've spoken in depth with customers in vulnerable circumstances, whether due to health and well-being vulnerabilities or financial issues. This engagement has helped us to develop a detailed understanding of the support offerings they would like, for example what support they need during incidents.

We've also carried out detailed research with customers on our current social tariffs, the Big Difference Scheme and Here2Help, and with those struggling to pay, including customers in water debt. Using the Index of Multiple Deprivation, we focused on customers living in areas with a high degree of deprivation who would be likely to qualify for assistance but are not currently receiving this. We wanted to understand both the effectiveness of the existing social tariff schemes and develop an understanding of the journey to water debt, including approaches to prevent future arrears and encourage debt repayment.

Following quantitative research, we tested a range of ideas and developed them further with customers using a co-creation approach. Through this research we have identified improvements to our social tariff, such as reducing the average level of discount for the Big Difference Scheme whilst still providing meaningful support. This, alongside the increased financial support our customers are willing to pay, identified through our cross-subsidy research, will enable many more of those who struggle to receive support.

## Customer valuations

Customer valuations underpin crucial components of the plan, including our outcome delivery incentives. We have sought to improve on previous **willingness to pay (WTP) stated preference research** by simplifying the approach to make it less cognitively challenging for respondents.

At the same time, we have been challenged by our CCG to ensure the material is appropriate for the audience. In Mid Wales we have defined the current and improved service levels specifically for the county, and ensured that the service attributes were appropriate for the audience. For example, we didn't include a service attribute relating to the risk of drought and consequent water scarcity restrictions because this is not applicable in Mid Wales. Current service levels were based on splitting Severn Trent performance commitments between England and Wales, for example the current number of pollution incidents was split based on the geographic location of each reported incident.

We also used bilingual researchers for all the WTP fieldwork, and listened to the challenge of our CCG to ensure the Welsh survey translation catered for the many dialects in the region.

## Informed views on complex topics and longer term issues – such as resilience

Some of the areas of our plan involve decisions over the pace of investment, and long term resilience. We know that customers do not consciously consider these, indeed they often take the services we provide for granted. We chose a **deliberative approach** to provide information and build participants' knowledge so they could give informed views about these issues and so that we can really probe the "why". Our workshops included both current bill-payers and future bill-payers (young adults), in order to probe the intergenerational aspect of the pace question. Our research agency worked with a behavioural scientist to plan the research in a way which made it engaging for the customers, whilst not under of overplaying the subject matter. The design of the research took into account behavioural biases, to ensure customers gained an appropriate level of understanding of issues to be able to make an informed choice, without being subject to inappropriate influence from the context provided. We used real life examples, such as the lifecycle of a car, to get customers to think about questions such as asset health, before delving into some case studies specific to our plan.

## Exploring performance targets and investment choices

It is important that customers support, and have a say on, our performance commitment targets. We used an extensive programme of qualitative and quantitative research to understand customer views on our outcomes and performance commitments. We have reflected customer views by making changes to one of our outcomes. We presented customers with our proposed targets and discussed our comparative position compared to the industry – empowering customers with the information to make decisions on whether they feel the target is stretching enough. On key areas of the plan, we offered them investment choices, with costed bill impacts and engaging descriptions of the options and customer benefits. We also sought to understand whether customers support incentives and penalties, and which areas of the plan they would prioritise for outperformance. Our initial leakage target was found to be the least acceptable to customers – we have listened to customers and as a result we have doubled the proposed reduction in AMP7.

## Testing the acceptability of the plan

It is important that the plan we propose is acceptable and affordable to our customers. We have consulted over 700 household and non-household customers through face to face research on the acceptability and affordability of our plan, including potential ODI impacts. We've used engaging materials, tested with 10 year old to ensure ease of understanding, to illustrate our plan to customers, and tailored our research to the region we service, including fieldwork at the Welshpool cattle market to ensure the farming community is represented. And we have listened to our customers – our first wave of research told us that a significant minority of customers in mid Wales found the plan unacceptable. We have responded to this feedback by using the financeability levers at our disposal and increasing our top down efficiency challenge, and retesting a revised bill with customers. In the second wave of research acceptability in mid Wales we find that acceptability increases from 51% to 81%.

# Section 4: From passive research to active and engaged

**We want active and engaged consumers who are demanding about their service and take part in its design and delivery**

We recognise that we don't have all the answers – to deliver better outcomes for our customers we need to create a culture and mind-set that actively encourages customer participation. And by involving our customers not only in service design, but also delivery, we're confident we can drive greater satisfaction and deliver better outcomes at a lower cost.

**Participation goes much further than simply the consumption of water and its disposal. It's an opportunity to co-create future solutions with customers, such as our future social tariff. It's about engaging local communities and contributing to their well-being and local environment. Participation is about empowering and actively connecting customers with our retail services, through tools such as 'Track My Job', and giving them control over their experience.**

In our approach, we've drawn on Ofwat's March 2017 publication Tapped In and used the four elements referred to as the FACE model – Futures, Action, Community and Experience - to shape customer participation.

## Our commitment to customer participation

Across the Severn Trent group we've made a step change in how we view and engage with our customers, in part through cultural and organisational improvements. These changes mean that customer participation is not just something we're doing for this plan – we've already established three new teams at group level as part of a longer term commitment.

**Three new teams at group level to drive customer participation**

| Innovation team | Customer insight and analytics team | App technology team |
|---|---|---|
| To support our aim to be at the forefront of innovation, we analysed best practice outside the sector and created a new innovation in 2015. Our model includes specialist innovation management roles, including a team focused solely on innovation needs and idea generation, and is unique to the sector. | In recent years, the power of modelling and analytics has grown exponentially. We've created an Insight and Analytics team to implement behavioural analysis, modelling and analytics across the business. An improved understanding of customer behaviours, together with demographic data is being used to nudge behaviour change in key areas of the business | The rapid evolution of the smartphone has allowed people to achieve so much more "on the go" than ever before. To focus and harness the power of this technology, we created an App Technology team to devise and develop mobile apps that can enhance customer experience, and help us progress as a business overall. |

## Futures: customers helping us to shape the future

Participation starts with actively engaging customers and enabling them to have a voice in decisions that affect their lives. We've used deliberative research and co-creation to give customers a real say on specific business issues across our insight programme, working alongside technical experts across the business, as well as with Board members and our executive team.

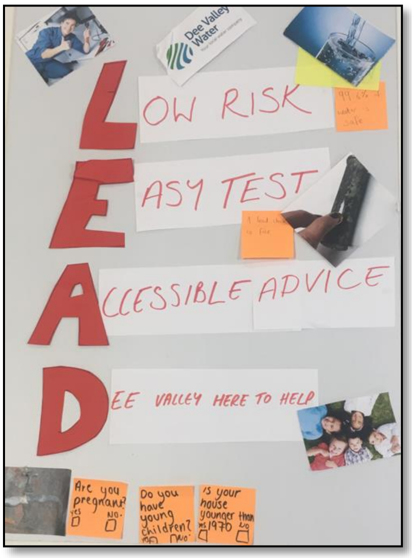
Asking customers for their views isn't new for us - but the way we've gone about it, raising awareness and informing customers so they can genuinely contribute to the debate and shape the future, is dramatically different.

**Co-creation**

Using co-creation has allowed us to design areas of future service delivery, in conjunction with customers. Our use of co-creation has focused on five topic areas:

- Communication and engagement: as we explored what matters to customers a consistent theme that emerged was the need to communicate and engage more with customers. We used co-creation to explore this further and to enable customers, working with Severn Trent colleagues, to determine a series of practical recommendations for communications on the topics they were most interested in hearing about, such as water efficiency and promoting visitor sites.
- Lead in drinking water: we explored the topic of lead in drinking water with customers and co-created a series of key messages that resonated with the target audiences our customers defined.
- Helping customers who struggle: we refined and tested ideas for improving and promoting our social tariff and assistance scheme offerings, including designing text message reminders after missed payments and testing eligibility criteria and bill discount levels.

***"I think it's terrific to have an opportunity to engage with a broad mix of customers from different walks of life, to give them an opportunity to learn something about their local water company. And indeed then, to raise questions and give the company an opportunity to feedback on that." –*** John Coghlan, Board member, interview at the co-creation workshop





### Deliberative research

Across our insight programme, and aligned with our strategic insight framework, we have used deliberative research. This is to primarily engage customers on matters which they don't consciously consider or which are future facing. We have partnered with our research agencies to run a series of workshops on topics ranging from broader customer needs to asset health and resilience. The deliberative approach allows us to provide information and build participants knowledge so they can make informed decisions about issues they might not previously have considered. This provides us with much deeper and considered insight compared to the spontaneous responses we get through other research methodologies. Levels of engagement through the workshops were high, and the feedback from participants was overwhelmingly positive.

**"I think it was very interesting and informative"** – Workshop participant

**"I was surprised by how much water is used per day and how much environment work is going on that we don't know about"** – Workshop participant

**"It has given a face / identity to the company"** – Workshop participant

## Action: customers take action to change behaviour

By changing customer behaviours, we can help ensure that the outcomes that matter to customers are delivered in a cost effective and environmentally sustainable manner. For example, changes to water consumption behaviours can ensure that water is available for future generations and benefit the environment or taking action to reduce sewer misuse can prevent customer disruption due to sewer blockages and reduce cleansing costs.

Our Insight and Analytics team uses demographic data analysis and behaviour data tools to understand our customers - and then find ways to nudge them to change their behaviours. Across our England plan we have found that incorporating this understanding of customer behaviour can:

- give us greater insight in to our customers' priorities by understanding what really drives changes in behaviour or satisfaction in service; and
- help us develop targeted solutions that deliver the greatest benefits by having customers help design and implement the solutions.

Observing real world behaviour is often better than research at telling us about our customers. Behavioural economics can also show us how to use subconscious methods to achieve behavioural change to the benefit of all customers. For Hafren Dyfrdwy we are considering how we can use analytics in the following areas:

- better target comms on our social tariff and priority services register;
- help us meet ambitious leakage and per capita consumption targets; and
- driving direct debit payments where customers would find this payment method easier.

We are also considering how we can use social media to promote both the local feel of our business, particularly for non-household customers, whilst also driving our education programme. For example tweeting after a "great day helping Katie's Cupcakes save water".

## Community: increasing community ownership and participation

Working in partnership with expert groups and communities, together with increasing community ownership of issues, can deliver the outcomes our customers want while providing wider benefits for the community. We're engaging with communities in many different ways. These include working with stakeholders and expert partners, embedding partnership working in outcome delivery, and volunteering in the community.

### Investing in our community and the environment

Over the next five years we will be investing £2.5m to improve around 30km of river water quality, which represents the largest statutory environmental programme required in this part of Wales for 20 years. We will also be enhancing biodiversity by investing around £1m. The majority of this investment is planned at Lake Vyrnwy, where we have a fantastic opportunity to support Wales. The project will:

- enhance the visitor experience so that more people visit the site and stay in the surrounding area thus improving the local economy;
- restore approximately 400 hectares of upland peat bog to move the SSSI status from 'Unfavourable' to 'Favourable', which will provide greater resilience of our ecosystems; and
- enable local communities to shape the developments and develop a shared sense of ownership.

We are making infrastructure improvements to improve amenities at more of our reservoirs. Benefits include promoting local economy through a local tender process for café management, improving access and awareness of the site so that they are more enjoyable and making it easy for people to take part in well-being activities.

Together with our partners, we have secured £1.5m Heritage Lottery Funding that allows us to leverage 60% match funding which makes this flagship scheme more affordable to our customers.

#### Working in partnership to promote support well-being in the community

We have identified ways that we can support well-being by thinking more holistically to deliver opportunities and improvements at minimal or no extra cost. These include:

- partnering with Welsh government, Dŵr Cymru Welsh Water (DCWW) and the charity City To Sea to roll out the Refill initiative, with the ambition to be the first 'refill nation'. We strongly believe that it is important for us to promote the benefits of water for hydration;
- promoting safe use of water alongside the All Wales Water Safety Group. We have 13 reservoirs in our region so this is an important consideration;
- education and volunteering opportunities to encourage people to participate in energetic outdoor activities and improve the local communities connection to the natural environment; and
- supporting other local initiatives such as the Newtown Go Green consortium, which has a wide reaching scope; our involvement is around safe and enjoyable access to the river, which runs through our Mid Wales region.

**Community Champions**

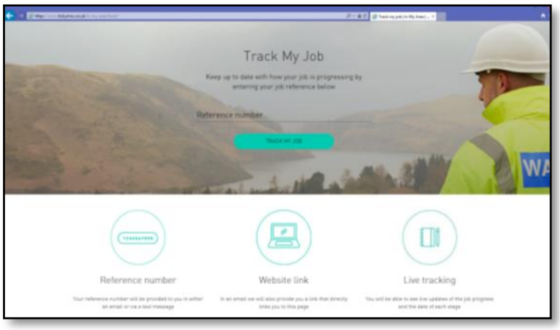
Our "Community Champions" volunteer programme partners with a number of local organisations to achieve mutual benefits for our region's environment. We are contributing to cleaning and clearing 10km of the regions river, through a number of volunteering activities.

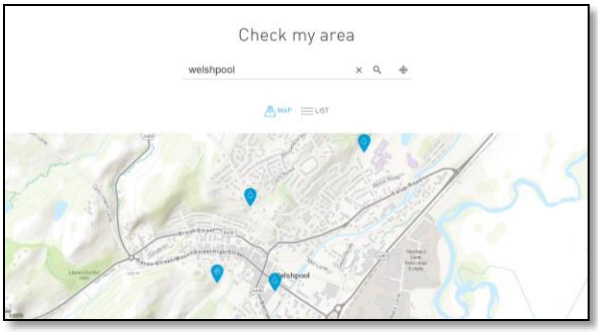
## Experience: increasing control of customers' experience

The more customers can control their experience, the more they can become active agents in their own service. We're developing multiple ways in which customers can take greater control in their use of water as a product, as well as their experience of our service. This includes launching services such as Track My Job which enables customers to monitor progress on reported jobs. Digital contact channels, such as web self-service and web-chat are also becoming increasingly popular. Some areas where we have seen benefits are:

**"Track my job" and "Check my area" online service**

Through our Track My Job online service, we allow customers to instantly keep up to date with how their jobs are progressing. Customers are able to see live updates, with detailed status updates and dates such as when the job was raised, whether teams are on site, if the site is being resurfaced, and finally when the job is completed. This service is vital for busy customers on the go. In the digital age, customers have an increased desire for instant updates about their situation, and we've taken heed of the advancements made by other sectors, like telecommunications. This technology gives customers a better overall experience, as we've improved the communication we provide, and are able to give customers much more awareness about their jobs.
Through our Check my area online service, we allow customers to keep up to date with what's going on in their local area. Issues ranging from general water supply issues to blocked drains, planned construction work and leaks are shown, alongside information on the stage of the incident resolution.




# Section 5: Key findings from our customer research

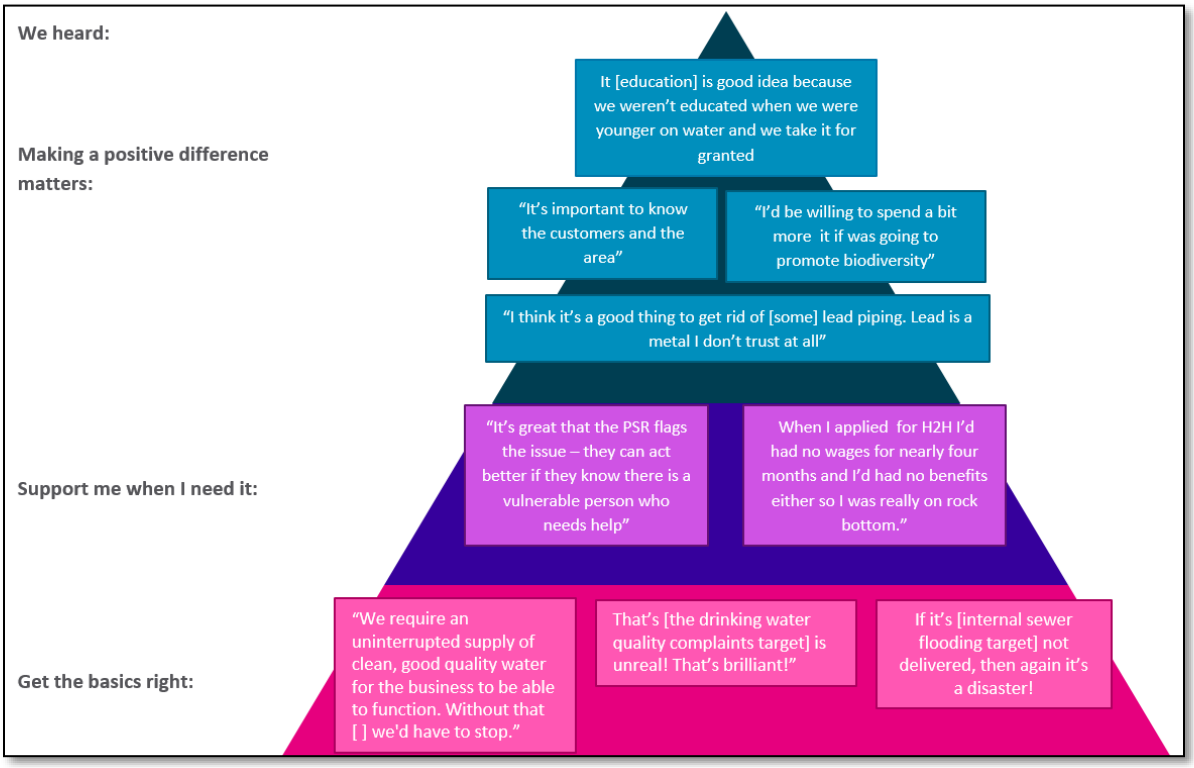
Across our research programme we have talked to over 3,600 of our customers in over 25 different locations, ranging from larger towns to rural areas and small villages where the Welsh language is widely spoken.

We've used a range of techniques, from telephone surveys and face-to-face interviews to deliberative research and co-creation. To complement the research we have analysed customer contacts and considered research commissioned by other organisations from within our sector (such as CCWater) and outside (such as the "The Wrexham we want" research which has informed the public service board's response to the Well-Being of Future Generations Act).

Many of the research pieces explore attributes and issues that are well known to the water industry and have been a key focus of our activities for many years. For our PR19 plan we have explored the wider needs of our customer base to understand how we can adapt our approach to make a positive impact on their daily lives and the communities in which they live.

The key things we have heard from our customers are:

- continue to provide a reliable day-to-day service and reduce service failures, which cause inconvenience and dissatisfaction – in other words, get the basics right!;
- support customers when they need it, with a personal and human touch; and
- make a positive difference for the local environment and local communities.




At the level of the **core and basic needs** (the lower part of Maslow's hierarchy of needs), there are few surprises in our research to date. Customers typically take their water supply for granted, and expect safe drinking water to be there when they turn the tap on, and for their wastewater to be safely taken away. Failure to provide this service can cause dissatisfaction, and customers expect us to be continually improving and minimising service failures.

At the level of '**psychological needs'** (the middle parts of Maslow's hierarchy) our research tells us that we have an opportunity to improve the support we offer to customers when they are struggling, whether due to financial hardship or vulnerabilities which mean they have difficulty accessing our services. We have been told we can help even more customers by making some small changes to our social tariff and other assistance schemes. Our current 90% discount on bills (in Mid Wales) is surprisingly generous for some customers, and being more targeted in terms of who gets the maximum discount rate for assistance will enable more people to be helped. At the same time, there is an opportunity to increase the discount for our customers in North Wales to make the scheme more impactful. In both regions we can also improve awareness of our support and make the application process easier for customers.

Our customers will benefit from our local focus, while the creation of Hafren Dyfrdwy will allow us to play a bigger role in Wales. Our research tells us about the importance of retaining Welsh roots and services such as Welsh language services. The provision of Welsh language services is factored into notions of identity and meets both functional as well as emotional needs. When told about the proposed licence change in the NAV research, some Mid Wales customers felt that there was a risk of Severn Trent's customers in Wales being treated as "second class". One of the themes that came out of the customer needs research was that customers see water as an important resource for Wales and one that needs protecting. Customers would also like greater transparency about where "their" water goes and who uses it.

Our customers in North Wales told us they appreciated their local water company being "just down the road". Although the acquisition and licence change will bring some changes, there is an opportunity to retain a 'local touch' where possible, whilst at the same time providing additional services and opportunities such as extended call centre opening hours, live webchat and social media channels.

At the level of **wider fulfilment,** the natural environment resonates strongly with our customers. Many of our customers, particularly in Mid Wales, live in rural areas, and have a high appreciation of the natural environment in which they reside and with which they interact on a daily basis. Our reservoirs are well-known spaces and offer great potential for recreation and enjoyment. Where customers are less aware of these, there is an opportunity to promote these further, as well as the environmental improvements we make in areas such as biodiversity.

Across all of our research and in both Mid Wales and North Wales, one common theme emerges - customers expect us to be more proactive in our communications to engage and educate them. This includes more effective education about water efficiency and sewer use (in Mid Wales) but also improved engagement on issues like help with paying bills.

Across our insight programme, we have only asked customers to make trade-offs or prioritise where it is meaningful to do so. For example we have not asked customers to choose between having a high quality drinking water and enhancing biodiversity.

For water, our customers told us that reducing drinking water quality complaints was their highest priority, followed by improving water pressure and then reducing supply interruptions. For waste, the highest priority is reducing internal sewer flooding even though there are very few incidents, but customers place a high value on the environment and in particular enhancing biodiversity. In addition to the core services, they gave us a clear message about that the things they value most from their local water company, which are:

- good career opportunities;
- using local supplies and contractors; and
- being visible and contributing in the community.

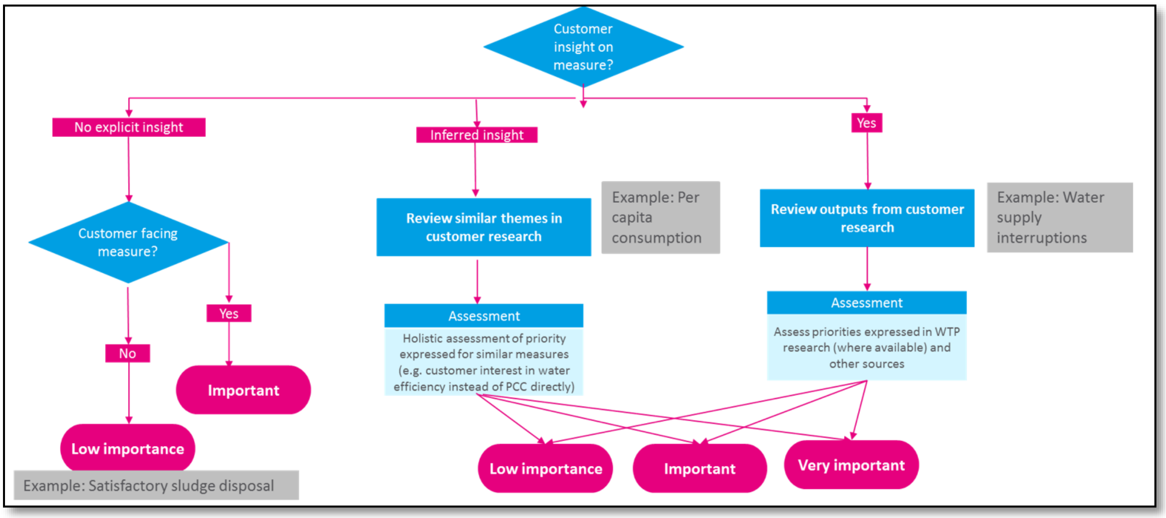
We used this information to develop our performance commitments. We have ensured that our most stretching performance is where it matters most to our customers and we have been additionally challenging where our current comparative performance is weak.

## Section 6: Triangulating customer views on performance commitments

Our insight programme has enabled us to develop a rounded view of our customers and this evidence has underpinned the development of our outcomes, our plans for the next five years, and our performance commitments and targets.

Ofwat expects companies to cross check and sense check evidence, drawing on a range of techniques and sources. We have triangulated the evidence for each outcome, as well as provided the details for each evidence source (including objectives, sample, new insight and validation of existing knowledge). This has been used both internally – to challenge back on how customers have shaped the plan and performance targets, and externally with the CCG, to enable members to see the line of sight between customers and key decisions.

In synthesising the evidence for each outcome we have considered the extent to which customers regard the service area as a priority for improvement, which informs the level of stretch we are proposing in our performance commitment. We have formed a view on whether an area of service is of "low importance", "important" or "very important" based on the sources of evidence presented for each outcome. In assessing the relative priority we note that there are a few performance measures which we have not consulted customers on – satisfactory sludge disposal is an example. Where the measure is directly customer facing we have inferred that the performance commitment would be important to customers, otherwise we have assumed it is of low importance.




In some cases, such as in the example presented below, we have evidence from multiple pieces of research. In other cases, it is more appropriate to use other techniques, such as deliberative research, to uncover customer views on more complex topics and infer the relative priority from this.

**Triangulating different sources of insight**

| | Implications for target | Customer tracker | Willingness to pay | Other research | PC and ODI research |
|---|---|---|---|---|---|
| Leakage | **Very important** | Top priority | Priority for improvement but low WTP | n/a | High priority for improvement |
| Pollution | **Important** | n/a | Lower priority than other waste measures | Environment highly important | Medium priority |

In addition to the customers' relative priority, one of the basic principles of our strategic framework is the concept that not all customer needs are equal. In order to bring this to life we have allocated each performance commitment to a level in the hierarchy. The following matrix summarises our results; more details for each performance commitment are provided in the relevant outcome.

| | Low importance | Important | Very important |
|---|---|---|---|
| **Self-fulfilment** | | | • Number of lead pipes replaced<br>• Hectares managed for biodiversity<br>• Inspiring our customers to use water wisely |
| **Psychological** | | • Supporting our Priority Service customers during an incident<br>• Help to pay when you need it<br>• Effectiveness of affordability support | • CMeX<br>• DMeX<br>• NHH experience |
| **Basic** | • Resilience – drought risk<br>• Asset health – unplanned outage<br>• Satisfactory sludge disposal<br>• Treatment works compliance<br>• Number of void supply points | • Water supply interruptions<br>• Per capita consumption<br>• Asset health – burst mains<br>• Properties at risk of receiving low pressure<br>• Length of river water quality improved<br>• Pollution incidents<br>• Sewer blockages<br>• Sewer flooding – extreme storms<br>• Sewer collapses<br>• Welsh language services | • Water quality compliance (CRI)<br>• Leakage<br>• Internal sewer flooding incidents<br>• Number of complaints about drinking water |

In summarising the findings from a rich evidence base we find a great deal of consistency in terms of understanding customer priorities, and also findings which, on the face of it, are different. Our insight programme has developed a rounded view of our customers and what matters to them, accepting that different research methodologies, perspectives and contextual information inevitably can result in different results. In this appendix we've brought these together and explained the rationale for the conclusions we've drawn to develop our plan.

## Section 7: Challenge from the CCG

**Our Customer Challenge Group (CCG) has challenged us extensively on the design of our research programme. They have challenged how we've interpreted and synthesised the insight, and then challenged how we've used that to build our plan. Our customer engagement has been strengthen as a result of their challenge.**

We have captured some of the key challenges and our response here. For more detail please refer to the CCG report.

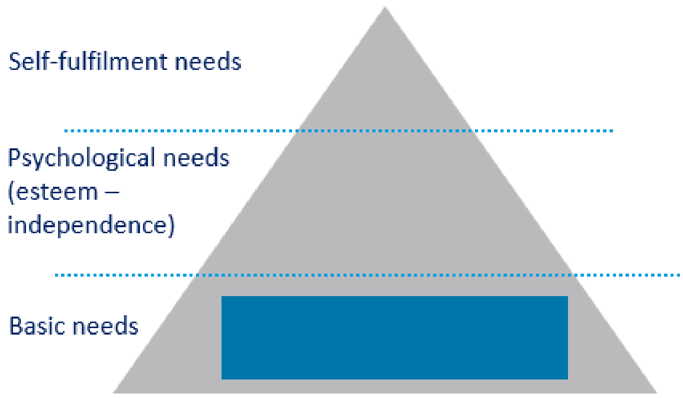
| CCG challenge | Our response |
|---|---|
| Is the company being sufficiently innovative and effective at engaging hard to reach customers? | • We have targeted rural communities in Wales, and in particular those in which the Welsh language is more prevalent.<br>• Our quantitative research has used either face to face or telephone methods meaning that no digitally disenfranchised customers are prevented from taking part.<br>• As part of our "helping customers who struggle" research we used the index of multiple deprivation to target areas in which our target audience might be living. |
| Have the company ensured that engagement is equal and balanced between Mid Wales and North Wales? | Initially there were some minor differences in our engagement between Mid Wales and North Wales (e.g. workshop duration), however since this challenge was raised we have rectified that and all subsequent engagement has been equal. |
| Have the company taken all practical steps to ensure that research is available in the medium of Welsh for those who want it, and that translations are of a high quality, being sensitive to variations in regional dialects? | The valuation research has been translated into Welsh and we draft shared with the CCG for comments. It was noted that only 2 customers opted to take part in Welsh, despite specifically changing our sampling approach following CCG challenge and targeting Welsh speaking communities (in fact the two customers that opted to take it in Welsh did not live in these villages). The CCG commended the company for the effort, and for the balanced translation<br><br>All other quantitative research has been made available in Welsh. |
| Has the company sufficiently sought to present comparative performance when seeking customer views? | In both the valuation research, PCs research and acceptability research we have presented customers with comparative information in order to give context to their decisions. Feedback from the research shows that customers do consider this in making decisions, as well as the impact of service failure on themselves / their community. |
| Have the company tailored their approach to Wales, in particular seeking views in locations such as the Welshpool Livestock Market | We have targeted additional locations such as cattle markets to get a better cross section of views. |

| CCG challenge | Our response |
|---|---|
| Have the company ensured engagement material was specific to the bill and performance in each region? | We have ensured that engagement material was specific to each region, especially where there is divergence in performance between the former Dee Valley and Severn Trent areas. |
| Have the company ensured the survey material is accessible? | We have reduced survey length and complexity as far as possible, although the CCG have appreciated this is a balance between length and amount of insight required. We have also ensured the workshop material was engaging and simple. The CCG attended some of our workshops to observe and to witness the quality of engagement for themselves. |
| Have the company engaged customers sufficiently on ODIs? | We have discussed ODIs with customers in both our deliberative workshops and quantitative research, as well as within the acceptability research. Following challenge from the CCG we have asked customers about a likely ODI scenario with a mix of underperformance and outperformance, as well as the extremes. |
| Have the company consulted customers on both the bill in real and nominal terms? | We have included an informed acceptability question in both real and nominal terms, and used simple language to explain inflation to customers. |

# Part B: Synthesis of evidence for each outcome

## Lowest possible bills

Our customers expect that bills should be no higher than necessary, and believe that water is a basic human necessity that everyone should be able to afford. As such, having the lowest possible bills can be considered a basic expectation, but customers do not want this at the expense of a deterioration in service. In fact, customers expect us to be continually striving to improve the services we offer – and our plan reflects this. Our customers also tell us that they value bill stability so they can budget easily over time – they do not want any surprises or bill spikes.




We have explored customer views on the affordability of our current and future bills and the other elements which affect bills, including incentives and penalties.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| **Acceptability research** | Quantifies whether customers find our proposals acceptable and affordable and the reasons why |
| **Customer tracker survey** | Quantifies changes in customer satisfaction, value for money and affordability over time, as well as capturing views on discrete issues |
| **PCs, ODIs and investment choices research** | Explores customer views on the balance of risk and reward through ODIs |
| **Valuation research** | As well as determining customer valuations for service improvements we have asked customers about preferences for future bills |

Based on our research we have triangulated our customer evidence to determine customers' relative priority for each of our performance commitments. Whilst we have not discussed voids with customers directly, we have inferred their relative priority based on the expectation that all customers should pay their fair share.

**We have triangulated our evidence base to determine customers' relative priority**

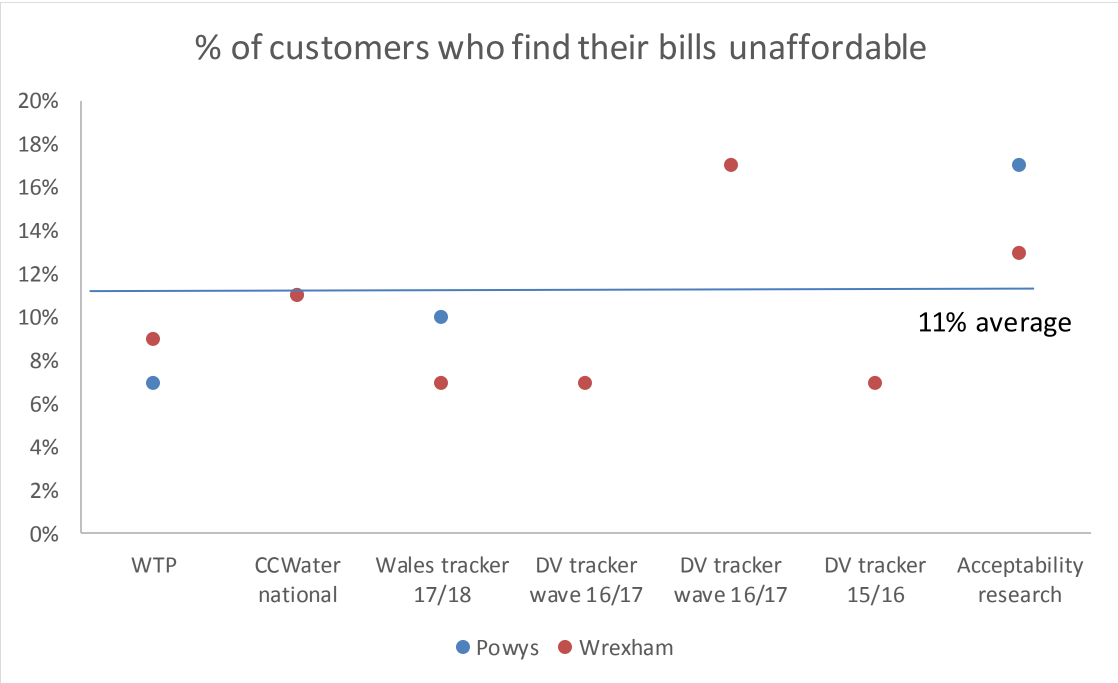
| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| Number of void supply points | Low importance | Basic | No direct customer insight however there is an expectation from customers that every customer should pay their fair share, and that bills will be no higher than they need to be |

## Affordability

The majority of customers are broadly happy with the affordability of their water bill, and are satisfied with the value for money and the services we provide. Our latest set of survey data in 17/18 shows:

- 94% of our customers are satisfied with us overall;
- 75% of customers in Mid Wales, and 85% of customers in North Wales explicitly state our bill is affordable; and
- 87% of customers in Mid Wales, and 83% in North Wales, rate us as good value for money.

Despite our low bill and strong affordability results, we recognise that a small proportion of our customer base does not find bills affordable. We have not relied on a single data point to define the percentage of those who are struggling to pay, since multiple research sources provide different results. Our performance commitment for helping customers who struggle assumes that 11% of customers fall into this category, which is the average of the results from our research, and national research commissioned by CCWater. The Welsh Statistics, published by the Welsh Government, suggests that 24% of people in Wales were living in relative income poverty between 2014/15 and 2016/17, although the water bill is only a small proportion of customers' total household bills.

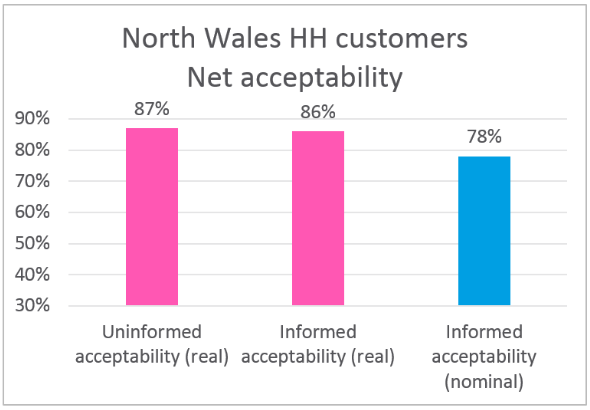


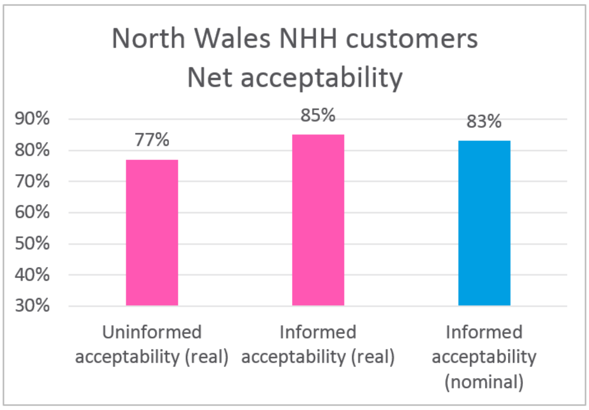
## Acceptability of the plan

We have done a large piece of acceptability research with over 600 customers, to understand if our proposed plan is acceptable and affordable. And we have listened to customer feedback – our first wave of research in Mid Wales found that customers did not find our first proposal acceptable, so we have responded to this, and to challenge from our CCG, and have retested a revised bill proposal which customers have found acceptable.

Acceptability research typically takes customers on a "journey", introducing the future proposed bill in real terms (uninformed acceptability), before presenting the business plan and bill profile (informed acceptability (real terms)), and finally showing the future bill in nominal terms (informed acceptability (nominal)). For the questions where the bill was presented in real terms it was made clear to customers that inflation would also have an impact on the future bill, and they could access an inflation forecast if desired. Around a quarter of respondents chose to do this.

The initial proposal we shared with our North Wales customers included a (real terms) increase in their water bill of 1%, compared to a 6% increase in the combined bill in Mid Wales; and this is the likely cause of the significant difference we initially saw in regional customer's views. The results in North Wales are extremely positive. Despite the modest increase in bills we find that 86% of household customers and 85% of non-household customers, find our proposed plan acceptable, when presented with the service plan and bill in real terms (informed acceptability (real)), and 78% of household customers and 83% of non-household customers, when presented in nominal terms (informed acceptability (nominal)). We chose not to repeat the research in Wrexham despite the proposed bill increase changing slightly from 1% to 3.7%, as we anticipate a majority of customers would still find the plan acceptable.

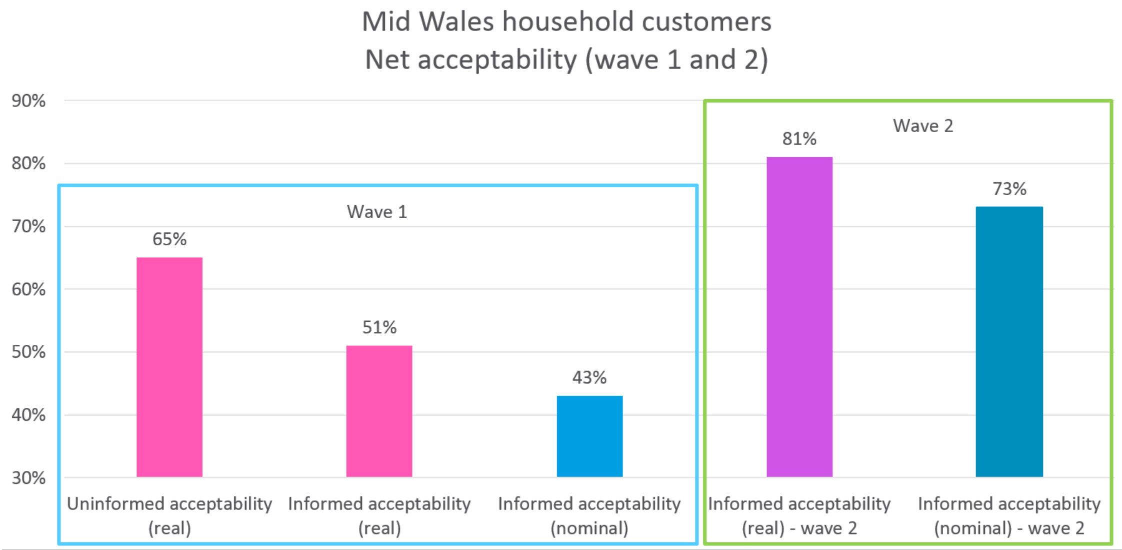



In the first wave of research customers in Mid Wales were less likely to find the plan acceptable - when asked about the bill increase alone (uninformed acceptability), 65% of household customers find it acceptable (and 60% of non-household customers), compared to 51% of household customers, and 56% of non-household customers, when presented with the service plan and bill profile.

We listened to customers and revised our bill profile – in the second wave of research with household customers we put forward a 2.5% increase in the bill (in real terms). Subsequently this increase in bills has been changed to 2.2% but we expect that this would not have a material impact on the results.

We found that 81% of customers found the proposal acceptable when presented in real terms, and 73% when presented in nominal terms.




Across the two waves of research, we asked customers whether the proposed performance commitments for water, wastewater and retail are acceptable, and the majority of customers agreed they are:

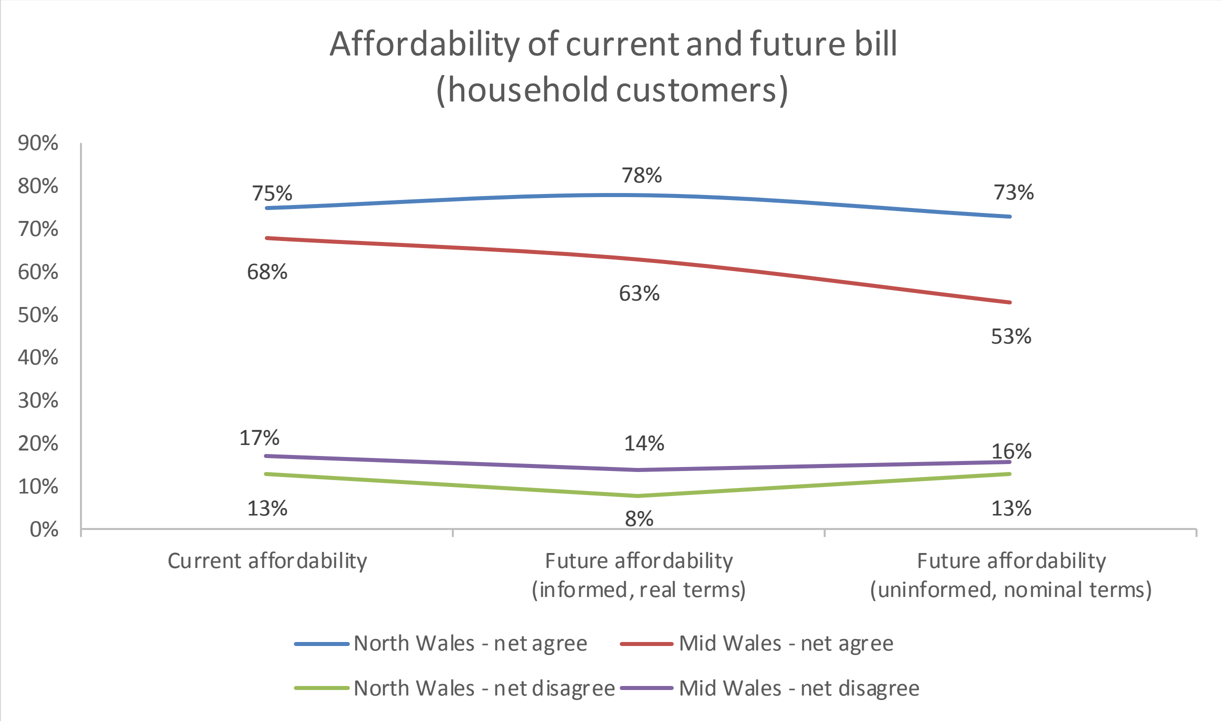
- 79% of household customers in Mid Wales, and 79% in North Wales, supported the proposed package of water performance commitments;
- 86% of household customers in Mid Wales supported the proposed package of wastewater performance commitments; and
- 85% of household customers in Mid Wales, and 77% in North Wales, supported the retail performance commitments.

We analysed whether some customer groups are less likely to find our proposals acceptable and found no statistically significant difference in North Wales, including for the low income groups and those who defined themselves as "just about managing" financially. In Mid Wales (wave 2 research) we find that those who are "just about managing" (JAMs) do have a statistically different view compared to those who aren't, however the results are still positive, with 72% of JAMs finding the plan acceptable compared to 92% non-JAMs. Socio economic group is found to have an impact on affordability but not on acceptability. Low income customers do not have statistically different acceptability or affordability.

As we have found in other research, some customers are altruistic. Most customers recognise the significant service improvements that our plan delivers. "All customers will benefit from the improvements", "My household will benefit from the improvements" and "the improvements are needed" were among the top reasons for the plan being acceptable in both Mid Wales and North Wales. Those customers who find the plan unacceptable tell us this is down to the bill being already expensive, being unable to afford an increase, or company profits being perceived to be too high.

## Affordability of the plan

Our PR19 plan should continue to deliver affordable bills for today and in the future. Our acceptability research shows that the affordability of the bill remains fairly static between the current bill and the future bill, although there is a small reduction in the % of customers finding the future bill affordable when presented in nominal terms.




These results should be treated with some caution as following the first wave of acceptability research the proposed increase in the North Wales bill changed from 1% to 3.7%. The results from our first wave of acceptability, in which we included a "Gabor Grainger" type question on the 2025 bill, indicate that this might cause a 9% reduction in acceptability.

For Mid Wales the results for current affordability were taken from wave 1, whilst the future affordability results are taken from wave 2, although both samples are representative of our customer base.

It is important that we continue to provide targeted support to those customers who struggle to afford their water bill. Chapter 6.2 - Service for everyone explains how we will deliver a significant increase in the number of customers who struggle to pay that we support.

## An appropriate balance of risk and reward

As a company we have embraced the ODI framework, and our customers support this. Most customers tell us that the ODI mechanism is a fair way to encourage good service, although some customers are concerned about the company being rewarded for doing the "day job" or simply disagree with the link between performance and bills.

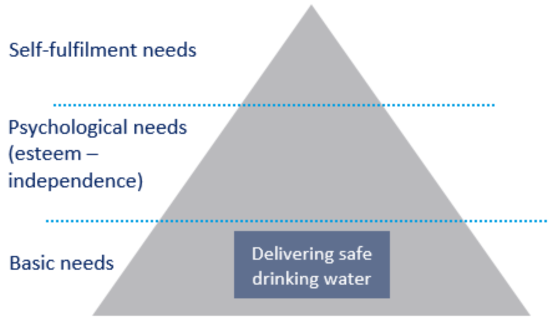
Overall, in our PCs, ODIs and investment choices research 76% of customers find the ODI framework acceptable, in the context of an £8 impact on a combined bill (or the equivalent on a single service or non-household bill).

In our acceptability research, after being asked about the proposed AMP7 bill, customers were asked about the impact of ODIs in nominal terms on the 2025 bill. We found that:

- in North Wales 63% of household customers found the penalty mechanism acceptable, and 51% found the reward mechanism acceptable (wave 1 of acceptability research, with a ±4 impact on the water only bill); and
- in Mid Wales 59% of household customers found the penalty mechanism acceptable, and 67% found the reward mechanism acceptable (wave 2 of acceptability research, with a +£2/-£3 impact on the combined bill).

## Good to drink

Our research shows that delivering safe drinking water is customers' priority and part of their core expectations from their water company, so it is a basic need in our hierarchy. Customers expect a good quality and consistent product every time they open the tap, and whilst they do not necessarily see the need to improve the safety of their drinking water, anything which alters customers' perception of the safety of their drinking water can drive dissatisfaction, cause complaints and negatively impact on their perception of us as a company. This can include changes in appearance and taste due to the treatment process, different sources of water, or movement around the network.




We have explored customer views on both appearance and taste and odour of tap water, as well as how we should tackle the issue of lead in drinking water. We have used a range of insight sources ranging from deliberative research to insight from customer facing employees and analysis of complaints data.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| **Customer needs research and co-creation** | Improves our understanding of customers' needs and the role that we play in meeting them (including customers whose circumstances could make them vulnerable) |
| **Customer tracker survey** | Explore views of customer service over time |
| **Valuation research** | Derives customer valuations for reducing complaints about drinking water and investing in lead pipe renewal, compared to other service elements |
| **Asset health and resilience research** | Explores views on asset health, resilience and two case studies (reservoir safety and lead in drinking water) |
| **PCs, ODIs and investment choices research** | Explores customers' views of performance targets and incentives |
| **Insight from customer facing employees** | Tells us what our customer facing employees feel are the most important sources of customer dissatisfaction |
| **Operational insight** | Expands our understanding of the causes of dissatisfaction using complaints and voice of the customer feedback |

Based on our research we have triangulated our customer evidence to determine customers' relative priority for each of our performance commitments. Whilst we have not discussed the Compliance Risk Index (CRI) specifically with customers, we can infer customers' relative priority from our evidence base.

**We have triangulated our evidence base to determine customers' relative priority**

| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| Water quality compliance (CRI) | Very Important | Basic | Water quality is always a top concern, and a fundamental expectation, although customers do not necessarily distinguish between compliance /whether the water is safe to drink and aesthetics. |
| Number of complaints about drinking water quality | Very Important | Basic | Drinking water is a key customer concern, with taste and smell emerging at the top priority in WTP, and appearance as a medium priority. |
| Number of lead pipes replaced | Very Important | Fulfilment | Our customers perceive lead pipes – regardless of mitigations in place - as a health risk and support tackling the issue. |

## Water quality compliance

Unsurprisingly, a safe, wholesome supply of drinking water is viewed as the most important aspect of core service. Our customer needs research tells us that customers expect their water company to provide a safe, clean and reliable source of water that tastes and smells good, and without excessive chlorination. We consider providing safe drinking water as a basic need within our hierarchy of needs (and one that cannot be traded off with other types of customer needs, such as good customer service). Our research shows that delivering safe drinking water will not drive increased satisfaction because this is already taken for granted, however we know that when we fail to meet customers' expectations this can drive dissatisfaction (e.g. we receive complaints).

Our research on outcomes, PCs and ODIs echoes these findings. This outcome is spontaneously considered to be a key issue the water company should be focusing on, and part of its central function.

**"It's [providing water that is good to drink] very important! The top priority, isn't it?"** – PC and ODI research, non-household customer, Newtown

Whilst customers are not necessarily aware of the mechanics of the CRI measure itself, a more holistic consideration of customer views supports the regulatory expectation of 100% compliance (0 CRI).

## Complaints about drinking water quality

The customers we spoke to in the customer needs research, in both Mid Wales and North Wales, were generally happy that their water is clean and safe to drink, and trust their water company to provide this service. Some did comment however on the taste of their water, and expressed concern about the levels of chlorine.

"I don't drink water from the tap, it's horrible…the smell of bleach…and the taste of it.…" - Customer needs research, Wrexham

Within the Dee Valley region (and nationwide), CCWater tracks a number of metrics designed to measure customer satisfaction with their tap water. According to the latest figures (2017) 97% of Dee Valley customers were satisfied with their water supply, and here was an increase in satisfaction in all key measures since 2016. 98% are now satisfied with the safety of their water, 95% are satisfied with its colour and appearance, 93% are satisfied with its taste and smell, and 91% are satisfied with its hardness or softness.

Data reported to the Drinking Water Inspectorate (DWI) for Dee Valley Water shows that water discolouration (including the presence of particles) and the taste of chlorine make up by far the greatest proportion of complaints relating to the water quality[2]. Whilst these complaint figures represent a small proportion of the customer base, if good quality, safe drinking water is the number one customer priority then these complaints represent a failure to meet customers' most basic expectations of their water.

In our willingness to pay research we asked customers whether they had experienced a range of service failures (within the past 12 months), including poor taste and odour of tap water, and discoloured tap water. We found that reported experience is quite different in Mid Wales compared to North Wales, with 20% of household customers in Mid Wales saying they had experienced poor taste and odour compared to 4% of household customers in North Wales. Discoloured water was experienced by 11% of the household sample in Mid Wales, whereas in North Wales this was higher at 16%. Non-household experience was consistent terms of the most experienced attribute.

| | Household (% experienced in past 12 months) | Non-household (% experienced in past 12 months) |
|---|---|---|
| Mid Wales | | |
| Poor taste and odour | 20% | 13% |
| Discoloured water | 11% | 11% |
| North Wales | | |
| Poor taste and odour | 4% | 9% |
| Discoloured water | 16% | 16% |

Our customer tracker survey corroborates these findings, 21% of customers in North Wales reported experiencing discoloured water and were dissatisfied as a result.

**"We were annoyed as we couldn't use the water and then couldn't get through to customer services about it."-** Customer tracker, wave 4

**"It didn't affect me much because it passed quickly. It happens quite a lot so I didn't really mind."** - Customer tracker, wave 4

If we compared these reported experience figures to the actual number of complaints received, particularly in Mid Wales, we see that the number of complaints doesn't fully reflect the scale of the number of people experiencing an issue. There has also been a strong year-on-year improvement in discoloured water contacts in the North Wales region, driven by our strategy of upgrading treatment works and systematically cleaning the water mains. Insight from our customer facing employees is consistent with the research – they reported that customers in North Wales have an issue with discoloration, although this has improved recently following a programme of mains flushing and ice pigging.

In our willingness to pay research we asked respondents to state their top three improvements, prompted by the list of service attributes provided. In both Mid Wales and North Wales improvements in the taste and smell of tap water were the most prioritised improvement, followed leakage. Appearance of tap water was a much lower priority in Mid Wales compared to North Wales.

[2] Data reported to the DWI for 2015-16.

| IMPROVEMENT – HOUSEHOLD CUSTOMERS | MID WALES % (N=250) | NORTH WALES % (N=255) |
|---|---|---|
| Taste and smell of tap water | 61% | 87% |
| Leakage | 58% | 60% |
| Lead pipe replacement | 47% | 35% |
| Internal sewer flooding incidents | 27% | |
| Appearance of tap water | 24% | 47% |
| River water quality | 20% | |
| Pollution incidents | 20% | |
| External sewer flooding incidents | 18% | |
| Low water pressure | 13% | 33% |
| Interruptions to supply (lasting 3-6 hours) | 12% | 37% |

The non-household sample was asked the same question, and we got similar responses.

| IMPROVEMENT – NON-HOUSEHOLD CUSTOMERS | MID WALES % (N=75) | NORTH WALES % (N=75) |
|---|---|---|
| Taste and smell of tap water | 60% | 72% |
| Lead pipe replacement | 39% | 52% |
| Leakage | 32% | 45% |
| Internal sewer flooding incidents | 31% | |
| Appearance of tap water | 29% | 49% |
| River water quality | 29% | |
| Pollution incidents | 27% | |
| Low water pressure | 21% | 32% |
| Interruptions to supply (lasting 3-6 hours) | 19% | 49% |
| External sewer flooding incidents | 13% | |

In our PCs and ODIs research we found that 76% of household customers, and 88% of non-household customers found the proposed targets acceptable. Many of the respondents in the deliberative workshops had experienced issues themselves, and therefore did not find the current performance (compared to other water companies) surprising.

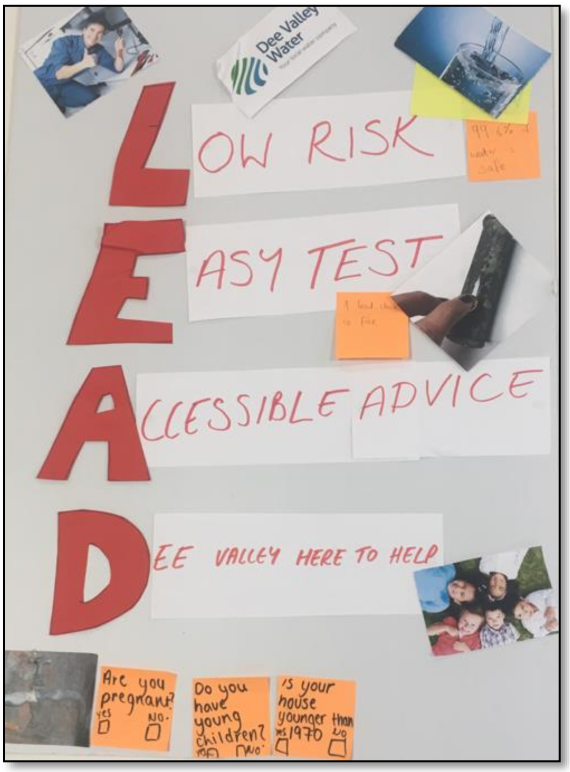
The proposed level of improvement in the target was considered excellent and stretching, and customers were interested in more information about how the improvements would be made. This performance commitment was also the second highest priority for outperformance beyond the target, in the context of ODIs.

**"That's [the drinking water quality complaints target] is unreal! That's brilliant"** – Customer, PC and ODI research

Overall, an improvement in this performance commitment is considered important to customers. Any deviation from the standard to which our customers are accustomed is likely to lead to dissatisfaction, and as such, the underlying and long-term aim of this measure is to ensure a consistent supply of good quality drinking water.

## Lead in drinking water

We have a rich evidence base on the subject of lead pipes; our research on customer needs, co-creation, willingness to pay research, asset health and resilience and PCs and ODIs research have all explored the topic of lead pipes. Although our customer facing employees tell us this does not emerge as a spontaneous concern, we find that, when prompted, customers are concerned about lead pipes.




Tackling lead pipes emerges as a top three (prompted) priority for both the household and non-household sample in our willingness to pay research. Household customers in Mid Wales were willing to pay 60 pence per year for financial support for dealing with lead pipes, compared to £1.78 in North Wales.

Conversely, our customer needs research found that while some customers are aware of historic issues with lead pipes, most are unaware that they are still present in the water system or could be in their home.

There is also mixed awareness and/or confusion over who is responsible for water pipes. Customers are unaware that they own their supply pipes or of the health issues associated with lead pipes. When prompted, customers tend to be shocked and concerned. This concern does diminish once customers' questions had been answered with more reassuring information. The cost of replacing lead pipes can also be seen as prohibitive, and some feel the responsibility should sit with the Welsh Government.

**"On the one hand I'm not that keen to have lead in the children, but on the other I'm not sure it should be something Severn Trent should be doing. It should be the Welsh Government"** – Customer needs research, Newtown

Our co-creation with customers has provided some tips on how to go about communicating with customers on this issue. The co-creation has told us that the target audience for awareness should be all customers. However there are a few groups that are seen as especially important to target, namely those moving home into a property built before the 1970s, pregnant women and those with young children.

The key messages that resonated with customers were:

- it is easy to check whether or not this is an issue which affects your home;
- your water company is here to help, whether it is with advice about how to change your pipes, or how to manage the risk in the short term; and
- overall there is a low risk that this will affect your health, but this is the best way to have confidence that it will not.

Customers also wanted to see clear, simple instructions (step by step guides). They wanted to be informed that it's a quick and easy test, and reassurance about the health risks. Customers also felt that Hafren Dyfrdwy could work with third parties to spread the word, such as estate agents, organisations who do house surveys, local councils and nurseries.

Despite this limitation, there are some clear themes:

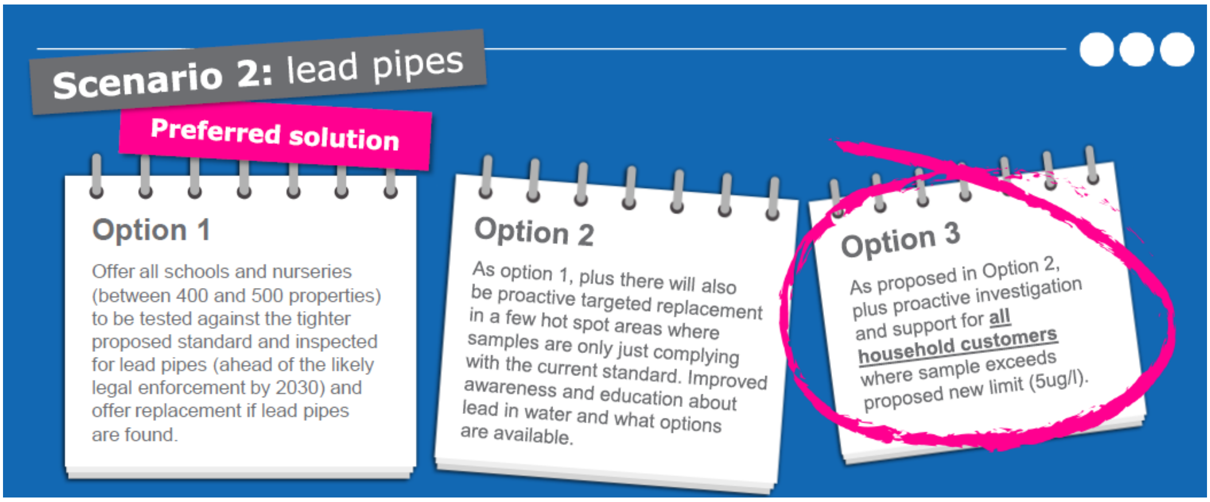
- Where customers are prompted to think about lead in the water supply it often provokes concern and the desire to see greater efforts to have it eradicated.
- Few customers express awareness of campaigns designed to educate customers around the issue, despite such campaigns having recently taken place.

Our research on asset health and resilience discussed lead pipes as one of two scenarios, considering both pace of investment and attitude to risk. In this research we also found that there is limited awareness of future potential tighter lead level restrictions and the existence of lead pipes. When presented with the scenario, workshop participants questioned the extent of the problem and the consequent amount of disruption it would cause.

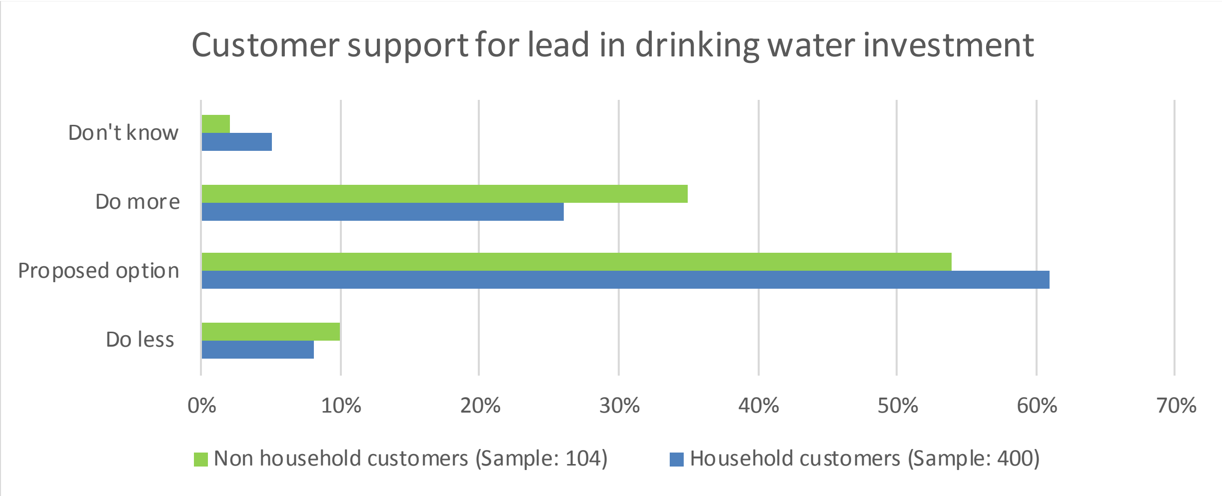
The participants in the workshop agreed increased and more active communication is important, as well as more testing, so that customers can decide how to deal with the situation themselves. Overall, customers wanted to know whether they were personally affected. Those with young children and grandchildren were particularly passionate, expressing concerns over safety.

**"I think it's a good thing to get rid of lead piping. Lead is a metal I don't trust at all."** - Customer needs research, Wrexham

In terms of pace, this was seen as something that requires action as soon as possible, and the “do more” option was seen as optimal due to concerns over health risks.




This was a purely qualitative research project, which we then followed up with quantitative insight in the PC and ODI research. We found that the majority of household customers (61%) supported our proposed approach, whilst 26% were willing to pay for a “do more” option with increased activity. Only 8% of customers wanted us to invest less to reduce lead in drinking water. Fairly similar results were obtained from non-household customers, with 54% supporting the proposed approach and 35% supporting the “do more” option. Only 10% of customers supported the “do less” option.




## Supply resilience

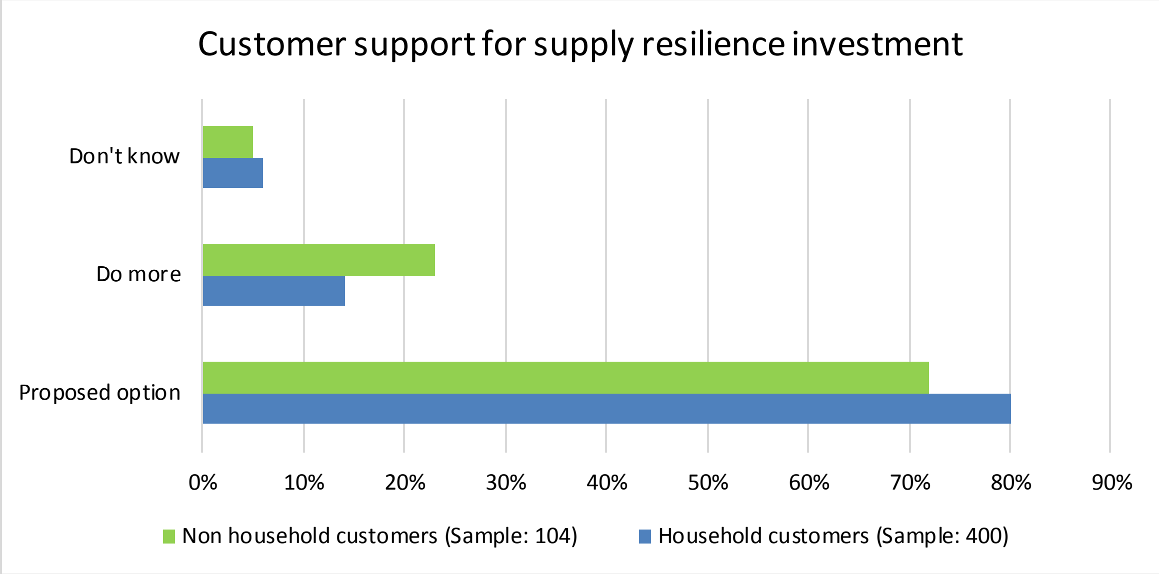
The investment in supply resilience (our long term approach to managing our treated water distribution reservoirs) contributes to two outcomes (Good to drink, and Water always there), but we have summarised customer views on this chapter.

Our customers typically take their water supply for granted, and ensuring a resilient water supply is a fundamental need that once met, is not given much further thought. We have sought to build up an understanding of what our customers think and expect through a variety of research and analysis of day to day contacts. There are two key areas where our broader research approach has given us insight that relates to investment in supply resilience:

- through our customer tracker we know that 88% of customers trust us to plan for the future. In particular they trust us to balance monitoring and looking after our assets in the shorter and longer term, whilst keeping bills manageable; and
- from our initial customer needs research a key theme is that of resilient and dependable supplies, backed up by infrastructure investment, being valued and important to customers. Whilst in our willingness to pay research reducing short term interruptions to supply emerges as a low (relative, and prompted) priority, customers take their current resilient supplies for granted, and in general do not wish to see services deteriorate.

In addition to this we have undertaken specific research on supply resilience with two complementary approaches:

- we have used our deliberative asset health and resilience research to raise awareness of these more complex investment decisions, and to get more informed views on the pace at which we should proceed. In deliberative workshops in both Wrexham and Newtown, we have discussed with our customers the idea of asset health and resilience and then specifically how they see that in the context of intergeneration fairness (who pays for what, and when). These workshops included both current and future household customers, and were supported by a series of telephone depth interviews with non-household customers; and
- in our quantitative research with customers on the choices in our plan (PCs, ODIs and investment choices research) we have asked customers to make choices on the pace of investment, in the context of bill impacts.




Our research finds that the majority of customers, whether household or non-household, either support the proposed option, or a faster pace of intervention (bringing forward investment required in AMP8). Very few customers did not wish to express an opinion on this choice.

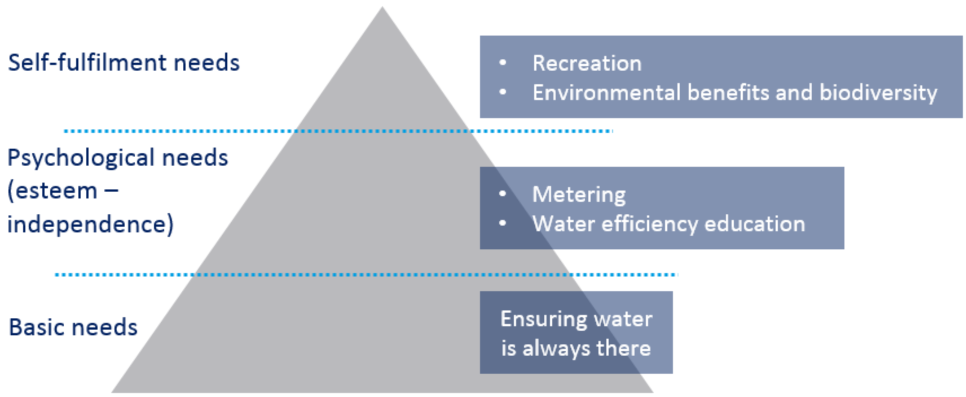
These results from the quantitative research are consistent with the broader insight from our deliberative research. Customers generally felt that water companies should be taking a proactive to mid-ground approach in regards to asset maintenance, especially as water is seen as an essential service. A reactive approach is unacceptable as it could lead to a spiral of assets falling into disrepair that would eventually impact on all customers, both in terms of safety and cost. At the same time the current experience of good service means that bringing investment forward isn't deemed necessary, especially if this would cost more.

It's interesting to note that the future customers in our workshop felt more disconnected with these choices - they could really understand why a faster pace of intervention was an option, and were content as long as water is coming out of the tap. Anecdotally, some customers were sceptical about why we were consulting them on such topics, rather than relying on our internal experts.

## Water always there

A reliable supply of tap water is a basic customer expectation voiced in almost all the research that we have conducted. Our customer needs research shows that customers take their water supply for granted, and ensuring water is always there is a basic need that, once met, is not given much further thought. Our asset health and resilience research tells us that previous experience with their water company when an issue arises can reduce trust (if not dealt with well), but having a continuously reliable service does not necessarily drive trust up.

Once this basic need of a reliable service is met, there are aspects within the delivery approach (in terms of how we balance supply and demand) which can meet higher needs. By giving customers information and choice, more psychological needs are met, for example by giving customers the tools to reduce their bills through water efficiency advice and metering. Customers and their families can also benefit from our public access sites, such as reservoirs. These can provide the opportunities for people to meet many different needs, for example basic needs in terms of promoting health and well-being whilst also providing opportunities for self-fulfilment through recreation and enjoying nature.




We have explored customer views on the main performance commitments which underpin this outcome, including leakage, interruptions to supply and low pressure, using a range of insight sources. We have also reviewed complaints data – many of the service issues in this outcome are amongst the top causes of complaints, including leakage, pressure and loss of supply.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| Customer needs research and co-creation | Improves our understanding of customers' needs especially when service failures occur, what's important to them, and how they might engage with water efficiency messages |
| Customer tracker survey | Explore views of customer service over time |
| Valuation research | Quantifies the importance of reducing leakage, low pressure and interruptions in the context of other areas of service |
| Asset health and resilience research | Explores views on asset health, resilience and two case studies (reservoir safety and lead in drinking water) |
| PCs, ODIs and investment choices research | Explore customers' views on performance targets and incentives |
| Insight from customer facing employees | Tells us what our customer facing employees feel are the most important sources of customer dissatisfaction |

| Approach | Purpose |
|---|---|
| Operational insight | Expands our understanding of the causes of dissatisfaction using complaints and voice of the customer feedback |

Based on our research we have triangulated our customer evidence to determine customers' relative priority for each of our performance commitments. We have not discussed unplanned outage with customers specifically as this is not a customer facing measure. We know that customers expect and rely on us to maintain our assets in order to keep their taps flowing. We also did not discuss drought risk with customers, since no improvement is required for this measure (we will maintain the current 0% of customers at risk of severe restrictions during in drought) and insight from customer facing employees suggested this is not a front of mind issue for customers.

**We have triangulated our evidence base to determine customers' relative priority**

| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| Leakage | Very important | Basic | Customers want us to reduce leakage and it is a high priority, although willingness to pay is low. The proposed target is acceptable. |
| Water supply interruptions | Important | Basic | Interruptions to supply appear to be a low priority for customers in willingness to pay research, however the proposed target is acceptable. |
| Per capita consumption | Important | Basic | Some customers feel water should be conserved and take steps to do so, some are motivated by saving money, some by the environment. Leakage is more important as a demand measure |
| Properties at risk of receiving low pressure | Important | Basic | Whilst low pressure is not a high priority for improvement, customers report high levels of experience of low pressure, which causes dissatisfaction. |
| Asset health - mains bursts | Important | Basic | Customers recognise the link with interruptions and traffic disruption. Both can cause dissatisfaction. |
| Asset health – unplanned outage | Low importance | Basic | Inferred priority – not a customer facing measure |
| Resilience – drought risk | Low importance | Basic | Inferred priority as no improvement required |

## Leakage

Our WTP research shows that reducing leakage is a priority for improvement for household customers, however the WTP valuation in Mid Wales was zero for this customer group. It may be that leakage is a high priority for customers, but they feel this should be funded by the company and not by themselves.

Reducing leakage also emerges as a top priority in the customer tracker survey, in the context of activities we should be doing more of in order to protect or improve the natural environment. 5% of customers in Mid Wales, and 7% in North Wales, said they had noticed leakage in the past year. This causes dissatisfaction, particularly when repairs are not undertaken efficiently.

**“They fix it and then it bursts again and again and all the water keeps going in my garden.” -** Household customer, Wales tracker, wave 4

**“It did not affect me, but water was running down the street for about two weeks before it was repaired.”**- Household customer, Wales tracker, wave 4

**“[DVW should] make sure that leaks are fixed quickly and give information about the leaks.”** – Household customer, Wales tracker wave 4

In our PC and ODI research we found that 71% of household customers, and 69% of non-household customers, found the proposed leakage target acceptable. This was the lowest acceptability of all the performance commitments presented, and there were also significant differences for household customers between Mid Wales and North Wales. The qualitative discussion gives us some insight into why this is the case – customers unanimously believed that reducing leakage is good, but felt that the current and target level are both still too high, even if the water company is performing comparatively well. Some customers did however feel that the target reduction is stretching.

In the context of ODIs, reducing leakage was the top priority for outperformance beyond the target.

Our insight from customer facing employees also confirms that leakage is an important front of mind issue for customers, particularly as it is in the media a lot, especially during hot weather. Our complaints data shows that leakage is one of the most common complaints.

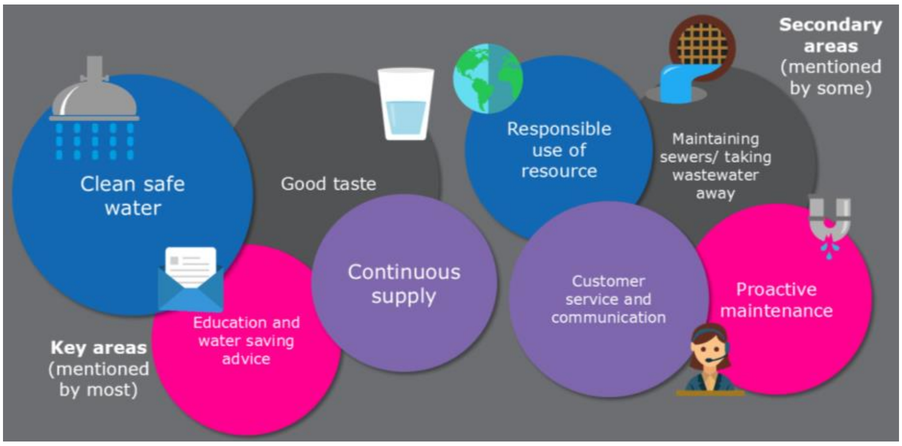
## Water supply interruptions

Due to the low levels of customers experiencing some type of supply interruption, issues of resilience are often not spontaneously voiced as concerns. However, it is clear from the research that a reliable supply, whilst taken for granted, is one of customers’ core expectations.

**“It’s only when you lose water service that you realise how much of a big deal it is, and how much we rely on it.”** - Customer needs research, Mid Wales

Our NAV research asked customers to describe what they felt were the “personality traits” of their water company – for both Severn Trent and Dee Valley. ”Reliable” and “quietly efficient” emerge as key themes. CCWater Water Matters (2017) finds that 95% of Dee Valley customers are satisfied with the reliability of supply, and 88% are confident in a long term water supply being available without restriction.

In our PCs and ODIs research some of the themes which emerge spontaneously as priorities the company should be focusing on include “continuous supply”, “proactive maintenance”, and “responsible use of resource”, however this doesn’t necessary imply customers felt these need to be improved.




Our willingness to pay research shows that only 3% of household customers, in both Mid Wales and North Wales, state they have experienced an interruption to supply (between three and six hours) in the last 12 months, with very similar percentages (5% for Mid Wales and 3% for North Wales) reported by the non-household sample. Reported experience was consistent in the customer tracker survey, with 6% of customers in Mid Wales and 2% in North Wales reporting experience of an interruption to supply. This was the lowest of the service failures in North Wales.

Our willingness to pay research gives a mixed view on the relative priority of improving interruptions to supply between Mid Wales and North Wales, with customers in Mid Wales reporting it as their lowest priority, whilst it is fourth out of six service attributes in North Wales.

| IMPROVEMENT – HOUSEHOLD CUSTOMERS | MID WALES % (N=250) | NORTH WALES % (N=255) |
|---|---|---|
| Taste and smell of tap water | 61% | 87% |
| Leakage | 58% | 60% |
| Lead pipe replacement | 47% | 35% |
| Internal sewer flooding incidents | 27% | |
| Appearance of tap water | 24% | 47% |
| River water quality | 20% | |
| Pollution incidents | 20% | |
| External sewer flooding incidents | 18% | |
| Low water pressure | 13% | 33% |
| **Interruptions to supply (lasting 3-6 hours)** | **12%** | **37%** |

Non-household customers present a slightly different picture, and reducing interruptions ranks slightly higher for them.

| IMPROVEMENT – NON-HOUSEHOLD CUSTOMERS | MID WALES % (N=75) | NORTH WALES % (N=75) |
|---|---|---|
| Taste and smell of tap water | 60% | 72% |
| Lead pipe replacement | 39% | 52% |
| Leakage | 32% | 45% |
| Internal sewer flooding incidents | 31% | |
| Appearance of tap water | 29% | 49% |
| River water quality | 29% | |
| Pollution incidents | 27% | |
| Low water pressure | 21% | 32% |
| Interruptions to supply (lasting 3-6 hours) | 19% | 49% |

| IMPROVEMENT – NON-HOUSEHOLD CUSTOMERS | MID WALES % (N=75) | NORTH WALES % (N=75) |
|---|---|---|
| External sewer flooding incidents | 13% | |

Valuations for improvements present an interesting picture, with customers in Mid Wales willing to pay nothing for improvements in the water supply "package" (which consisted in leakage, low pressure and interruptions), whilst those in North Wales have a positive willingness to pay.

Whilst willingness to pay for improvements might be low, our customer needs research shows that the theme of resilient and dependable supplies backed up with infrastructure investment is both valued and important to customers. Whilst this might appear to be a contradiction, in it not uncommon that different research methodologies produce different results. Our WTP results show that interruptions are experienced by few customers, which could explain the low prioritisation; it's also possible that customers expect this aspect of service to be improved but expect the water company to fund it.

When immersed in the challenges facing a water company within the deliberative research, and in a setting which allows free-flowing discourse to take place, the results can reveal attitudes and motivations that would not otherwise have been found by direct questioning.

In our PC and ODI research we found that 81% of household customers, and 87% of non-household customers, found the proposed target acceptable. Reducing supply interruptions is considered essential particularly for non-household customers who might rely on water for their trade, and for vulnerable groups such as the elderly and parents with young children. Our PC for supporting customers in vulnerable circumstances recognises this.

**"We require an uninterrupted supply of clean, good quality water for the business to be able to function. Without that my business couldn't function, we'd have to stop".** – Non-household customer, PCs and ODIs research, Wrexham

**"Not having water would have a massive impact on my health issues - I need water for dialysis, for my medication, to clean my ileostomy and the ileostomy bag, and to drink."** - Customer needs research, customer with health and well-being vulnerability

The research indicated that customers do not understand the units that are used to describe supply interruptions. Given that this is a common measure, mandated by Ofwat, we cannot change the units. However in our customer facing documents we will present the information as the number of customers who receive short (0-3), medium (3-12) and long (over 12 hours) duration interruptions as this approach resonates more with them.

### Per capita consumption

Our insight programme shows a mixed picture between those actively saving water, and those who feel that water is "actually quite cheap, and used without thinking". For example, in our willingness to pay research we asked customers to identify which of the following statements best reflected their views. We found the following:

| Which one of the following statements best reflects your views on the water supplied at your home? | Mid Wales (N=250) | North Wales (N=255) |
|---|---|---|
| Water is a scarce resource and society should conserve its use | 39% | 49% |
| Water is a free good, from the sky, and we people should not have to pay for it | 11% | 8% |
| Water is actually quite cheap – we use it without ever thinking how much it costs | 50% | 38% |

Our customer needs research reveals that some customers are active water savers. Saving water for them involves a variety of practices such as installing water saving devices, using water butts and recycling dishwater and bath water. Motivations to be water efficient seem on the surface to be primarily driven by cost savings, yet some customers in North Wales and Mid Wales talked about being environmentally motivated.

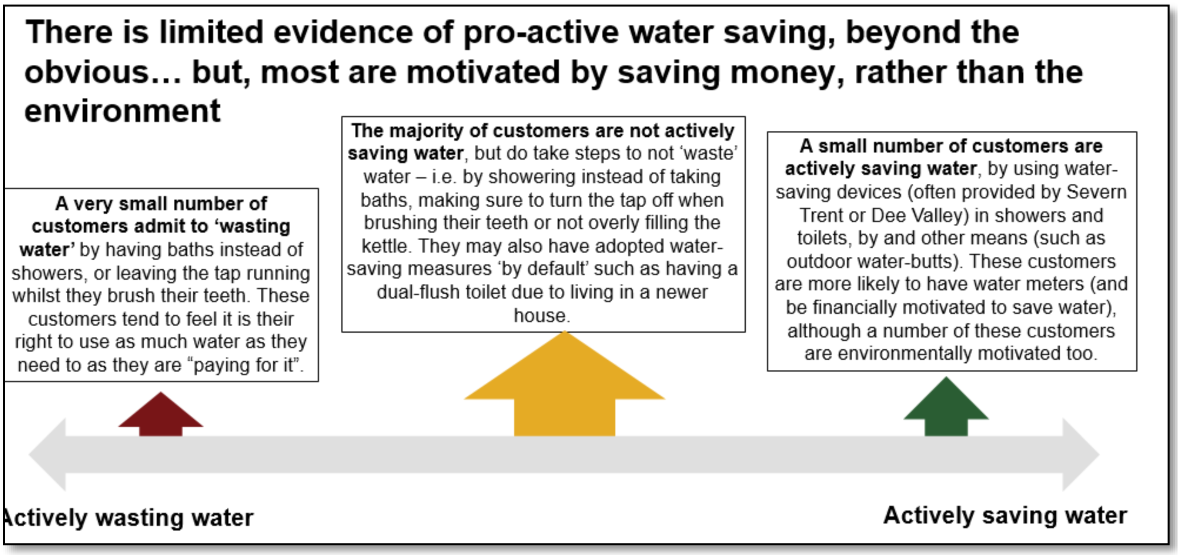
**"My main reason for conserving water is to keep the costs down"** - Customer needs research, customer with health and well-being vulnerabilities

**"Generally we try to be careful with water because of the environment"** - Customer needs research

However, the majority of the workshop participants and customers visited at home were not actively doing anything to save water. These results need to be considered in context (this was a relatively small scale qualitative piece of research, however these provide an interesting comparison to other sources of evidence).

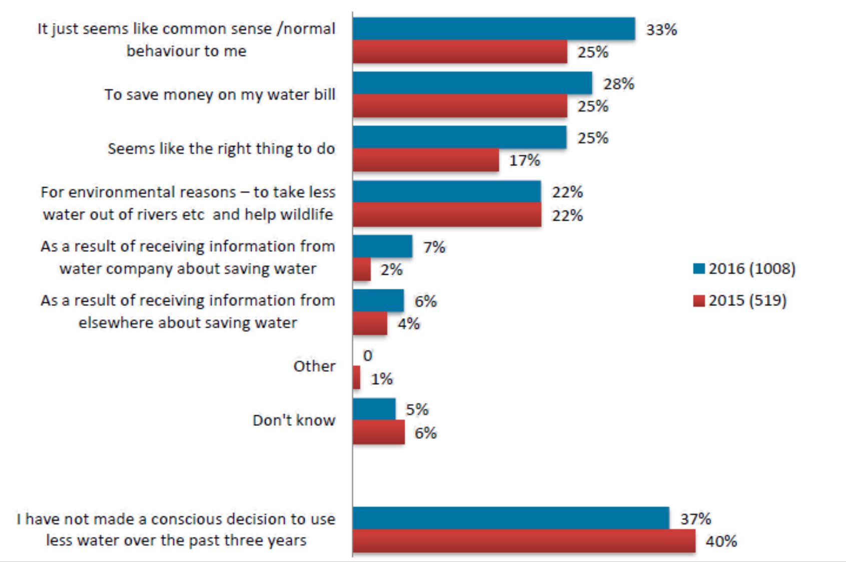
Some customers are surprised when they consider the amount of water people use on average per day.

**"133 litres per person per day - good grief. If you think about 133 litre bottles of water stacked next to each other - that's a crazy amount!"** - Customer needs research, Wrexham

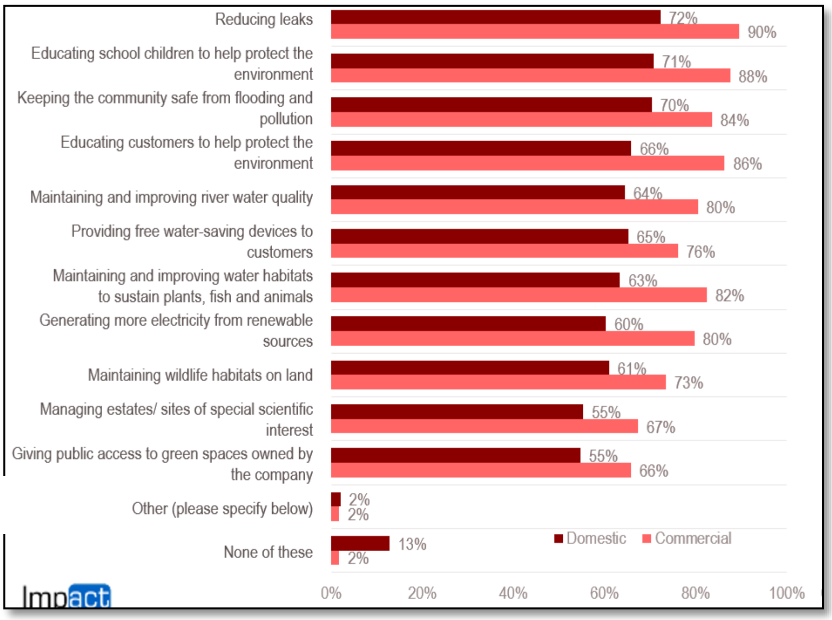


CCWater research (Consumer attitudes to tap water and using water wisely, 2016) including a sample in Wales (not specifically the Hafren Dyfrdwy region) explores the motivations behind customers making a conscious decision in the last three years to use less water. The most recent results show that 37% of customers have not made a conscious decision to use less, but for those who have, the top reasons include it seeming like common sense / normal behaviour, to save money, it being the right thing to do, and to help the environment. The results are broadly similar across England and Wales, with minimal differences between the two. Certain groups are less likely to have made a conscious decision to use less water: non-bill payers, those in unmetered households, younger age groups (18-24) and those living with parents or extended family.

**Figure 48: WALES: If you have made a conscious decision to use less water in the last three years, which of the following are reasons why? (All respondents - Wales)**

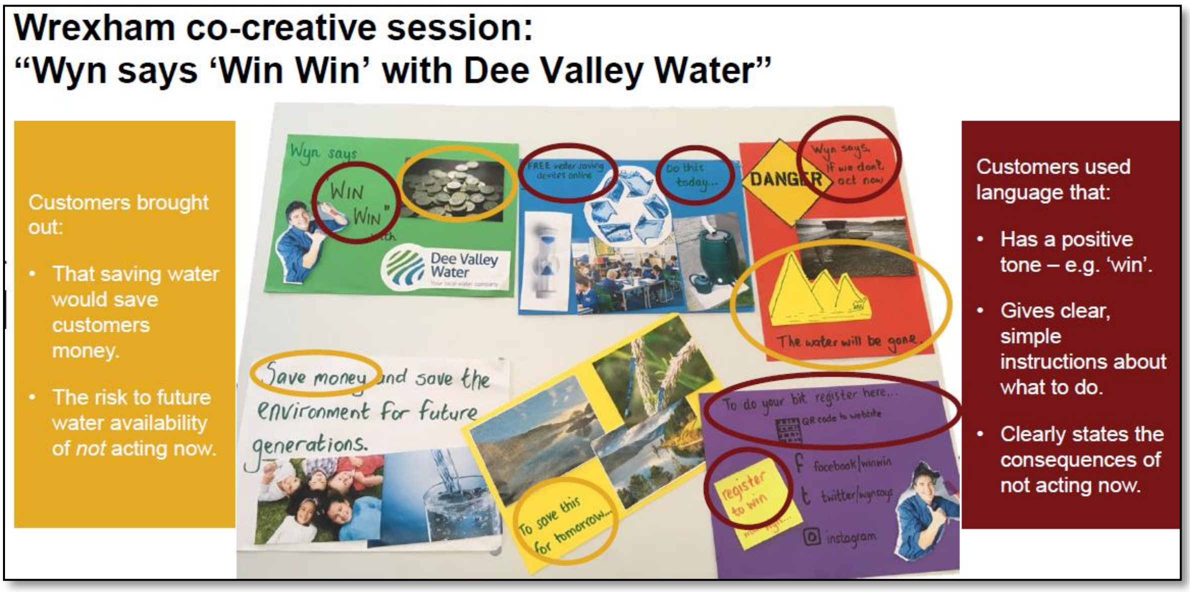



There is an appetite for more engagement in this area. The customer tracker research told us that some customers would like to know more about how to reduce their water usage, and there is interest in the company doing more to provide free water saving devices for customers, as part of a range of activities they could do more of to protect or improve the natural environment. 52% of customers think we should be doing more to offer water saving advice to those on a meter.



Our insight from customer facing employees tells us that, although not always front of mind, some customers want reassurance that we are protecting the environment and that there will be enough water to meet customer needs in the future.

Within the co-creation workshop we asked customers to work with colleagues to help design water efficiency messages. Some of the things that resonated with customers were using tangible examples of water usages (e.g. how many bathtubs of water, rather than technical measures such as cubic litres) and giving simple instructions about what customers need to do.




## Properties at risk of receiving low pressure

CCWater Water Matters (2017) finds that 89% of Dee Valley household customers are satisfied with their water pressure. Despite this, 18% of customers in the willingness to pay research in Mid Wales, and 12% in North Wales, reported experiencing low water pressure in the past 12 months. Customers are telling us this is the second highest most experienced service failure, after poor taste and smell of drinking water in Mid Wales, and after discoloration in North Wales. Our tracker research corroborates these findings, low pressure is reported by 12% of customers in Mid Wales and 11% in North Wales – this causes annoyance for both household and non-household customers.

"The customers in the B&B get annoyed as their shower has lower pressure", NHH customer, Wales tracker

Our customer facing employees also told us that low pressure, particularly in hilly areas, is a source of dissatisfaction for customers, and pressure is one of the top six causes for complaint in Mid Wales and Dee Valley. We recognise however there is disparity between what customers are telling us they experience compared to the number of properties below the Ofwat pressure standard (35 properties in North Wales, compared to 14 in Mid Wales), however, given the strong customer feedback we have reintroduced the low pressure measure for our North Wales region, and are continuing with the AMP6 performance commitment in Mid Wales.

"[Low pressure] It would be a problem if the boiler didn't work and you had no hot water, that would be terrible, a big problem" – Household customer, PCs and ODIs research, Wrexham

Our longer term aim is to move to a more customer facing measure, but we currently have insufficient monitoring, telemetry and control in the network. During AMP7 our plan will include data and control improvements and more communication with customers to better understand their expectations and to understand which parts of the network are not meeting that expectation.

Poor pressure can be a major cause of dissatisfaction to customers and as such, it emerged as an important issue. In our triangulation we have not classed it as very important as in some sources it does not emerge as a high priority for improvement. Reducing instances of low water pressure does not emerge as a top priority in our WTP research, with household customers ranking it the in the bottom two and non-household customers in the bottom three. These results are consistent in Mid Wales and North Wales.

In our PC and ODI research we found that 73% of household customers and 80% of non-household customers found the proposed target acceptable. The discussion in the qualitative research gives us some insight into this – customers felt this is an important area for us to perform in, but were somewhat surprised this was a core commitment, with the numbers affected being quite low. There was interest in understanding more details, like the duration of pressure incidents.

"It really depends how long it lasts for, a couple of hours then fine but for weeks at a time?" – Household customer, PC and ODI research, Mid Wales

## Asset health – mains bursts

Our customers have told us that they trust us to identify and make appropriate plans to maintain service for the long term. In our customer tracker survey, 88% of customers said they trust us to invest responsibly in our network for the future. We tested this further in the deliberative research on asset health and resilience, where we found that customers do have an overall appreciation of the extent of assets a water company is responsible for. Most of the workshop participants felt we should be taking a proactive to mid-ground approach when maintaining our assets – a purely reactive investment approach is not deemed acceptable where an essential service is involved. Overall the service they receive resonates with customers more than the state of the assets themselves – although it was expected that eventually they would experience issues if assets were not maintained adequately.

"They should be maintaining [assets] all the time, but they should also be forward thinking so there's a little bit of proactive stuff as well as maintaining stuff. I definitely don't think they should be reactive." – Non-household customer, asset health and resilience research

We did not explicitly ask for customer views on the targets for mains bursts for two reasons:

1. Mains bursts is not a customer facing measure (we are at a level where further targeting of bursts wouldn't have a significant impact on the customer facing measures, such as interruptions or leakage in the short term). Customers have told us they expect us to carry out maintenance such that we don't store up problems for the future.
2. We are striving to identify the economic level of mains bursts – we are trying to balance the long term stability of the network with the relatively high cost of mains renewal as a way of reducing leakage or preventing supply interruptions. Customers do not have enough information to make this choice and it undermines our credibility asking them. For example, during the asset health workshops (not specifically on the topic of bursts) several customers responded with "isn't it your job, why are you asking us?".

In the initial customer needs research we talked to customers about their expectations during a range of service failures. Mains bursts were considered the least impactful of water service issues, and resulting only a low level inconvenience for most customers. Customers identified potential improvements in response in terms of compensation and more information, such as the provision of more information on road signs where we are fixing leaks. Our customer tracker research and customer needs research also tell us that road works can be a source of dissatisfaction for customers, as well as temporary repairs.

”There doesn’t seem to be any communication or signs up.” – Customer needs research, Wrexham

## Resilience – drought risk

We did not discuss drought risk with customers, since no improvement is required for this measure (we will maintain the current 0% of customers at risk of severe restrictions during in drought), and our stakeholders and employees tells us this is not a front of mind issue in Wales. Our joint research on water trading (with United Utilities, Thames Water and Severn Trent, and which included a sample of customers served by water companies in Wales) tells us that customers do not expect drought to be something that will happen in Wales.

**“It is a frightening thought that some areas might suffer from a severe shortage of water in such a short amount of time. It will not affect me personally in Wales but I have many friends living in areas that are facing problems in the future. It is a strange concept to think about water shortages in the UK.”-** Water trading research, household customer in Wales

**“As far as concerns go, I do not have any as where I live there is no shortage of water and I doubt if there ever will be”** - Water trading research, household customer in Wales

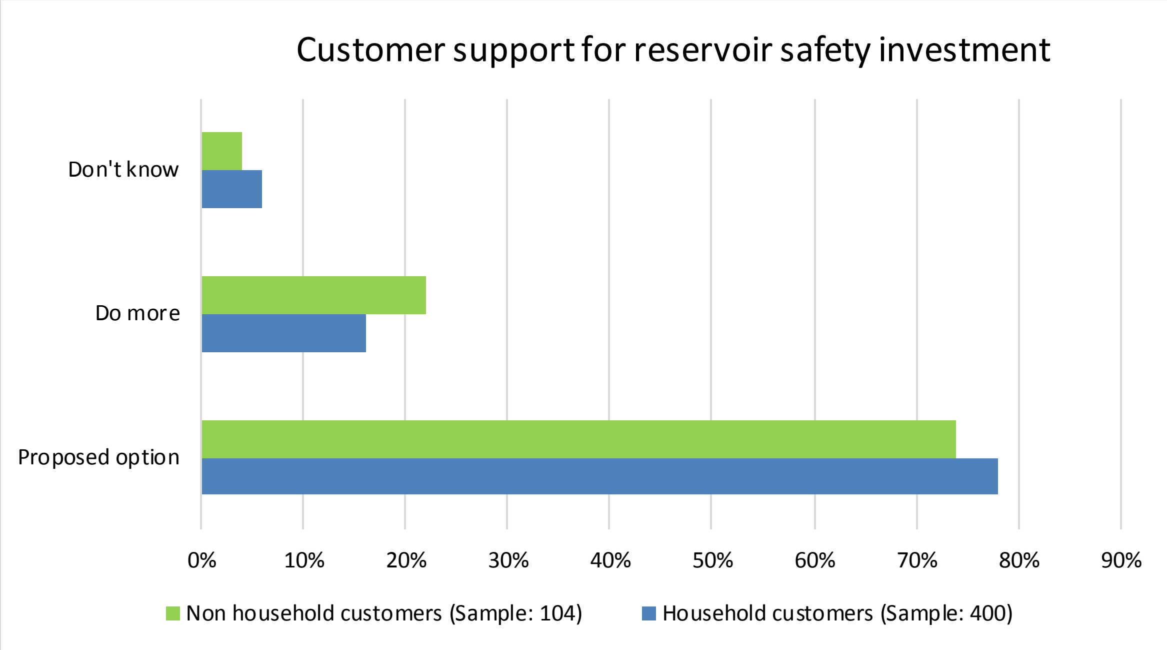
## Reservoir safety

Compliance with the Reservoirs Act 1975 and amendments is a statutory requirement and as such is not optional. Therefore we have not discussed the details of the requirements or the risk assessments with customers. However, there are two key areas where our broader research approach has given us insight that relates to the proposed investment on reservoir safety:

- through our customer tracker 88% of customers trust us to plan for the future. In particular they trust us to balance monitoring and looking after our assets in the shorter and longer term, whilst keeping bills manageable; and
- in our initial customer needs research, customers told us, unprompted, the importance they place on the natural environment and having access to green spaces. Our impounding reservoirs contribute to their lives by offering them access. We will also look at how we can further meet their needs in the business case by enhancing access and the facilities at the sites where appropriate and cost effective to do so.

In addition to this we are undertaking specific research on reservoir safety with two complementary approaches:

- we have used a deliberative to raise awareness of these more complex investment decisions, and to get more informed views on the pace at which we should proceed. In deliberative workshops in both Wrexham and Newtown, we have discussed with our customers the idea of asset health and resilience and then specifically how they see that in the context of intergeneration fairness (who pays for what, and when). These workshops included both current and future customers, and were supported by a series of telephone depth interviews with non-household customers; and
- in our quantitative research with customers on the choices in our plan (performance commitments, areas of investment choice and incentives) we are asking customers about the pace of investment, in the context of bill impacts.




Our research finds that the majority of customers, whether household or non-household, either support the proposed option, or a faster pace of intervention (carrying out significant maintenance on all reservoirs, including those due their statutory inspection in 6 to 10 years' time). Very few customers did not wish to express an opinion on this choice.

These results from the quantitative research are consistent with the broader insight from our deliberative research. Customers generally felt that water companies should be taking a proactive to mid-ground approach in regards to asset maintenance, especially as water is seen as an essential service. A reactive approach is unacceptable as it could lead to a spiral of assets falling into disrepair that would eventually impact on all customers, both in terms of safety and cost. At the same time the current experience of good service means that bringing investment forward isn't deemed necessary, especially if this would cost more.

When discussing reservoir safety more specifically, customer appreciated the need to act on these assets. A reactive approach would be considered irresponsible, as well as leading to future disruption and bill increased. Customers expect us to maintain and spread the cost of investment over time. Customer views did not change if we were discussing assets in close proximity to themselves, or a neighbouring area – they expected that eventually they would feel the impact. Some customers, particularly in Mid Wales, questioned why shareholder profits were not being used to bring forward investment in these assets.

It's interesting to note that the future customers in our workshop felt more disconnected with these choices - they could really understand why a faster pace of intervention was an opti on, and were content as long as water is coming out of the tap. Anecdotally, some customers were sceptical about why we were consulting them on such topics, rather than relying on our internal experts.

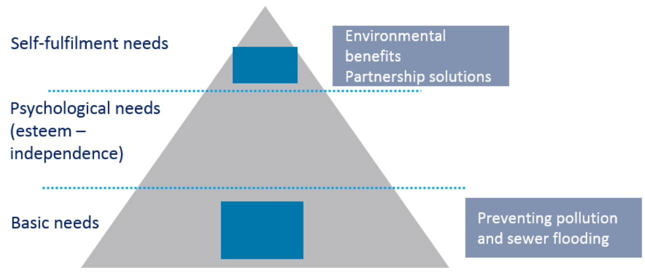
Whilst we have engaged customers on the pace of investment, and the impact on bills, we know from our research that they are not necessarily interested in regular information on progress, or technical details of delivery.

# Wastewater safely taken away

Safely taking wastewater away is a core area of service. Our customer needs research tells us that customers expect wastewater to be taken away safely and reliably, with no negative impacts on the environment. Few customers give much thought to their wastewater services; they tend to "flush and forget".

**"The sewage just goes away. It's reliable. No complaints"** – Customer needs research, Mid Wales

Service failure is relatively rare; the participants in the customer needs research were happy with this element of their service and felt that if there had been any issues they would have heard about them. When the service does fail, the impact is significant, often resulting in a discharge of sewage either to the environment or into customers' homes and gardens. This is a significant driver of dissatisfaction and distrust amongst our customers who experience service failure.




Whilst delivering the core service is a basic need for our customers, we have opportunities throughout this outcome to deliver wider benefits, for example through more sustainable solutions promoting green infrastructure. These could meet needs at the top of the hierarchy.

We have explored customer views on the main performance commitments which underpin this outcome, including internal sewer flooding incidents, sewer blockages and pollution.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| Customer needs research | Improves our understanding of customers' needs especially when service failures occur and their level of understanding on what should or should not be disposed of in sinks and toilets |
| Customer tracker survey | Explore views of customer service over time |
| Valuation research | Quantifies the importance of reducing flooding risk in the context of other areas of our plan |
| PCs, ODIs and investment choices research | Explore customers' views of performance targets and incentives |

Based on our research we have triangulated our customer evidence to determine customers' relative priority for each of our performance commitments. We have not discussed sewer collapses with customers directly. We know that customers expect and rely on us to maintain our assets in order to provide wastewater services. We also did not discuss sewer flooding due to extreme storms with customers, since no improvement is being proposed for this measure. Since sewer flooding is a customer facing measure we have inferred a relative priority of important.

**We have triangulated our evidence base to determine customers' relative priority**

| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| Internal sewer flooding incidents | Very important | Basic | Although experience is rare, reducing sewer flooding is one of our customers' top priorities and customers are altruistic and empathise with those who have suffered |
| Sewer blockages | Important | Basic | Customers recognise the link to customer facing measures such as flooding and pollution. There is a need and appetite for more education around responsible sewer use. |
| Sewer collapses | Important | Basic | Customers recognise the link to customer facing measures such as flooding and pollution |
| Sewer flooding – extreme storms | Important | Basic | Inferred priority due to link to high priority measures of flooding |
| Pollution incidents | Important | Basic | Reducing pollution is a priority for customers – the environment is becoming increasingly important in their everyday lives |

## Sewer flooding

A sewer flooding incident is the worst service failure that customers can experience. Whilst many customers have not had direct experience of flooding they empathise with those that have, and reducing flooding has consistently (across time and multiple research projects) been a priority for customers compared to other wastewater measures. For this reason we have classed this as a very important area for improvement.

| IMPROVEMENT – HOUSEHOLD CUSTOMERS | MID WALES % (N=250) | NORTH WALES % (N=255) |
|---|---|---|
| Taste and smell of tap water | 61% | 87% |
| Leakage | 58% | 60% |
| Lead pipe replacement | 47% | 35% |
| **Internal sewer flooding incidents** | **27%** | |
| Appearance of tap water | 24% | 47% |
| River water quality | 20% | |
| Pollution incidents | 20% | |
| **External sewer flooding incidents** | **18%** | |
| Low water pressure | 13% | 33% |
| Interruptions to supply (lasting 3-6 hours) | 12% | 37% |

Our willingness to pay research shows that reducing internal sewer flooding incidents is relatively important, and is prioritised compared to the other wastewater attributes of pollution, improving river water quality and external flooding. No customers in the research reported personal experience of internal flooding, whilst 7% reported experience of external flooding.

Non-household customers present a similar priority ranking for internal flooding, although external flooding incidents are the lowest priority.

| IMPROVEMENT – NON-HOUSEHOLD CUSTOMERS | MID WALES % (N=75) | NORTH WALES % (N=75) |
|---|---|---|
| Taste and smell of tap water | 60% | 72% |
| Lead pipe replacement | 39% | 52% |
| Leakage | 32% | 45% |
| Internal sewer flooding incidents | 31% | |
| Appearance of tap water | 29% | 49% |
| River water quality | 29% | |
| Pollution incidents | 27% | |
| Low water pressure | 21% | 32% |
| Interruptions to supply (lasting 3-6 hours) | 19% | 49% |
| External sewer flooding incidents | 13% | |

In our PC and ODI research, 86% of our household customers and 87% of non-household customers have indicated that they agreed with the proposed target, which represents an upper quartile position in relation to the rest of the industry. Customers also recognised that problems can be due to customer behaviour, and felt the delivery of the target should include a focus on education.

**"[Preventing sewer flooding] If it's not delivered, then again it's a disaster!"** – Non-household customer, PCs and ODIs research, Mid Wales

In the context of ODIs, reducing internal sewer flooding incidents by exceeding the proposed target was considered a low priority.

## Sewer blockages

Our customers have told us that they trust us to identify issues and make appropriate plans to maintain service for the long term. In our customer tracker survey, 88% of customers said they trust us to invest responsibly in our network for the future. We tested this further in the deliberative research on asset health and resilience, where we found that customers do have an overall appreciation of the extent of assets a water company is responsible for. Most of the workshop participants felt we should be taking a proactive to mid-ground approach when maintaining our assets – a purely reactive investment approach is not deemed acceptable where an essential service is involved. Overall the service they receive resonates with customers more than the state of the assets themselves – although it was expected that eventually they would experience issues if assets were not maintained adequately.

However given one of the most common root causes of a sewer blockage is sewer misuse, we did ask customers about our blockages target.

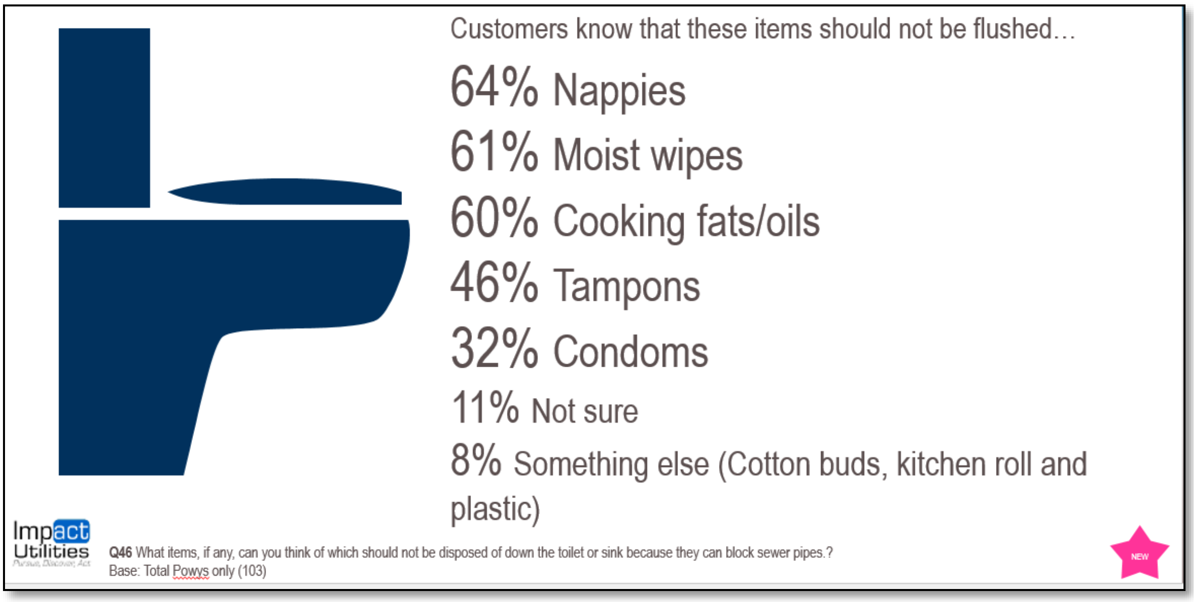
Almost nine in 10 (88%) households and businesses found our proposed target (300 blockages/year) acceptable. There is no difference in acceptability levels between households and non-households. Customers feel it is reflective of what they would want it to be. Going beyond the target, in the context of ODIs, is a low priority. The common themes from the qualitative discussion include:

- customers feel that public education is important, as this is fundamental to the root cause of this issue;
- as with sewer flooding, it should be made clearer that numbers shown are scaled to the size of the water company as this causes some confusion; and
- customers suggest the size and resultant impact of the blockage should be taken into account when measuring performance.

**"The issue is not actually Severn Trent [Hafren Dyfrdwy], it's the public's disregard. If everybody gets told not to put their wipes and bits and pieces down there. So it's very difficult here, that this issue is not caused by**

**Severn Trent [Hafren Dyfrdwy] but they are still trying to change something in their customers. So clearly, the target is acceptable."** – Non-household customer, PC and ODI research, Newtown

Our research also tells us that customers are not always aware of what they can and cannot flush. For example one third of customers surveyed in Mid Wales did NOT know that nappies, moist wipes and cooking fats should not be flushed or disposed of down the sink (customer tracker survey, wave 4).




## Sewer collapses

Our customers have told us that they trust us to identify issues and make appropriate plans to maintain service for the long term. In our customer tracker survey, 88% of customers said they trust us to invest responsibly in our network for the future. We tested this further in the deliberative research on asset health and resilience, where we found that customers do have an overall appreciation of the extent of assets a water company is responsible for. Most of the workshop participants felt we should be taking a proactive to mid-ground approach when maintaining our assets – a purely reactive investment approach is not deemed acceptable where an essential service is involved. Overall the service they receive resonates with customers more than the state of the assets themselves – although it was expected that eventually they would experience issues if assets were not maintained properly.

We did not explicitly ask for customer views on the targets for sewer collapses for two reasons:

1. It is not a customer facing measure (we are at a level where further targeting of collapses wouldn't have an impact on the customer facing measures such as sewer flooding or pollution in the short term). Customers have told us they expect us to carry out maintenance such that we don't store up problems for the future.
2. We are striving to identify the economic level of collapses – we are trying to balance the long term stability of the network with the relatively high cost of sewer replacement. Customers do not have enough information to make this choice and it undermines our credibility even asking them. During the asset health workshops (not specifically on the topic of collapses) several customers responded with "isn't it your job, why are you asking us?"

### Pollution incidents

Customer research shows that customers value the environment, and in our tracker research, keeping communities safe from flooding and pollution is the third highest priority relative to other actions the company could be doing to look after the environment. Customers are willing to pay to reduce pollution incidents (from ten to seven), although this is a lower priority for household and non-household customers compared to other waste measures such as internal flooding and river water quality.

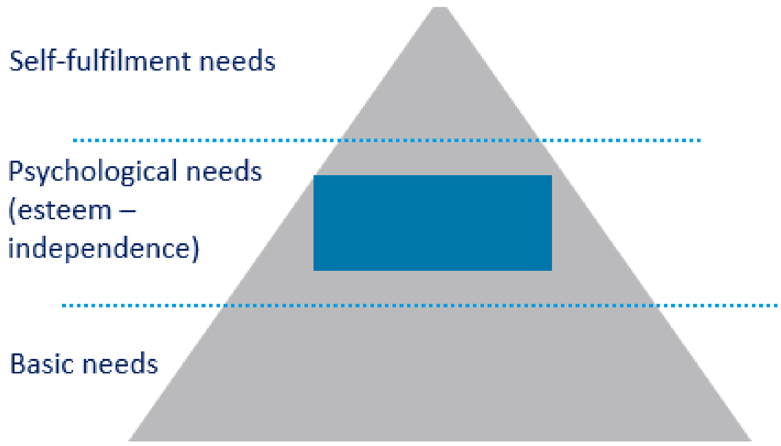
For this reason we have classified the improvement in performance as an important priority (rather than very important). In the PC and ODI research we found that 81% of household customers and 77% of non-household customers found the proposed target acceptable. The qualitative research gives us some insight into this – the performance commitment is thought to be important and both current performance and future targets are felt to be acceptable. Most feel that pollution incidents are rare but inevitable (and outside water company control), and that everything possible is already being done to prevent this happening.

**"Inevitably as a water company you're going to cause pollution incidents. It's never going to be very safe. So, that's saying that you're making efforts and improving so I guess that's fine. Do it in five years."** – non-household customer, PC and ODI research, Mid Wales

In the context of ODIs, reducing pollution by exceeding the proposed target was a medium priority.

## A service for everyone

Although the majority of customers have no issues being able to access or afford our services, we recognise that this is not the case for everyone, and our customers expect us to help those for whom this is not the case. For customers who are affected by such concerns, these may be a barrier to their basic needs being met. Supporting these customers, through our affordability and vulnerability measures, can help meet psychological needs by creating a sense of inclusion and empowerment.




We have explored customer views on both affordability and vulnerability. We have a rich body of customer evidence on how we support customers, in particular those who are struggling to pay their water bills, including bespoke research on the effectiveness of the current social tariff offering, and willingness to pay for the social tariff going forward. We have also done qualitative research on customer needs which allows us to develop a better understanding through in-home depth interviews, of those customers whose circumstances could make them vulnerable.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| Customer needs research | Improves our understanding of customers' needs and the role that we play in meeting them (including customers whose circumstances could make them vulnerable) |
| Customer tracker survey | Explores views of affordability over time and awareness of support for customers |
| Helping customers who struggle research | Explores the needs of customers either already on our social tariff (or likely to qualify using index of multiple deprivation data) to understand effectiveness of our current scheme, and co-designs future options |
| Social tariff cross-subsidy research | Understand the acceptability of different levels of customer contributions to social tariff and attitudes in general towards providing support to customers in greater need |
| Acceptability research | Tells us whether customers find our proposed plan acceptable and affordable |

Based on our research we have triangulated our customer evidence to determine customers' relative priority for each of our performance commitments.

**We have triangulated our evidence base to determine customers' relative priority**

| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| Help to pay when you need it | Important | Psychological | Customers are willing to pay to support those who struggle to pay their water bill, and feel that everyone should be able to afford water |
| Supporting our Priority Service customers during an incident | Important | Psychological | Customers expect us to provide support to those who might find themselves in vulnerable circumstances, particularly during service incidents |
| Effectiveness of our financial support | Important | Psychological | Customers feel that everyone should be able to afford water and are willing to pay to support other customers. We are inferred that they would value that support being as effective as possible. |

## Part 1 - Vulnerability

Much of our insight on vulnerability comes from one piece of research, our qualitative project looking at customer needs and in particular from the in-depth interviews conducted with a range of customers in vulnerable circumstances. We also have some insight from two pieces of quantitative research – from CCWater and our own customer tracker survey.

Our research reminds us that every customer's circumstances are different, and their needs are individual. However, customers may not see themselves as vulnerable or be aware that they are until there is a service issue, and support needs to strike a balance between customers' feeling they are included and empowered, but not necessarily differentiated.

**"No, they don't know me, not as far as I know… I've never had any reason to tell them about my health issues."** - Customer needs research

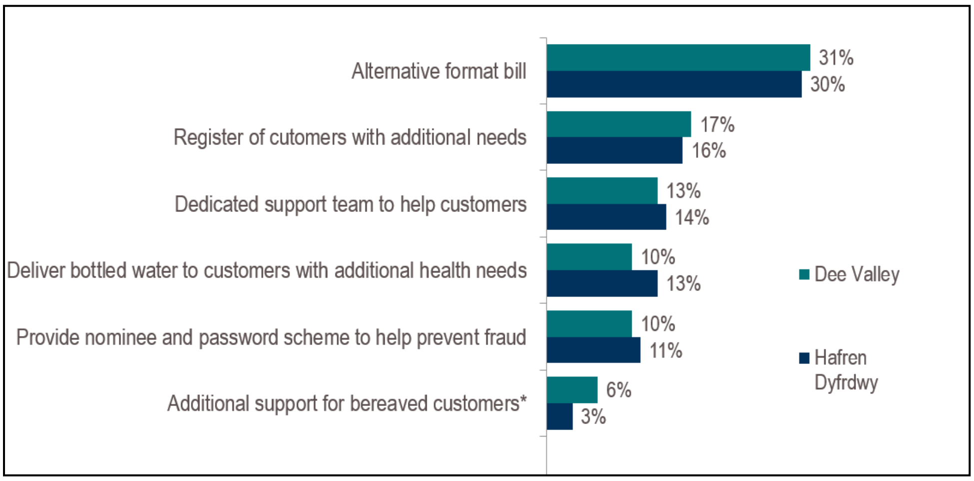
### Awareness of support services

Our customer needs research finds that here is limited knowledge of the support services available for customers, including the Priority Services Register (PSR), but when prompted, customers expect these to be available. More proactive promotion is required, as well as a broader consideration of who should be listed on the PSR. On hearing about the PSR however, customers express interest and positive feelings.

**"It's great that the PSR flags the issue right away – Dee Valley can act better if they know there [are] vulnerable people who need help"** – Customer needs research

**"I'd be surprised, because it's not the sort of thing you expect from a water company, I never knew they supplied the help that they do."** - Customer needs research, Customer in a health and well-being vulnerable circumstance, Mid Wales

This qualitative insight is consistent with that from our customer tracker research. 16% of those surveyed in the Hafren Dyfrdwy region are aware of the PSR.

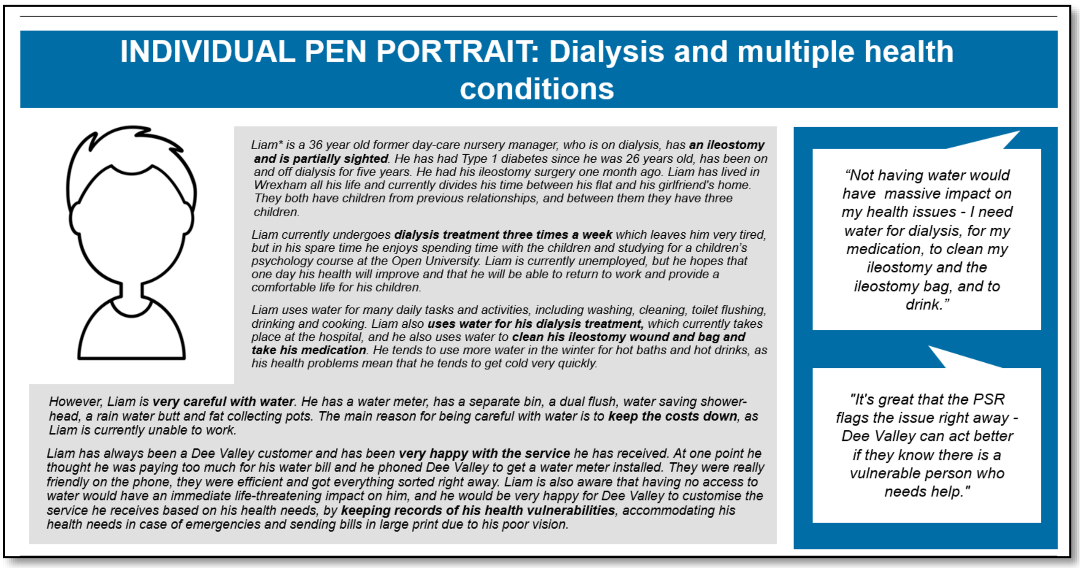



CCWater research (Water Matters, 2017) shows that awareness of these services amongst Dee Valley Water customers has increased over time, from 17% of customers in 2012 to 48% in 2017, although CCWater has noted that a change in the question wording in Water Matters is likely to have caused much of the uplift in awareness. The customer tracker research tells us that 15% of customers want more information about the services provided.

Our customer needs research shows that customers expect their water company to provide support to those who might find themselves in vulnerable circumstances. When prompted, customers recognise that vulnerability is context specific and can change over time. For example, some customers require ongoing support (e.g. tailored bills, for example for those with visual impairments), whilst others might only require support in specific contexts, such as during service failure incidents.

## Support services during incidents

Whatever their circumstances, our customer needs research tells us that customers take their water supply for granted and an interruption would have an immediate impact on their routine. Some customers might be more vulnerable during a service disruption or incident. For example, our pen portrait customer illustrated below would face life threatening impacts if he had no access to water.




Our customer needs research tells us that customers (whether in vulnerable circumstances or not) want to see that vulnerable customers are taken care of in the event of service failure and are appropriately cared for.

**"Elderly, vulnerable people should have been called"** – Customer needs research, Wrexham

## Tailored communications

Our customer needs research tells us that customers who do find themselves in vulnerable circumstances do not necessarily see themselves as having specific needs, nor do they want to be treated differently. It is important therefore for Hafren Dyfrdwy to balance raising awareness of the services and support available, without appearing overly intrusive or condescending. Communications also need to account for specific needs. Tailored communications and formats are required depending on different health needs – for example large print bills.

**"My gas and electric provider send bills in large print – it would be useful if Dee Valley could do the same"** – Customer needs research, customer with health and well-being vulnerabilities, Wrexham

## Part 2 - Affordability

Customers are broadly happy with the affordability of their water bills. For example, in our willingness to pay survey 73% of customers in Mid Wales said they found their bills affordable or very affordable, compared to 67% of customers in North Wales.

We can compare this to CCWater research (Water Matters, 2017) in which 80% of Dee Valley customers said they found their water bill affordable, and to our customer tracker research in which 75% of customers in Mid Wales and 81% in North Wales were satisfied with the affordability of their bill.

In our acceptability research, when asking about the current bill, we find that 68% of customers in Mid Wales, and 75% of customers in North Wales agree that their current bill is affordable.

In our customer needs research in Mid Wales and North Wales respondents were also broadly happy with the cost of their water bills, but would like to see more of a breakdown within them to show where their money goes. Customers were surprised by the breadth of water company operation, and increased awareness could increase engagement and satisfaction with water company service.

**"Wow they do a lot - especially considering what we pay - it puts it into perspective"** – Customer needs research, Wrexham

**"Water is one thing I don't mind paying for one bit. They don't overcharge us for the good service they do. Not like the other two [gas and electricity], they charge an arm and a leg."** – Customer needs research, Mid Wales

Not surprisingly, in our social tariff cross-subsidy research, 95% of customers agree it's essential that we keep bills affordable for everyone.

When asked about preferences for future bills in our willingness to pay survey, a majority of customers in both regions wanted bills and services stay the same.

| BILL AND SERVICE CHANGE | MID WALES % (N=131) | NORTH WALES % (N=141) |
|---|---|---|
| Bills increase slightly and services improve | 36% | 11% |
| Bills and services stay the same | 63% | 87% |
| Bills reduce slightly but services deteriorate | 2% | 2% |

Whilst across all studies the majority of customers find their bills affordable, the numbers quoted above do show that affordability of bills is an issue for some customers. For example in the customer tracker research we found that 19-20% of customers sometimes struggle to pay their (household) bills, and 2-4% say they are often or always behind on payments (data for the three waves undertaken by Dee Valley). 10% of customers in Mid Wales, and 7% in North Wales told us they find their bills unaffordable, or very unaffordable (customer tracker, wave 4).

We find fairly consistent results in the willingness to pay research, with 7% of customers in Mid Wales and 9% in North Wales finding their bill unaffordable, or very unaffordable. In the acceptability research we find that 17% of customers in Mid Wales, and 13% of customers in North Wales, find their bill unaffordable.

## Awareness of support services

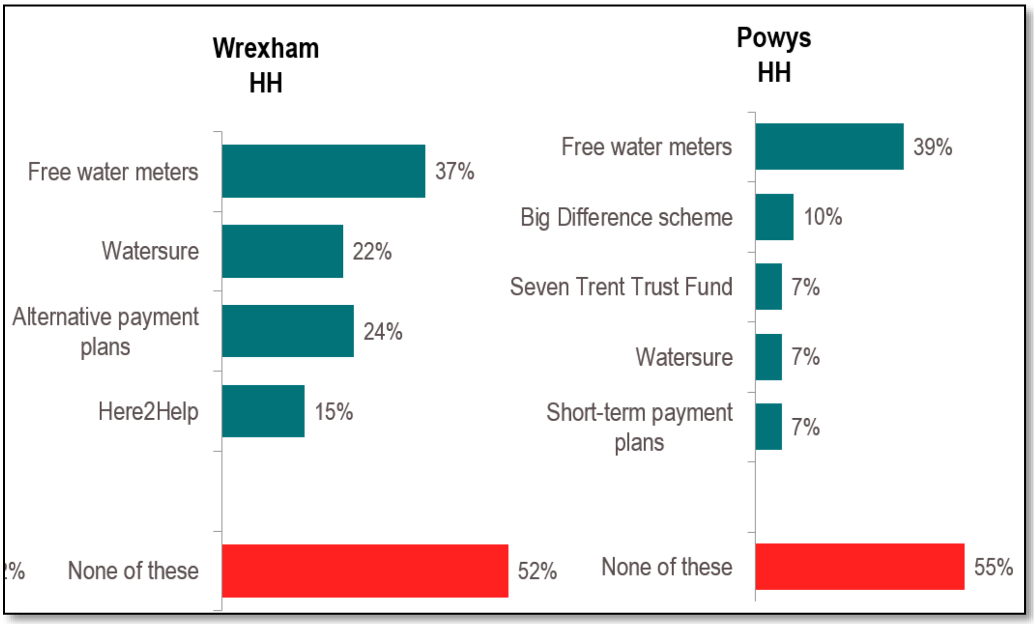
We also know there is little awareness of the support on offer. For example CCWater research (Water Matters, 2017) states that only 3% of Dee Valley customers were aware of the company's social tariff scheme, down from 5% in 2016.

The same lack of awareness is found within our customer needs research in Mid Wales and North Wales, but when told about the different assistance offerings, customers were surprised and pleased by the range of services available. Customers say it's important for the water company to be proactive in offering targeted support to those who need it, rather than wait for customers to ask.

"I think they should be proactive on this. Rather than just saying "we provide this service", they could be proactive and actually contact the people who are struggling to pay" – Customer needs research, Mid Wales

Our "helping customers who struggle" research echoes this finding – amongst those not on a social tariff (without prompting) no one was aware of the Big Difference Scheme or Here2Help schemes. After prompting with a brief description, 5% of Mid Wales customers and 8% of North Wales customers confirmed they had heard of the respective schemes. This research also found that customers would prefer to find out about the help available from their water company, but in reality those on a social tariff had used a range of third-party channels (such as advisors, Citizens Advice, friends, relatives and websites) to access help.

A slightly more positive picture is found in our customer tracker survey - 10% of customers in Mid Wales, and 15% in North Wales, are aware of the respective social tariff schemes.




Not all customers in North Wales are aware that Dee Valley only supplies their water, as they only receive one bill. The Dee Valley tracker reported in wave 2 that only 25% of customers were aware that Dee Valley Water is not responsible for sewerage services).

## Customer groups needing support

Our "helping customers who struggle" research and customer needs research has helped us to identify four key customer groups for whom we need to provide support in different ways, due to their different circumstances. We need to ensure our offering helps all four of these groups with both in-year bills as well as arrears.

"Longstanding"

This group is characterised by long term unemployment or very low and irregular income due to being in and out of work frequently. They are wholly or partly reliant on benefits, and might have possibly experienced "benefit sanctions". They might also have a number of wider vulnerabilities such as poor numeracy, poor literacy skills, mental and/or physical health issues or disabilities or be a full/part time carer. Many in this group lead complex and chaotic lives and water debts are more likely to escalate in to the thousands rather than hundreds of pounds. Often they have been in water debt for more than five years and in some cases more than ten years. They are likely to have severe financial difficulty and a hand-to-mouth existence.

"Sudden and severe"

This group will have previously been employed and earning average or higher than average incomes, and previously not have missed a water payment. They have then experienced a serious and unexpected life event e.g. major injury, and been unable to work for weeks or months. The sudden loss of income, or severe drop in income (particularly acute if self-employed) means they become immediately unable to pay any bills, including water. Injury might also mean they have limited ability to engage with or interact with creditors.

"Borderline"

This group is employed, but with low to average income – they are "just about managing". A life event (such as job loss, ill health or family problems) may have caused a reduction in income for a short period. They are infrequently in arrears with companies including their water company and their general overall finances are tight but not severe. This group is more likely to face any debts head on and look for solutions.

"Struggles with finances"

This group has a low to average household income, but often leads busy and chaotic lives. They find managing their finances and bills confusing and difficult. This could lead debts to accumulate and cause further anxiety.

We have illustrated these through the following customer personas.

**'LONG STANDING'**
**Alun, lives on his own**

- Alun is 49 year old who lives on his own in a housing association property in Wrexham
- He has mobility issues and mental health issues
- Alun would love to work, but finds it hard to keep a job due to his mental health issues
- His income is therefore low, is largely reliant on benefits and can be unpredictable
- Alun has a range of debts with different companies and struggles to cope with the stress of this

**'SUDDEN AND SEVERE'**
**Evan, married with children, sudden illness**

- Evan is a 46 year old married father of two young boys
- The family has lived in their privately rented home in Wrexham for several years
- Evan has been diagnosed with cancer and is undergoing chemotherapy. He has been out of work since the diagnosis and plans to return to work after his recovery
- Before he was diagnosed, he was working various jobs. His wife is also currently unemployed
- One of his children has severe disabilities

**'BORDERLINE'**
**Bethan, single parent**

- Bethan is a 40 year old single mum of three older children, living in Welshpool
- In the past she has worked in a bank, but for the last ten years, since she and her partner split up, Bethan has had a part-time job in a school
- Bethan is studying for a degree with the Open University, with the aim of becoming a full-time teacher

**'STRUGGLES WITH FINANCES'**
**Maria, married with children**

- Maria is a 22 year old mother of two young children, living in Newtown
- She has been a full-time homemaker since the birth of her first child. One day she hopes to continue her studies and become a mental health support worker or midwife
- Maria has struggled with mental health issues for a long time; when they were at their worst, she fell heavily into debt. Maria continues to struggle with household finances. She prioritises her energy bills over her water bill because she knows water cannot be cut off

Please note customer names have been changed to protect identities

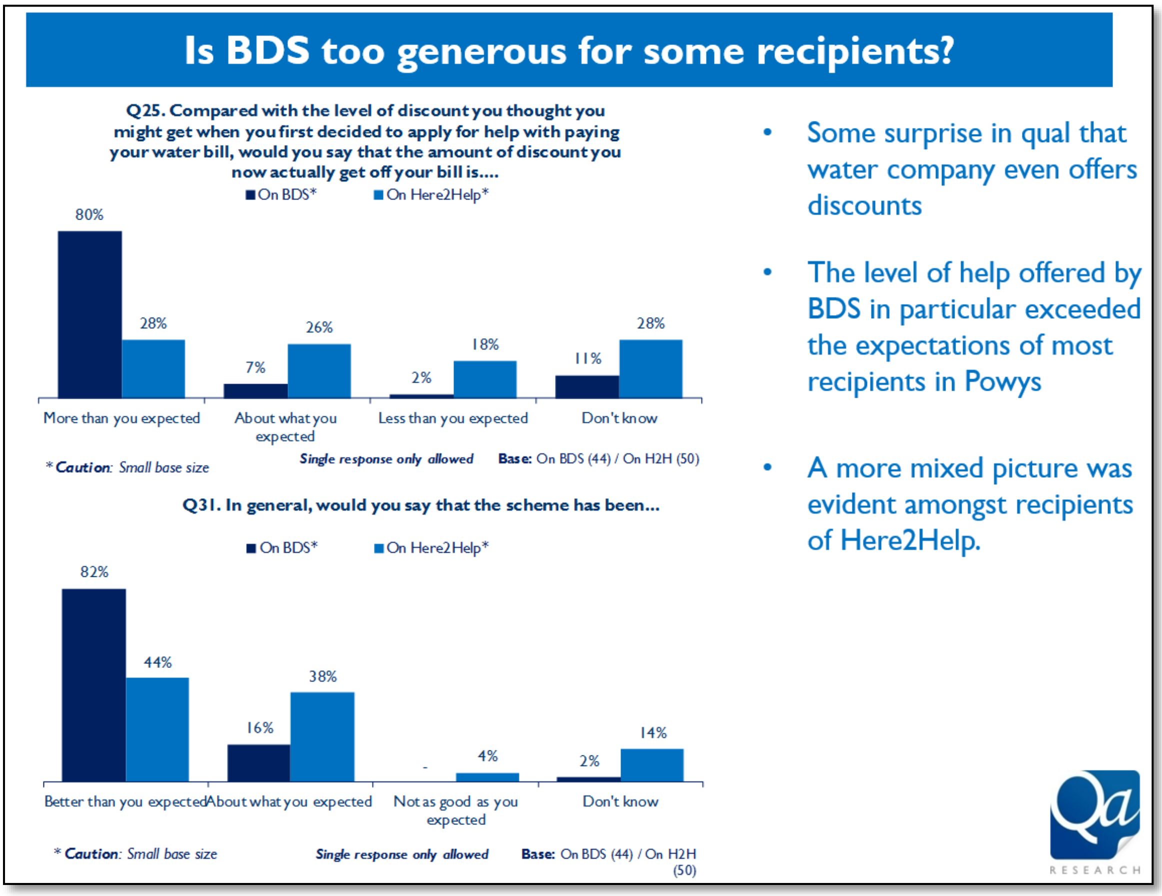
Through our "helping customers who struggle" research we have found that for customers who are struggling, having control and flexibility is critical – they feel they need a plan to be tailored to their personal situation. The human element is also key, whilst water company staff were seen as quick to address payment plans for debtors, a personal touch and an ability to empathise are sometimes lacking.

## Customer feedback on the current social tariff

Customers on the Dee Valley Here2Help scheme say they find it helpful but not life changing (possibly due to the lower discount level than the Big Difference Scheme (BDS), and the fact it covers the water part of their bill only. In the research it didn't appear that these customers had been signposted (or "passported") to DCWW's social tariff scheme). For example, only 62% of customers on the Here2Help scheme thought it made a difference to their household's long term financial situation, with 26% reporting that it makes no difference.

Our co-creation event in Wrexham showed that participants felt that we could increase our social tariff level of support from 30% to 50% in order to match the reduction to the customer's individual circumstances.

Customers on the BDS scheme find it makes more of a difference - 93% of those interviewed in Mid Wales on the BDS said it makes a long term difference to their long term financial situation. There is however evidence from some customers on BDS that the discount levels could be more generous than needed. Reducing the discount for some, not all, groups would enable more customers to get assistance. However, it is clear that some customers would still require the greatest level of discount.



Apart from the impact on their financial situation, customers in receipt of a tariff (in both Mid Wales and North Wales) also talk about other positive benefits including improvements to their physical and mental health and their general well-being. It's also evident that receiving a social tariff improves how customers view their water company, with genuine appreciation for the help received.

The application process for both BDS and Here2Help was seen as manageable, but support with the application process is crucial for many. For some, a paper based application is a barrier.

Our "helping customers who struggle" research also showed that, amongst those 'Not on a social tariff', the majority of customers (71% of respondents in Mid Wales and 74% in North Wales) felt that the respective tariffs would help them now or in the future, highlighting that a degree of unfulfilled demand exists amongst customers.

Our social tariff cross-subsidy research presented customers with a description of the social tariff scheme and asked for a one word description. Views were mainly positive, however some raised concerns about the need for it to be adequately means tested.


Base: 429. Q03 What one word would you use to describe Severn Trent's Big Difference scheme? / What one word would you use to describe Dee Valley Water's new Here2Help scheme?

## Willingness to pay for future social tariff

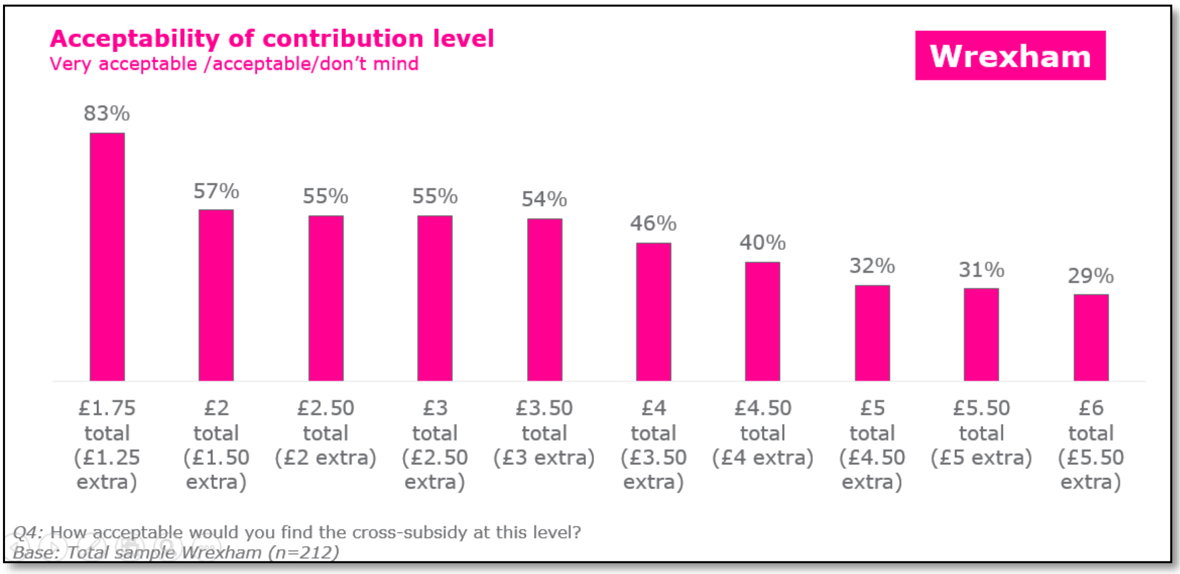
Initial findings from a question within our general willingness to pay survey suggest there remains a proportion of customers who fundamentally disagree or strongly disagree with the concept of supporting customers in financially vulnerable circumstances.

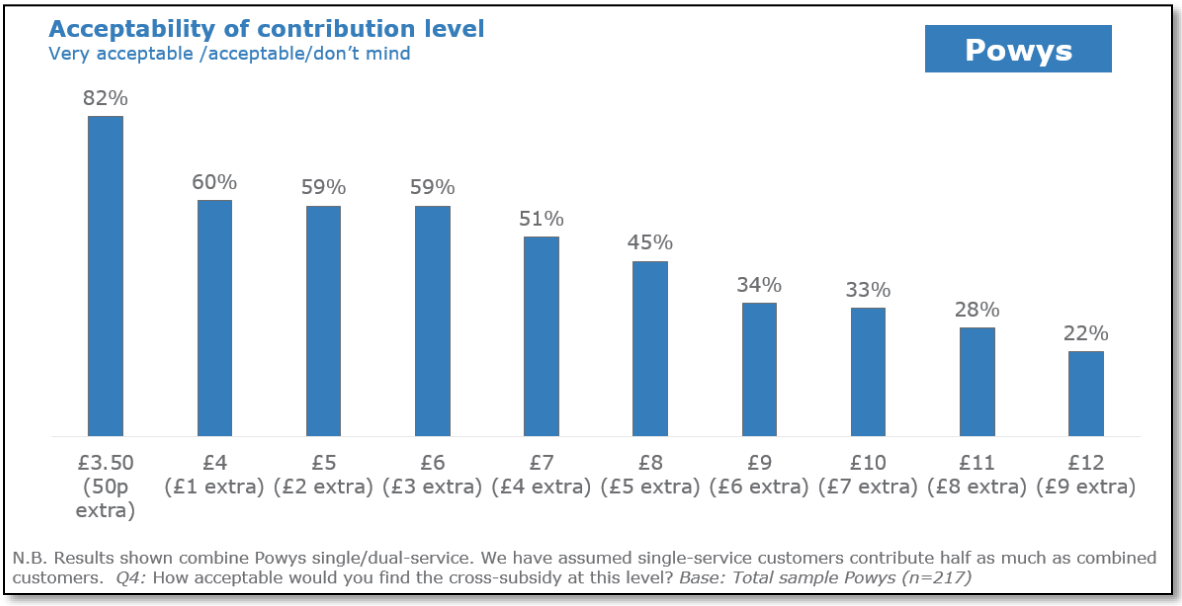
The Dee Valley PR14 social tariffs research also found highly polarising results, initial responses to qualitative research found a broad spectrum of attitudes, with about half of respondents being "rejectors" and a handful of "natural supporters". In the quantitative research, 71% of participants accepted the introduction of the proposed tariff at an additional charge of £0.44 per year.

In the "helping customers who struggle" research knowing that tariffs were paid for by other customers caused concern, a sense of guilt or unfairness. This tended to be because they didn't like the fact that other customers may have to subsidise them for being in a situation that was of their own making or unfortunate circumstance. For some, it seemed to add to the shame of being in debt and having to rely on others to help them get by.

There was a small number of customers though who felt that having paid their way for many years that this was in some way fair as anyone could end up in financial trouble and may need help.

Our specific research to establish customers' willingness to cross-subsidise other customers (social tariff cross-subsidy research), through the social tariff, found an increase in the amount customers are willing to pay, compared to PR14 research. 83% of customers in North Wales are willing to contribute £1.75 per year, and 82% of customers in Mid Wales are willing to contribute £3.50 per year.




Some of the reasons why customers didn't want to pay *more than their final price point* include:

- "I don't think it's far that customers should pay for the water bills of other customers";
- "I think the scheme is too open to abuse"; and
- "I don't want my bill to increase".

### Supporting customers in debt

Our social tariff schemes are designed to only help customers with their current water bill – they do not help customers clear older water arrears and therefore may provide only temporary relief from financial challenges. In the telephone survey conducted as part of the social tariffs research, we tested brief descriptions of existing and possible future methods for helping customers facing problems paying their bills, and there was support amongst the majority of customers for all of these. In particular:

- phone calls and text messages from the water company were seen as attractive to customers;
- customers would like to see the water company working with those with water debt to set up payment plans; and
- the majority of customers supported a payment matching scheme (with 90% of those on a social tariff supporting it and 75% of those not on a social tariff thinking their water company should offer it).

In the co-creation event we discussed the payment matching scheme in-depth with customers. We found that some customers found the idea confusing, and therefore care would need to be taken to ensure it is accessible to those who need it.

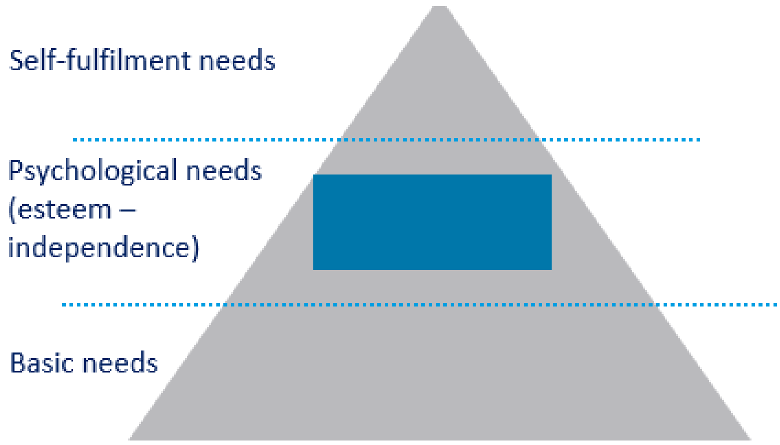
## Other assistance schemes

As well as our social tariff we have a number of other offerings which support customers who are struggling to pay; these include Water Direct, WaterSure and flexible payment plans. We know that customers value these options. For example, our willingness to pay research told us that 67% of customers in Mid Wales and 48% in North Wales think it's important for us to have a variety of flexible payment plan options for paying their water bill. This was the top priority in Mid Wales, and second top priority in North Wales in a list of additional services we could provide.

**"When my husband left me, and left me with no money, I couldn't pay the bill. I owed [Severn Trent] about £170, so I phoned them about it. They were really good and understanding and allowed me to pay every week, and they made sure it was affordable for me."** - Customer needs research, Mid Wales

## An outstanding customer experience

Everything we do, every day, contributes to our customers' experience of us and we want that experience to exceed their expectations. We believe customer service and experience sits in the middle layer of the hierarchy of needs. Whilst it is important that we meet customers' expectations of customer service, much of which is functional and transactional, this outcome also describes those elements which empower customers, and enable them to feel in control of their experience.




For many of our customers, their experience of dealing with us is limited to the few times they are required to contact us to open accounts, pay bills or inform us of a change in circumstance. There is an opportunity here to exceed our customers' expectations and drive increases in satisfaction and trust. We have explored customer views on customer service and experience primarily through our customer tracker survey, supported by qualitative evidence from our customer needs research and research on the licence change, and insight from our customer facing employees.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| Customer needs research | Improves our understanding of customers' needs and the role that we play in meeting them (including customers whose circumstances could make them vulnerable) |
| Customer tracker survey | Explores views of customer service over time |
| NAV research | Explores customer views on the acquisition and licence change |
| PCs, ODIs and investment choices | As well as the main objectives of this project, we used the workshops with non-household customers as an opportunity to understand what they expect in terms of customer service |
| Insight from customer facing employees | Tells us what our customer facing employees feel are the most important sources of customer dissatisfaction |
| Operational insight | Expands our understanding of the causes of dissatisfaction using complaints and voice of the customer feedback |

Based on our research we have triangulated our customer evidence to determine customer's relative priority for each of our performance commitments. For this outcome two of the performance commitments are mandated and defined by Ofwat (CMeX and DMeX) and we have not explored these specifically with customers. We have been active in the Ofwat working groups for these measures, and boosted our sample in the first CMeX pilot survey in order to increase our understanding of the measure.

**We have triangulated our evidence base to determine customers' relative priority**

| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| CMeX | Very important | Psychological | Customer experience drives satisfaction and trust. Customers expect an outstanding experience every time they turn the tap on, or have to contact us |
| Non-household customer experience | Very important | Psychological | Non-household customers expect an outstanding experience every time they turn the tap on, or have to contact us |
| DMeX | Important | Psychological | Developers operate in a fast paced competitive market so it's important we provide them with good service |
| Welsh language services | Important | Basic | Customers expect us to comply with the Welsh Language Act and value the provision of this service |

# Part 1 – Household customers

## Customer satisfaction

Our customer tracker research tells us that 94% of customers in Hafren Dyfrdwy are satisfied with the service they receive from their water company. 89% of those surveyed associated "great customer service" with their water company. Our customer facing employees told us that Dee Valley is a well-recognised and trusted brand, agile and responsive and with a loyal customer base.

CCWater Water Matters (2017) finds that based on customer perceptions, Dee Valley is the top performing water only company, with high scores on key measures of satisfaction with water service, satisfaction with value for money, water company cares about customers and trust in the water company.

Nonetheless there are opportunities for improvement. Customers expect us to deliver the following, in all our interactions with them:

- good communication;
- a local and friendly service;
- a personalised service;
- to be able to choose whether to use English or Welsh; and
- caring support.

In addition to this they expect to be able to contact us through the channel of their choice, and to be able to access information on a range of channels, including social media, when something goes wrong.

## Contacting the water company – channels and experience

The majority of customers do not contact their water company. Our customer tracker research tells us that 16% of customers in Mid Wales, and 21% in North Wales, have contacted their water company in the past 12 months. Nearly half of these are billing enquiries, followed by water enquiries. No customers in Mid Wales had enquired about wastewater, but it must be noted that the sample size of those contacting Severn Trent is small. 90% of those who have contacted Severn Trent / Dee Valley feel that is was easy to do so.

In comparison, CCWater Water Matters (2017) tells us that 17% of Dee Valley customers contacted their water company in the past 12 months.

The customer tracker survey also tells us that only 9% of customers have visited the website in the past 12 months.

Customers who have had reason to contact us still prefer using the telephone, although there is scope for an increase in email and webchat.

| | Contacted by.... | Would like to contact by... |
|---|---|---|
| Speak to them on the phone | 93% | 87% |
| Email | 3% | 16% |
| Speak to a DVW/ST engineer/employee in person | 2% | 8% |
| Online webchat | - | 4% |
| Write a letter | - | - |
| Text message | - | - |
| Twitter or Facebook | - | - |
| Other | 2% | 6% |

No significant differences by region, or over time

Our insight from customer facing employees told us that customers value the ease of contact with Dee Valley staff – they want to get straight through on the telephone to a "real" person, without having to navigate complex phone systems. They value staff being able to pronounce Welsh place names. Despite the telephone being a preferred contact channel they feel there is an increased expectation of a social media presence, and that this would be useful particularly during large incidents. According to employees, customers in North Wales are felt to respond to colloquial language and empathy, and dislike a 'corporate' approach.

Analysis of our most recent SIM results tells us that those who were satisfied for water contacts liked the helpfulness and professionalism of the contact centre and engineers, whilst those who were not satisfied wanted better communication. Customers value being kept informed and the company keeping promises. In terms of billing contacts, satisfied customers liked a quick, efficient and helpful service.

Some customers tell us they value a more personalized service.

"I currently receive information by letter, but a phone call would be better as I'm partially sighted and I have trouble with my vision." - Customer needs, Wales

In the willingness to pay research we asked customers to select their top priorities from the list of additional services / improvements. Only 5 – 6% of customers selected "having a variety of digital channels available to get in touch with your water company (such as Facebook, Webchat and Twitter). However, it's worth noting this was being compared to other improvements which we know from other research are important to customers (e.g. education in schools, biodiversity and flexible payment options).

Although we serve a rural area, our research tells us that 73% of customers in North Wales access the internet at least once or twice a day, compared to 61% of customers in Mid Wales. The majority of those who do not access the internet tell us that this is because they do not wish to, as opposed to network connectivity.

## Being a local water company

Our insight from customer facing employees told us that retaining the local feel and identify is very important, with aspect such as the "hatch" at the Wrexham office, home visits, local knowledge and a community role being particularly important.

**"It's very important to know the customers and the area - you don't want to deal with someone based on the other side of the country who doesn't have a clue."** -Customer needs, Customer in a financially vulnerable circumstance, Wrexham

**"I'm very happy it's on the doorstep and you can go in and see them - it makes Wrexham a better place."** - Customer needs, Wrexham

We explored this further in our customer needs research. Respondents told us that they consider a local feel can be defined by three main aspects:

- Having a strong presence in the local area

Our customers have told us that having a strong presence in the local area is important to them. Customers want to know they can get in touch with someone quickly and easily, and who understands them and the local area.

There is an opportunity to retain and make more of the Wrexham "hatch", customers are not aware of its service and would like more information about how they can access it.

Others suggest having a local area representative, a presence at local community events and updating local websites (e.g. Wrexham.com) with information on services and upcoming works.

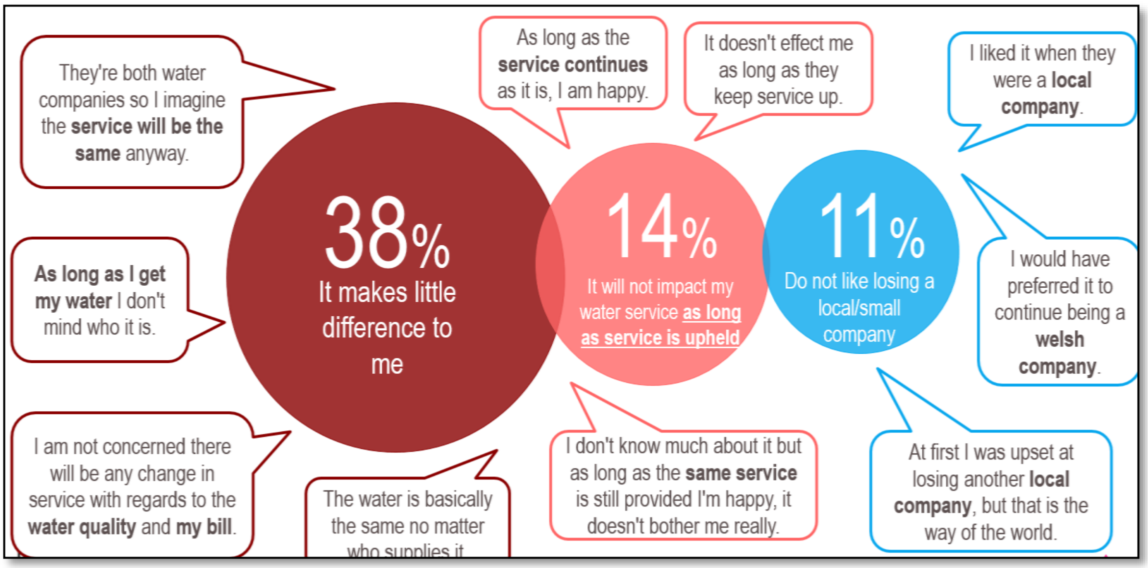
- Using the local workforce and local suppliers

Customers feel it's important for a local company to play a part in the local economy. Even where this may increase bills, customers think it is important to employ people locally and use local services. Customers could think less favorably of Dee Valley Water if business was taken away from the local areas.

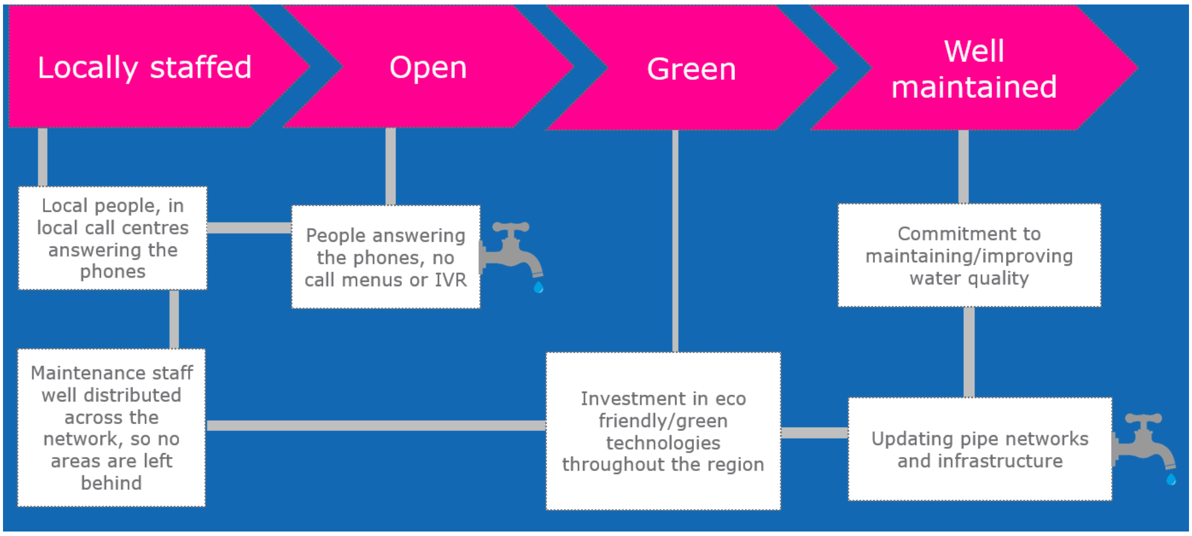
- Getting involved with local causes and charities

Customers would value their water company getting involved in local causes, charities and initiatives.

Our customer tracker research found that customers do not think the acquisition will make much different to them, providing customer service is upheld. A small percentage of customers commented that they did not like the idea of losing a local company.



Our research on the NAV gives us some insight into emerging themes about the "perfect" water company, which include a customer service element where a well-staffed, easy to contact and local centre would be seen as the gold standard.

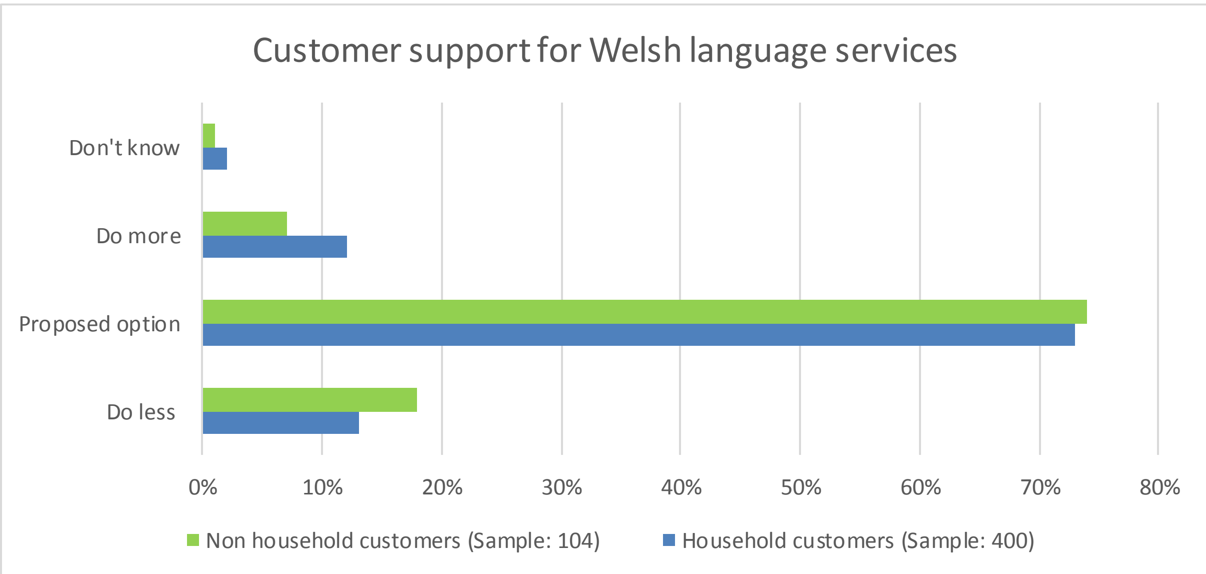



## Welsh language services

Welsh languages services are recognised to be important, for example our NAV research found that customers demonstrated a fierce support for the need for Welsh language services to be continued, despite those participating in the research not being (fluent) Welsh speakers, and being unlikely to read bills in Welsh, or to phone a dedicated Welsh speaking support line. Respondents couldn't reconcile the loss of dedicated, Welsh speaking employees (and replacement with a service such as Language Line) with any monetary savings.

**"It's the same as cutting the cost by not sending the bill out in Welsh as well. People would take offence to that [moving to Language Line], but they could probably make a massive saving straight away for not doing that, but there would be an uproar, they wouldn't be able to do it."** – Customer, NAV research

Of the investment choices presented to customers in the PC and ODI research, Welsh language services was the one with received the largest percentage of customers supporting the proposed option, with 73% of household customers and 74% of non-household customers.



## Part 2 – Non-household customers

We have a strong performance in terms of non-household customer satisfaction for our Dee Valley customers – "Rant and Rave" scores have been improving each year in AMP6, and written complaints are few and far between. Our contact data tells us that telephone is the primary contact channel.

**Performance**

**Rant & Rave**

| | |
|---|---|
| 2015/2016 | 4.59 |
| 2016/2017 | 4.60 |
| 2017/2018 | 4.69 |

**Written complaints**

| | 2015/2016 | 2016/2017 | 2017/2018 | Improvement |
|---|---|---|---|---|
| Total NHH Complaints | 13 | 16 | 2 | 88% |
| Written Complaints (incl. email) | 13 | 13 | 2 | 85% |
| Stage 2 Complaints | 0 | 3 | 0 | 100% |
| CCW Investigations | 0 | 0 | 0 | N/A |

A key part of how we've understood our customer service for non-household customers is via our customer tracker. We regularly ask customers a wide variety of questions about service, trust and value for money, as well as their wholesale service. We've used the feedback from this tracker to help form our service offerings for the future. We've focused on areas that customers feel are important to them, and areas where our tracker shows that we can improve.

A key finding from this survey is that overall performance is very good, with 96% of non-household customers happy telling us they are satisfied with their service, and 88% feeling that we provide great customer service. Despite this, on some measures, non-household customers are less happy than our residential ones, as the below table outlines.

| Variable | Household % (Mid Wales) | Household % (North Wales) | Non-Household (%) (North Wales only) |
|---|---|---|---|
| Satisfaction | 95 | 93 | 96 |
| Value for Money | 87 | 83 | 74 |
| Affordability | 75 | 85 | 75 |
| Trust | 89 | 84 | 87 |
| Great customer service | 88 | 92 | 88 |
| Happy with your water supplier | 81 | 83 | 74 |
| Leading service provider | 92 | 86 | 87 |

We need to ensure that business customers have bills which are affordable and offer value for money, as well being happy with their water supplier.

Some of the ways we could improve customer service include fixing issues right for the first time (repairs and leaks) and improving response when we get in touch.

Our PC and ODI research explored initial perceptions of satisfaction and trust. Respondents had both positive and negative associations, as well as neutral comments about their water company operating in the background and "just being a water company".

**"[Positive association due to] the fact you ring and speak to someone straight away**" – Non-household customer, Wrexham

**"We've had problems where a leak was identified, asking us to fix it, but no description of where the leak was?"** – Non-household customer, Wrexham

We used the workshops with non-household customers within the PC and ODI research project to explore what these customers expect from their water company in terms of service. They told us the following are important to them:

- a prompt service;
- a human touch in the call centre;
- appreciation that time / disruption equals loss of income;
- quick information;
- ease of contact, particularly in an emergency, although not necessarily a named contact; and
- consistent service.

Customers told us they were not particularly willing to pay extra for additional services, apart from services such as water efficiency, which could save them money. Local knowledge in the Wrexham call centre was particularly valued from customers in North Wales, and customers were fearful of losing this through the acquisition. There was also fear around new-look bills, new phone numbers, price increases and reduced levels of service.

We are planning to implement the following services after the licence change (rather than wait until AMP7).

- A dedicated phone line for business customers, based in Wrexham – we know that telephone is the primary contact channel for these customers;
- Case management for individual customers - offering a highly personalised service where customers in regular contact will know their HD contacts by name;
- A direct email address for customers to contact if they wish, under the @hdcymru.co.uk email;
- Water efficiency self-audits, where our customers can download a printable form that allows them to identify water and therefore money saving tips; and
- Simple and easy payment options – online, phone, direct debit.

We are also looking to offer the ability to provide free Water Efficiency Checks for our business customers prior to the end of this AMP.

## Eligibility for retail competition

Our PC and ODI research probed non-household customers' understanding of the open market in Mid Wales. Generally we found that the customers had a good understanding of the retailer and wholesaler difference, and were aware of Severn Trent no longer operating in Wales. Most recalled receiving literature about this.

None of the customers we spoke to had switched supplier, but some felt disadvantaged about not being able to participate in the future.

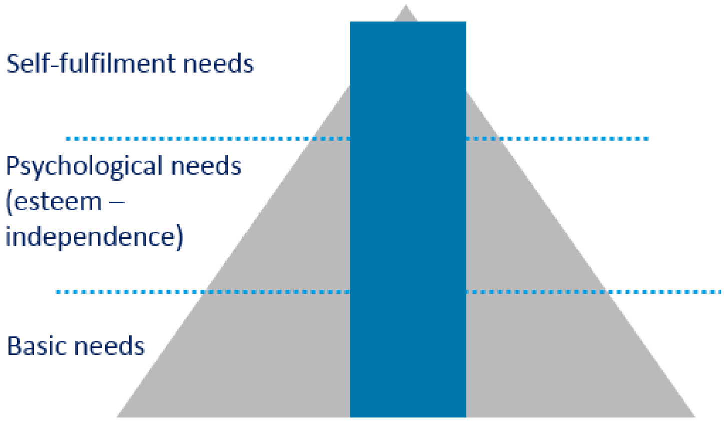
**"I didn't discuss it with Severn Trent. I did pursue the matter with the Farmer's Union of Wales. But I was told because most of Wales was Dŵr Cymru, it didn't affect many people and wouldn't be pursued"** – Non-household customer, PC and ODI research

Awareness of the merger was higher amongst non-household customers compared to household customers, however the comments focused mainly on service rather than the open market.

**"To me, it's of no importance. I've got my water to be supplied, like I said before. If it makes a company bigger and stronger and they provide a better service, that's great. But, it doesn't really impact on myself or my business or my home."** – Non-household customer, PC and ODI research

## A thriving environment

Our research shows that customers value the natural environment. The environment runs through all levels of the hierarchy, reflecting the fact that some of our activities deliver a basic need (such as complying with statutory obligations) and other activities can satisfy wider needs, such as enhancing biodiversity, which creates opportunities for wider fulfilment. Our plans looks for opportunities for solutions which deliver value at each level, for example by delivering wider benefits.




We have explored customer views on the environment primarily through our customer needs research, our valuation research and the PC and ODI research. We have also referred to insight from third parties.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| Customer needs research | Improves our understanding of customers' needs especially when service failures occur and their level of understanding on what should or should not be disposed of in sinks and toilets |
| Customer tracker survey | Explores views of customer service over time |
| Valuation research | Quantifies the importance of reducing flooding risk in the context of other areas of our plan |
| PCs, ODIs and investment choices | Explores customers' views of performance targets and incentives |
| Insight from customer facing employees | Tells us what our customer facing employees feel are the most important sources of customer dissatisfaction |

Based on our research we have triangulated our customer evidence to determine customer's relative priority for each of our performance commitments. For this outcome, two of the performance commitments represent compliance measures that we have no direct customer evidence on. Nonetheless we know that customers expect us to be compliant with standards, and trust us to maintai n our assets in order to do so.

**We have triangulated our evidence base to determine customers' relative priority**

| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| Hectares managed for biodiversity | Very important | Fulfilment | Improving biodiversity is a high priority compared to other fulfilment services, and is the investment area most customers would like to see additional investment in. |
| Length of river water quality improved | Important | Basic | This emerges as a medium priority in the research |
| Satisfactory sludge disposal | Low importance | Basic | Inferred priority – this is a compliance measure. Customers want, and trust us, to be compliant with standards and there is no spontaneous driver to improve |
| Treatment works compliance | Low importance | Basic | |

## Valuing the natural environment

Our qualitative research into customer needs tells us that the environment is more front of mind for customers, particularly those living in rural areas in Mid Wales. Customers felt protecting the environment for future generations is very important, and that their water company should aim to avoid any adverse impact on the environment. Customers also place a high value on Wales's natural assets, seeing them as important and cherished local resources. As well as the natural environment, water is seen as an important resource for Wales, and one that needs protecting – customers would like greater transparency about where it goes and who uses it. Insight from our customer facing employees also tells us that customers want reassurance that we are protecting the environment.

Whilst this is purely qualitative insight, we have cross checked it against the insight on this outcome from our PC and ODI research. Some of the key priorities that customers spontaneously suggest their water company should have include the responsible use of resources. When prompted with a description of this outcome, customers were generally supportive of the objective and felt it was an important priority for companies to have. Some customers wanted additional information of the activities the water company would be doing to prevent environmental harm, and the clarification of Hafren Dyfrdwy's responsibilities compared to other environmental agencies.

**"It can only be a positive to enhance the natural environment"** - PCs and ODIs research, Wrexham

Our customer tracker survey tells us that 92% of customers surveyed think that their water company cares about the environment.

## Delivering the Water Framework directive

Within the Willingness to pay research, river water quality improvements emerge as a medium level priority for customers. In the PC and ODI research, the proposed improvement target linked to the Water Framework Directive was acceptable to 83% of household customers, and 87% of non-household customers. Within the qualitative discussion, most believed this is a valuable performance commitment, but were keen for more information, for example on the scale of improvement planned, the current status of the river and which rivers would be targeted.

## Biodiversity

The *Wales Outdoor Recreation Survey (2014)* tell us that the majority of people in Wales want to visit the outdoors more often, and 43% are concerned about biodiversity, with 30% feeling there had been a reduction in recent years. 12% of those surveyed actively volunteer to help the environment / wildlife.

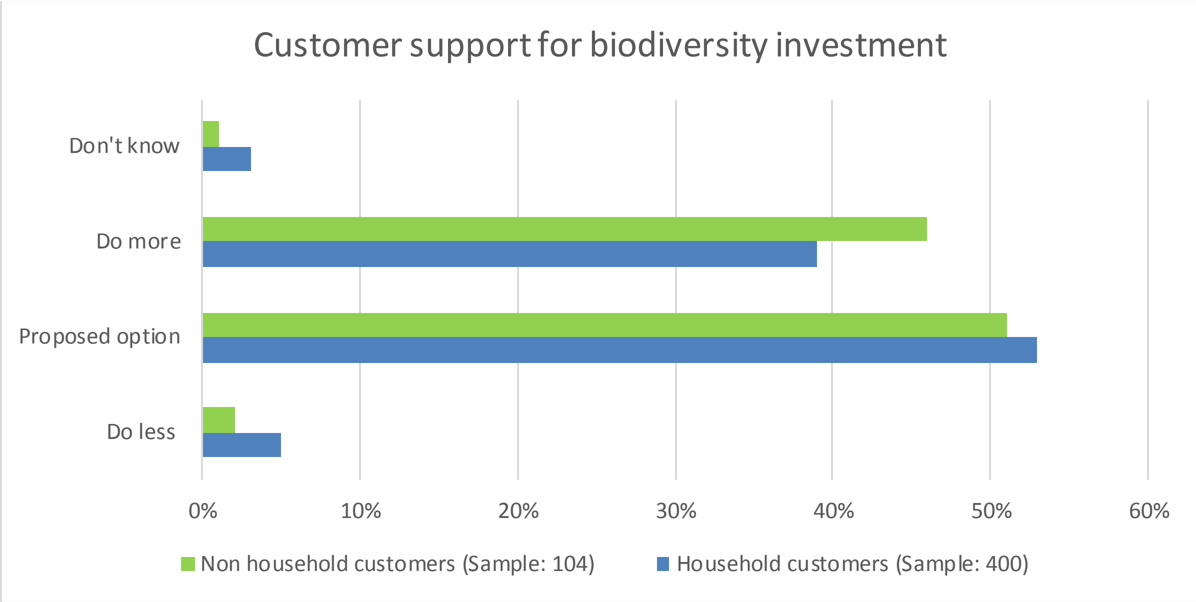
In research conducted by the Wrexham Public Services Board (*Wrexham Well-being assessment (2017)*) respondents made many comments on the need for preservation and investment in parks and green spaces.

**"I'd be willing to spend a bit more if it was going to promote biodiversity"** – Customer needs research, Mid Wales

Our willingness to pay research didn't include biodiversity as a service attribute, however we did ask customers to select their top priorities from a list of potential additional improvement activities. 44% of customers in Mid Wales, and 42% in North Wales, selected improving biodiversity in their top three.

| In addition to continuing to deliver its core service, such as ensuring water is there when you turn the tap on, your water company is also considering a number of additional services which might benefit its customers and local communities. Which three of these are most important to you | Mid Wales (N=250) | North Wales (N=255) |
|---|---|---|
| Having access to and recreation opportunities on land your water company owns (such as reservoirs) | 25% | 29% |
| Your water company working with local schools, for example to deliver education on the water cycle and how to save water | 66% | 75% |
| Your water company working to reduce its carbon emissions | 42% | 29% |
| Your water company working to improve biodiversity on its land, for example by nurturing wildflowers that support pollinators and bird life | 44% | 42% |
| Your water company making surplus land available for local communities to create small parks and green spaces in urban areas | 40% | 52% |
| Having a variety of flexible payment plan options for paying your water bill | 67% | 48% |
| Having a variety of digital channels available to get in touch with your water company (such as Facebook, Webchat and Twitter) | 6% | 5% |
| Your water company having a local Welsh feel | 8% | 19% |

Within the PCs and ODIs research 83% of household customers, and 90% of non-household customers found the proposed biodiversity target acceptable. The qualitative research did however show some mixed views about the performance commitment. Some felt that increasing biodiversity is extremely important and something that the water company should take some responsibility for, other felt this was secondary to the more core areas of service, and that responsibility lies with other organisations.




**"I didn't realise they did any of that, I know they do protect the environment but I didn't realise that they would restore and enhance species and habitats."** - PCs and ODIs research, Wrexham

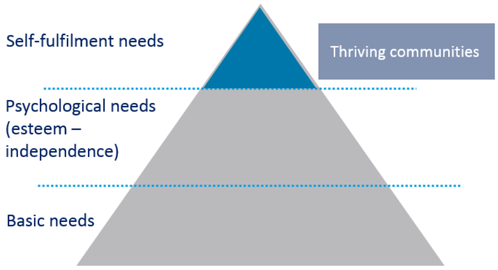
When faced with a series of investment choices and bill impacts, enhancing biodiversity was the area in which more customers selected the "do more" option. Overall 53% of customers supported the proposed option, with 39% selecting the "do more" option. Only 5% of customers wanted us to "do less" than proposed.

### Treatment works compliance and satisfactory sludge disposal

We consider that this requirement is supported by customers, since our research consistently shows that customers value the natural environment and expect us to ensure our actions comply with statutory obligations and avoid any environmental harm. However we did not explicitly ask customers about our proposed performance commitment level because the regulatory expectation is 100% so there is no scope for customers to influence the target. As such we have classified it as low importance as compliance is expected as a given.

## A positive difference

The difference we make to our communities, and whether this is seen as positive, and a driver of satisfaction, relies heavily on the way in which we deliver many of our core services. If we get things right it can help drive up satisfaction levels and build a level of trust between us and our customers. As such this outcome sits firmly at the top of the hierarchy, however customers are clear that they expect us to deliver the core "day job" and for anything additional not to cause any detriment to that.




The importance of our role in the community is a theme which runs across our insight programme, emerging in multiple research projects, including our customer needs research and our tracker.

In the research we conducted on performance commitments, outcomes and incentives (PC and ODI research) we tested this outcome with customers, under the title of "Thriving communities". We found that this wording did not resonate with customers, and subsequently revised the title to "A positive difference". Despite the title, we found that in the discussion customers, and household customers in particular, did appreciate elements of this outcome, such as the provision of education for young people on water efficiency. Our customer facing employees agree that we are seen to have a valuable role in the community.

**We've used a range of insight to understand our customers' views, including**

| Approach | Purpose |
|---|---|
| Customer needs research and co-creation | Improves our understanding of customers' needs and the role that we play in meeting them (including customers whose circumstances could make them vulnerable) |
| Customer tracker survey | Explores customer perception, satisfaction and value for money over time |
| Valuation research | Explores customer priority of different service improvements |
| PCs, ODIs and investment choices | Explores customers' views of performance targets and incentives |
| Insight from customer facing employees | Tells us what our customer facing employees feel are the most important sources of customer dissatisfaction |

Based on our research we have triangulated our customer evidence to determine customers' relative priority for the performance commitments under this outcome.

**We have triangulated our evidence base to determine customers' relative priority**

| Performance commitment | Relative priority | Hierarchy of needs | Rationale |
|---|---|---|---|
| Inspiring our customers to use water wisely | Very important | Fulfilment | The desire for more education and engagement emerges as a key theme across multiple research projects |

## Inspiring a future generation

In our qualitative customer needs research we find that customers were very enthusiastic about educational visits, and would welcome more information. They saw a role for us in promoting good water saving behaviours, providing information about what can't be disposed of down sinks and toilets and promoting visitor sites and reservoirs. They thought it was most important to focus on children (teaching them good habits for later life), but there was also an appetite for educational visits for adults too.

**"I think it's a good thing. Kids turn on the tap and run a bath to the top, and they need to think about where their water comes from."-** Customer needs research, Mid Wales

Whilst this is purely qualitative insight, our findings are consistent with insight from quantitative research. In our willingness to pay research we asked customers to prioritise their top three, from a range of additional services. Education in local schools was the top priority in North Wales, and the second highest in Mid Wales. The latest wave of our customer tracker survey tells us the greater trust amongst household customers could be leveraged through enhanced visibility in the community. "Educating school children to help protect the environment" was considered by respondents to be the second highest priority (after reducing leaks) from a range of activities the company could do more of to protect or improve the environment.

**"[To improve my trust in them, DVW need to] be more visible in the media and put more information in the local papers."** – Customer tracker, Wrexham

In the PCs and ODIs research we found that the customer education was the most acceptable of all the PCs presented to customers, with 95% of household customers, and 94% of non-household customers finding the proposal acceptable. Customers saw this PC as a key priority, and education of customers and school children about conserving water and avoiding blockages is mentioned spontaneously. Customers saw the link between education and some of the other service issues we discussed with them, such as blockages. The use of digital media, virtual reality and interactive experiences is seen as a good idea, making the message more memorable.

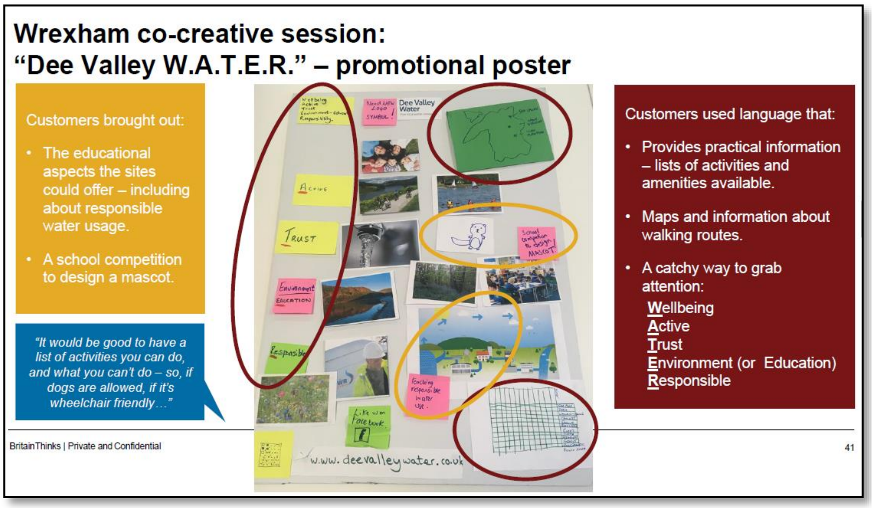
**"It is a good idea because we weren't educated when we were younger on water and we take it for granted"** – PC and ODI research, household customer, Mid Wales

**"Excellent to target that for the next generation, but we probably all need more education as well"** – PC and ODI research, non-household customer, Mid Wales

## Visitor sites and reservoirs

In our qualitative customer needs research we found that many of the participants had visited a Hafren Dyfrdwy owned reservoir and were positive about them as pleasant places to relax, exercise or spend time with family. There was a feeling that water companies should do more to promote their role in managing these, so customers could see where some of the money from their bills is going. Our customer facing employees agree there is an opportunity to encourage customers to make better use of reservoirs, and feel this might have been discouraged in the past due to concerns over health and safety spend requirements.

In the co-creation workshop, customers discussed how their water company could promote visitor sites, and families were seen as a particularly important audience for wanting to hear about ideas for days out in the school holidays. There also some limited concern about the potential impact of more visitors on the quality of the environment, implications for health and safety and the need for more facilities (e.g. parking, toilets). Customers say partners such as schools, the National Trust, RSPB, councils, the Ramblers and local press and radio could be used to promote these sites.




## Corporate social responsibility

In our qualitative customer needs research, customers supported wider corporate social responsibility initiatives. Customers had a vague idea their water company might be doing some of these activities, but not the specifics. Improving jobs and skills emerged as the top priority in our qualitative research (compared to other CRS initiatives). In the "The Wrexham we want" third party research, numerous comments were made about having more jobs and better job prospects, as well as attracting more businesses.

**"For me, apprenticeships is the highest priority…We don't have much unemployment here, but we have very low wages because it's unskilled work."** – Customer needs research

Customers also told us they value us using local suppliers and contractors, and being visible and contributing in the community, something which our customer facing employees also felt to be important.

## Part C: Individual research summaries

In this part of the appendix we present summaries of each of the key evidence sources. We have ordered these by the layers in the hierarchy, however it is worth noting that the findings from a number of projects cut across different layers.

| | The lowest possible bills | Good to drink | Water always there | Wastewater safely taken away | A service for everyone | An outstanding experience | A thriving environment | A positive difference in the community | A company you can trust |
|---|---|---|---|---|---|---|---|---|---|
| Wider fulfilment research | | | | | | | | | |
| Customer needs research | | • | • | • | • | • | • | • | • |
| Customer needs co-creation | | • | • | | | | | • | |
| Stakeholder research | | | | • | | | | • | |
| Psychological needs research | | | | | | | | | |
| NAV research | | | | | | • | | | |
| Customer tracker survey | • | • | • | • | • | • | • | • | • |
| Helping customers who struggle | | | | | • | | | • | |
| Social tariffs cross-subsidy research | | | | | • | | | | |
| Insight from customer facing employees | | • | • | | | • | • | • | |
| Basic needs research | | | | | | | | | |
| PR19 willingness to pay research | • | • | • | • | | • | • | • | |
| Asset health and resilience research | | • | • | | | | | | |
| PCs, ODIs and investment choices | • | • | • | • | | • | • | • | |
| Acceptability research (wave 1 and 2) | • | | | | • | | | | |
| Customer contact and complaint data | | • | • | • | | | | | |
| Water trading research | | | • | | | | | | |

# Section 8: Wider fulfilment research

## 8.1 Customer needs deliberative research

| Supplier | Britain Thinks |
|---|---|
| Fieldwork completed | October to December 2017 |
| Aim of the research | 1. To understand:<br>• our customers' needs and priorities as they relate to water;<br>• their current views and experiences of their water company;<br>• how well we are meeting customers' needs, and where we could do more to improve their services; and<br>• what are the views and particular needs of those with financial and health and well-being vulnerabilities? Is the support available to them adequate?<br><br>2. To create "pen portraits" of customers in Wales<br><br>3. To explore some specific themes:<br>• Are there any key differences between Welsh and English customers?<br>• Are there concerns about lead piping, and how would customers like this to be dealt with?<br>• Do customers in North Wales see Dee Valley as a local company? If so, what are the benefits? |
| Demographics | • The research reflects the demographics of our customer base in Wales within the limitations of small scale qualitative research.<br>• Specific groups consulted were:<br>o "General" customers<br>o Customers in financially vulnerable circumstances<br>o Customers in health and well-being vulnerable circumstances<br><br>TOTAL CUSTOMERS CONSULTED: 50<br><br>(18 in Mid Wales, 32 in North Wales) |
| Research approach | • In-home depth interviews with health, well-being and financial vulnerabilities<br>• Deliberative workshops |
| What did the research tell us that was new? | • The environment is a key consideration for customers - particularly those living in more rural areas like Mid Wales where the natural environment plays a key role in daily life.<br>• Customers believe more can be done to promote responsible water usage among the general public.<br>Whilst the majority of the respondents are not actively saving water a very small number admitted to "wasting water" feeling that they should be able to use as much as they like as they are paying for it. A small number said they were taking proactive steps to actively save water. |
| What did we already know that the research validated? | • The key (general) priorities for customers in Wales were the same across the three audiences ("general customers" and those in health and financial vulnerable circumstances). Family and friends was spontaneously mentioned by most customers as their most important priority. Health and |

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| | well-being also comes quite high up, and becomes more important over time, particularly with older customers. The environment is a key consideration for customers in Wales, particularly for those living in more rural areas where the natural environment play more of a part in daily life. Customers are also concerned about future security (such as education, jobs and finances) particularly in the uncertain current economic and political climate.<br>• Customers in Wales are largely satisfied with their service. Bills are seen to be reasonable compared to other household bills and few respondents have experienced issues. Where there have been issues the water company is seen to respond well.<br>• Awareness of the full breadth of water company activities, outside of the core service, is low. Customers think more should be done to communicate about the services offered (such as education in schools, visitor sites and corporate social responsibility activities).<br>• Customers want to hear more about the full range of support schemes and services they may be entitled to – including support for customers in vulnerable circumstances, and financial support for those struggling to pay their bills.<br>• Dee Valley customers value the fact that their water is supplied by a local company. Local knowledge of the area and the water supply is seen as a real benefit and makes them more trustworthy. Customers like the fact that Dee Valley is "just up the road", even if they haven't needed to contact them. They feel a local company provides customer service which understands them. Since Mid Wales customers are served by Seven Trent (not a locally based water company) we didn't explicitly address this topic with them in this research. |

## 8.2 Customer needs co-creation

| Supplier | Britain Thinks |
|---|---|
| Fieldwork completed | Wrexham, November 2017 |
| Aim of the research | Co-create solutions / ideas with customers on some of the key themes that emerged from the customer needs research:<br>• Water efficiency<br>• Promoting visitor sites<br>• Awareness of lead pipes |
| Demographics | TOTAL CUSTOMERS CONSULTED: 24 (in Wrexham) |
| Research approach | Co-creation is not strictly market research, but instead evolves out of a corporate philosophy that believes that customers can and should be enabled to have a voice in the decisions that affect their lives.<br><br>We have used co-creation to give customers a real 'say' on a range of specific business questions, with the decisions made by customers and the Hafren Dyfrdwy team working together in the room, through carefully facilitated sessions. We used the co-creative workshop to address two broad themes about better communications and education and what it means to customers to be a local company. |

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| | Three specific themes were explored as part of the discussions and co-creative exercises on communications and education / engagement. |
| What did the research tell us that was new? | • The research has provided a "communications toolkit" which provides suggestions for target audiences, barriers, key messages, language, tone, channels and touchpoints for communicating and engaging with customers on the key issues tackled.<br>• When talking about water usage, customers don't always the units water companies typically use – expressing usage in terms of £ would make more sense for them<br>• Customers who are environmentally engaged will be receptive to environmentally focused water saving messages<br>• Families are an important target audience for visitor site promotion, particularly those looking for cost effective activities for children during school holidays<br>• Customers believe that you should do more to promote your involvement in the sites, focusing on the activities and the good work you are doing.<br>• Sites could be more effectively used to educate customers about the water cycle, responsible water usage and more generally about nature.<br>• Some limited concern about the potential impact of more visitors on the quality of the environment, the implications for health and safety, and the need for more facilities such as parking and toilets.<br>• Social media may be a useful channel for visitor site promotion, e.g. encouraging visitors to tag photos on social media channels<br>• There are some customer groups who should be specifically targeted for communications and awareness about lead pipes (those moving home to older properties and pregnant women / those with small families) |
| What did we already know that the research validated? | • Customers in Dee Valley are interested in water efficiency messages, with key hooks being both the possibility of financial savings (if on a water meter) and environmental benefits<br>• Few customers take conscious steps to adopt water saving behaviours<br>• There is low awareness of the environmental impact of water usage<br>• There is mixed awareness that customers own their own pipes or of the health risk associated with lead pipes. |

## 8.3 PR19 Stakeholder research

| Supplier | In-house |
|---|---|
| Fieldwork completed | December 2017 |
| Aim of the research | • To understand the medium-term and longer-term priorities, opportunities and challenges of our stakeholders.<br>• To provide insight into the ways in which Severn Trent and Hafren Dyfrdwy can align their activities with stakeholder needs.<br><br>In particular, we wanted to:<br>• Identify the issues that stakeholders believe will have the biggest impact on their organisation over the next 25 years.<br>• Identify which of the UN's 17 Sustainable Development Goals they think are most relevant to what their organisation is seeking to achieve in our region. |

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| | • Explore opportunities for the water company and stakeholders to collaborate in areas of mutual interest and concern. |
| Demographics | • Stakeholders of Severn Trent – the survey was sent via email to approximately 600 stakeholders across England and Wales<br>• Sample is 'self-selected', no quotas or formal sampling framework was applied.<br><br>• Almost half of respondents (49%) work in local government. 16% work for an environmental non-governmental organisation (NGO) and 7% represent a water industry regulator or policy maker. 6% work for a business organisation, 6% for a customer support or advisory body and 3% for a rural organisation. 13% describe their organisation in another way, for example, a charity, a department of national government and a local resilience forum. Other organisations that respondents work for include a police service, a union and a university.<br><br>SAMPLE SIZE: 100<br><br>(4 stakeholders in Wales responded, however it is not possible to determine the region or customers the stakeholders represent. One respondent did complete the Welsh language version of the survey and replied in Welsh. Other respondents can be seen to be responding from an IP address in Wales, however the significance of this is questionable as many of the survey IP addresses are for regions outside of any of the areas that the company serves) |
| Research approach | • Self-completion, written questionnaire containing ten questions.<br>. |
| What did the research tell us that was new? | Stakeholders were asked to select up to five prompted issues which, over the next 25 years, they think will have the biggest impact on their organisation. The issues most commonly selected from the list by respondents were: *health and well-being* (56%), *infrastructure provision and capacity* (54%), f*looding* (50%), *climate change* (48%) and *resilient, sustainable and green urban areas* (41%).<br><br>Among the issues of medium magnitude for this group of stakeholders were: *workforce and skill availability* (36%), *future employment and education opportunities* (34%) and *affordable, reliable and secure water* (30%). *Poverty and social inequality* (29%), *biodiversity loss* (29%), *affordable, reliable and secure energy* (21%) also fall into this group. The issue least commonly thought likely to have a big impact was *security* (9%).<br><br>The following themes were uncovered from the verbatim responses:<br><br>• Profound appreciation for the health and well-being challenges faced by people, ranging from obesity to mental health.<br>• The connection between the provision of access to outdoor spaces that are enjoyable and reducing these problems is seen as well known.<br>• The absence of health and well-being is seen to place financial and other strains on services and infrastructure leading to a spiral of problems.<br>• Increased city dwelling, population growth and urbanisation (especially 'concreting over' natural drainage) are seen as challenges both for well-being and the management of flooding.<br>• Whilst there is the need for solutions, pressure on governmental/local authority funding means stakeholders are looking to other solutions, including private companies as well as individual behaviour change. |

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| | • There is a need to leave a lasting and better legacy of infrastructure for future generations. This infrastructure needs to effectively help with flooding, climate change and be capable of meeting the changing demographic challenges envisaged for the future.<br><br>Respondents were also asked to describe, in their own words, other issues which impact their organisation. The issues mentioned most often include:<br><br>• Uncertainty around Brexit, particularly in respect of:<br>o skills shortages<br>o changes in markets<br>o changes in agriculture and payments to farmers<br>o possible weakening of regulations and environmental protections<br>• Political uncertainty, changes of government and possible renationalisation of privatised industries<br>• Continued austerity and cuts to public service budgets<br>• Welfare reform, particularly the rollout of Universal Credit<br>• Demographic changes<br>• Economic growth, including around HS2 and new large housing developments<br>• The need for affordable housing<br>• Impact of new technology in all areas of our lives<br>• The need for repair and maintenance of Severn Trent's infrastructure |
| What did we already know that the research validated? | • Stakeholder research was conducted at the last price review with a greater focus on Severn Trent's business plan.<br>• This research shows the importance of some key 'higher-order' challenges such as health and well-being are also important for many stakeholder organisations.<br>• Private (rather than government) approaches to tackle society's challenges are seen in much of our research to be vital in the future.<br>• Many stakeholders commented that the company already collaborates effectively with their organisation. Many would like to see this joint working continue and / or increase in scope and level of commitment. |

## 8.4 Customer priorities research

| Supplier | Future Thinking |
|---|---|
| Fieldwork completed | August and September 2016 |
| Aim of the research | • Determine:<br>o What matters to people, communities and society as a whole?<br>o With these insights, determine what the water company should be doing both now and in the future to be more aligned with the goals of customers, communities and society. |
| Demographics | • Consumers in England and Wales, reflecting both the demographics and more specialised groups. Specific groups consulted were:<br>o "General" customers<br>o Specialist needs/interests. For example: farmers, anglers, ramblers.<br><br>TOTAL CUSTOMERS CONSULTED (in Welshpool, Mid Wales): 8 |

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| | Note: this project was done before the acquisition of Dee Valley. The 7 key themes were subsequently discussed with customers in Mid Wales and North Wales as part of the customer needs project described in section 6.1. |
| Research approach | • The research was qualitative. Overall (across England and Mid Wales) the programme comprised of:<br>o 9 workshops of 3 hours each. 5-9 participants per workshop. These focused on the 'general customer' (i.e.: those without specialist interests/needs) – one of these was in Welshpool<br>o 12 specialist depth interviews with farmers, anglers, ramblers, birdwatchers etc.<br>o Online community panel. Recruited from participants in the workshops, 20 customers took part exploring themes in more detail. |
| What did the research tell us that was new? | • The research approach was different from previous work, focusing on what matters in people's lives rather than 'water industry themes'. Only after understanding what mattered to people's lives did any exploration of where a water company did or could make any impact.<br>• The research shows that we already have a significant positive contribution to people's everyday lives, albeit mostly invisibly and outside peoples conscious thought. In addition, there are many opportunities to strengthen and add to activities that fulfil customer needs at every part of Maslow's hierarchy.<br>• 7 themes / priorities were revealed:<br>1. Enjoying life: doing those things which maximise the pleasure and enjoyment of life and removing the obstacles, barriers and irritations. Examples include creating opportunities for relaxation, providing the context for family to spend time together, minimising disruption and providing certainties we can depend upon.<br>2. Society & giving back: having stable, functioning communities that have a shared sense of values is important. Being an active member of society and helping others (especially those who are vulnerable) is seen as vital for individuals and corporations alike.<br>3. The environment: making a positive difference to the environment through activities that are sustainable is also important for business and individuals alike. For many, the themes included minimising waste, doing more for less, encouraging flourishing ecosystems, recycling and the use of increased renewable energy sources.<br>4. Money & finances: are seen as integral to quality of life. The ability to pay for everyday bills plus extras such as childcare or even caring for elderly relatives was cited. Having something left over for treats and fun times directly feeds in to the first theme of enjoying life.<br>5. Work: integral to many people's lives is a means to provide for themselves and their family and to derive a sense of self-worth and satisfaction. Work occupies such a large portion of people's lives that the right work life balance is vital in order that the other important things in life can be enjoyed.<br>6. Health: mental and physical well-being, having a reasonable level of fitness and ageing well are all a priority. Doing things to stay healthy matter to many people. |

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| | 7. The wider world: people are concerned about global and political events, especially where these create instability and fear. A concern about the economy, terrorism, inequality, religious fundamentalism, immigration and corruption are all significant issues.<br><br>At the centre of everything is “Me and my family”. Family can mean different things to different people, but however defined it is the most important thing in everyone’s lives. |
| What did we already know that the research validated? | Water and our industry is largely something people do not think of unless there is a problem or the media brings it to customer’s attention. However, the impact of our activities already makes a big difference to people’s lives. |
| Other comments | This research seeks to understand the bigger picture; it is not framed in terms of water industry themes. We recognise the limitations that this is a small piece of qualitative research with very limited fieldwork in Wales, conducted before the acquisition. We have only used this is inform our framework and the hierarchy of needs, rather than for material insight on the plan. |

# Section 9: Psychological needs research

## 9.1 Acquisition of Dee Valley Water: customers' reaction and views (NAV research)

| Supplier | DJS |
|---|---|
| Fieldwork completed | April and May 2017 |
| Aim of the research | To understand the views of customers affected by the acquisition and also by the changes to company licences meaning that customers would have their water and wastewater supplier operating in accordance with a licence aligned to their country of residence (as opposed to one aligned to the country in which the water company is based).<br><br>To understand customer concerns and communications requirements around the acquisition and licence alignment |
| Demographics | Broadly in line with the demographics of the areas covered, within the limitations of small group sizes that qualitative research entails.<br><br>TOTAL CUSTOMERS CONSULTED: 51 (split between 26 in North Wales, 25 in Mid Wales).<br><br>An additional 27 customers were consulted in Chester.<br><br>The household / non-household split was as follows:<br>• North Wales – 26 (HH 17; NHH 9)<br>• Mid Wales – 25 (HH 16; NHH 9)<br>• Chester –27 (HH 17; NHH 10) |
| Research approach | Qualitative research in the form of:<br><br>9 focus groups with household customers and small/micro businesses<br><br>10 tele depths with medium and large business customers |
| What did the research tell us that was new? | • This research shows household customer support for the alignment of company licences with national borders.<br><br>• Non-household customers (in Mid Wales) are concerned about losing their ability to switch (although many did not know prior to the research that they could switch).<br><br>• Awareness of the acquisition was low across all groups. Customers who didn't know about it before the groups / interviews were immediately suspicious of the motives. Upon being informed about the acquisition, customers had lots of questions about the impact on price, service and retention of local jobs.<br><br>• Although customers don't want to know everything that's going on, they would like some clear information from their water company on the ins and outs of the acquisition as soon as possible.<br><br>• Detailing current and future rights based on national borders will be vital to ensure customers feel well informed – even if this is likely to cause frustration among some, this will be preferable to hearing about it after the fact.<br><br>• Communicating information about change relating to price and service will reassure household customers. |

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| | • Letters (personally addressed) and emails are the most effective way to communicate with all customer groups. A two contact system (initial and reminder) is the best way to ensure good understanding without over-contacting.<br><br>• When asked to think about their ideal water company a number of themes emerged:<br>  • Customers want to be served by a local workforce who can be responsive to their needs;<br>  • Beyond service, the quality of water, backed up by an eco-friendly approach to business are seen as two further key components of an ideal water company.<br>  • Despite the DVW customers consulted not being (fluent) Welsh speakers, and being unlikely to read bills in Welsh, or phone a dedicated Welsh speaking support line, a fierce support of the need for those services to be continued was mounted.<br>  • The idea of Language Line (or other similar services) replacing existing, dedicated Welsh speaking employees was seen as being a step too far. Respondents couldn't reconcile the loss of that service with the likely monetary savings.<br>  • Similarly, the hatch service in Wrexham (whilst not used by any of the customers consulted) is seen as a value added service that should be retained – although this is perhaps protected less fiercely than Welsh language services. |
| What did we already know that the research validated? | Opinion of both their water company is extremely high among current customers. Both companies are seen to have similar 'personality' traits (brand – reliable, efficient and trustworthy), and this is something that could be promoted to reassure customers about the impact of change. |

## 9.2 Customer satisfaction tracking research: Dee Valley

| | |
|---|---|
| Supplier | Impact Utilities |
| Fieldwork completed | Ongoing research (the wave between September 2016 – March 2017 is reported here)<br><br>Note the acquisition of Dee Valley took place in February 2017 |
| Aim of the research | Ongoing tracking research which aims to understand the customer on a range of issues and see how these change (or not) over time.<br><br>Tracking research enables you to see if the things you are doing are making a difference to customers in the wider community since it is not focused on only those who have contacted the company. |
| Demographics | A representative mix of customers within the Dee Valley (Wrexham and Chester) area.<br>TOTAL CUSTOMERS CONSULTED: 300 (163 in North Wales) |
| Research approach | Telephone survey of 240 household and 60 commercial customers. |
| What did the research tell us that was new? | • Satisfaction with Dee Valley is very high (89% of customers satisfied) and relative to other organisations Dee Valley is doing very well.<br>• Value for money rating is also high (79% of customers either fairly or very satisfied with value for money)<br>• Value for money is the key driver to satisfaction. |

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| | • Those who have been satisfied with an outcome of an enquiry and find Dee Valley an easy business to be a customer of will be satisfied, even if they do not think it has offered good value for money.<br>• Dee Valley is seen as something distinct, local and popular.<br>• 4% of customers sometimes struggle to pay their bills<br>• There is significant demand for Dee Valley to offer practical support and advice to enhance the affordability of its service, particularly to those in vulnerable circumstances<br>• There is significant demand for Dee Valley to assert itself more in the community, by raising awareness of its projects and offering more proactive support to those in vulnerable circumstances<br>• Customers would like to know more about reducing water usage, the services Dee Valley provide and the different tariffs available<br>• Customers still prefer traditional methods of interaction with another person over the phone |
| What did we already know that the research validated? | • Similar themes are found in the CCWater tracking survey |

## 9.3 Customer satisfaction tracking research: Mid Wales and North Wales (referred to as Wales tracker)

| Supplier | Impact Utilities |
|---|---|
| Fieldwork completed | January and February 2018 |
| Aim of the research | • Impact Utilities has been tracking the perceptions of Dee Valley Water customers since 2016.The research was designed to support Dee Valley Water (DVW) with its ODI commitment to measure customer perceptions of value for money, and more broadly, to understand customer views.<br>• Post-acquisition by Severn Trent, this fourth wave of research also comprised an additional sample of 100 domestic customers in Mid Wales; this enables us to look at results for North Wales + Mid Wales, as well North Wales + Chester.<br>• Findings of the Chester respondents are not reported here. Unless otherwise stated, results are for North Wales + Mid Wales. |
| Demographics | • 400 domestic customers (North Wales, Chester and Mid Wales)<br>• 50 non-household customers in North Wales<br>• 50 non-household customers in Chester<br>• Quotas were set on age, gender, SEG and metering, to ensure that the sample is regionally representative and consistent over time.<br>• Data were weighted where quotas were not met. |
| Research approach | • Telephone survey, as per previous waves of research.<br>• The structure of the questionnaire has been broadly consistent over time, although some new questions have been added. On average, interviews lasted 20-30 minutes.<br>• At the beginning of the survey, participants in Wales chose whether they complete the interview in Welsh or English. |
| What did the research tell us that was new? | • Overall satisfaction with water company service is extremely high (North Wales 94% and Mid Wales 95%).<br>• The majority of customers have not experienced an issue with their water supply in the last twelve months (North Wales 67%, Mid Wales 72%).<br>• However 21% of respondents in North Wales mention discoloured water.<br>• The most commonly reported service failure in Mid Wales is low water pressure (12%), followed by discoloured water (9%). |

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| | • 89% of those who had tried to access Severn Trent/DVW services in the last year said it was easy. 65% of those in Mid Wales said it was 'very easy', compared with 43% in North Wales.<br>• Perceptions of trust in the water company are much higher in Mid Wales. 72% of Mid Wales respondents trust Severn Trent completely; only 49% of North Wales respondents feel this way about Dee Valley Water.<br>• The proportion of customers who trust DVW/Severn Trent to balance our responsibilities and keep bills manageable is 88% in both Mid Wales and North Wales.<br>• Non-household customers trust DVW less than domestic customers do.<br>• Less than half of North Wales respondents are aware of the acquisition of DVW by Severn Trent (47%).<br>• The majority of North Wales respondents feel 'indifferent' about the acquisition (75%). 14% are 'happy' or 'very happy'. 11% are 'unhappy' or 'very unhappy'.<br>• Customers don't think the acquisition will make much difference to them, providing the level of service is maintained. Many of those who are unhappy perceive that they are losing a small, local, Welsh company.<br>• Perceptions of value for money (VFM) are extremely high. 'Good'/'very good' VFM scores are higher in Mid Wales (87%) than in North Wales (80%). 74% of North Wales non-household customers give this rating.<br>• 79% of customers agree that their water/water and sewerage bill is currently affordable. Agreement is higher in North Wales (81%) than in Mid Wales (75%).<br>• However, the majority of domestic customers don't know the cost of their annual bill (58%).<br>• 'Telling me about improvement works taking place locally' and 'Offer support to customers who struggle to pay' are the joint top prompted suggestion for making customers' lives easier (58%), followed by 'Offering additional support to vulnerable customers (57%).<br>• 'Improved signage at roadworks' would be particularly welcome in North Wales (50%).<br>• Approaching one third of customers would like information about at least one of their company's assistance schemes. Of most interest are alternative bill formats (30%), the register of customers with additional needs (16%) and the dedicated support team to help customers (14%).<br>• Around one third of Mid Wales respondents say they don't know that nappies, moist wipes and cooking fats should not be disposed of down toilets and sinks.<br>• When asked what their water company should do more of, 'Reducing leaks' was mentioned by 84% in North Wales and 61% in Mid Wales.<br>• 71% of unmetered Mid Wales respondents say saving money on their bill would encourage them to have a water meter installed. 56% of unmetered respondents in North Wales say the same thing.<br>• 44% of North Wales non-household customers would like more information about the services provided to customers by DVW. 43% would like advice on reducing their water consumption. |
| What did we already know that the research validated? | • Top reasons for considering installing a water meter are the same in Dee Valley as Mid Wales; saving money is the key one, followed by ability to track water usage. Helping the environment and helping to spot leaks are less commonly cited reasons. |
| Did the research contradict any other findings? | n/a |
| Any other information | n/a |

## 9.4 Helping customers who struggle research

| Supplier | Qa Research |
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| Fieldwork completed | October to December 2017 |
| Aim of the research | • Understand how existing social tariff schemes, the Big Difference Scheme (BDS) and Here2Help (H2H), are viewed by recipients<br>• Establish how customers find out what help is available<br>• Determine the appeal of BDS and H2H amongst non-recipients<br>• Explore the circumstances that lead to arrears; how customers view paying water bills and how they view the debt management approach<br>• Explore views on possible approaches to preventing arrears and encouraging the paying back of debts<br>• Co-creation tasks: test the following 1) BDS & H2H eligibility criteria and discount amount, 2) a text message to remind customers they have missed a payment, and 3) a 'payment matching' scheme |
| Demographics | • Mix of customers in North Wales and Mid Wales<br>• Mix of customers on a social tariff and not on a social tariff (but likely to be eligible)<br>• Mix of age, gender, ethnicity etc.<br>• Mix of water debt profile (i.e. size and age of debt)<br><br>TOTAL CUSTOMERS CONSULTED (in Wales): 213<br><br>Split between 101 in Mid Wales and 112 in North Wales |
| Research approach | • 3 in-depth interviews with customers in water debt (1 in Mid Wales, 2 in Dee Valley Water (1 on Here2Help, 1 on no tariff)<br>• Telephone interviews with 94 customers on a social tariff (44 in Mid Wales, 50 in North Wales) and 106 not on a tariff<br>• Co-creation workshop in North Wales (10 customers)<br><br>All customers were offered the opportunity to undertake the research in the Welsh language. |
| What did the research tell us that was new? | • Customers in water debt tend to fall into one of three typologies: 'Long Standing', 'Borderline' and 'Sudden and Severe'. Each may need a different approach.<br>• Those likely to be eligible for social tariffs would like us to let them know about it, or promote it more widely.<br>• Financial support provided improves customers short and long-term financial situation and improves general well-being<br>• Clear suggestion that BDS may be unnecessarily generous<br>• Few on BDS/H2H offered any real criticism or suggested obvious improvements, although it's important to recognise that the application form is off-putting for some.<br>• There is low awareness of social tariffs amongst those customers who do not receive them – without prompting none of the respondents were aware of H2H and BDS. After prompting this changed to 5% of Mid Wales customers having heard of it, and 8% of Dee Valley customers.<br>• Intuitively, customers expect to find out about support available from their water company - in reality, few would contact directly if there was a problem.<br>• A range of channels (such as independent support services, Citizens Advice and friends / relatives) were mentioned by those on a tariff as the way they found out about it. The water company (Severn Trent or Dee Valley) was not actually the way most find out there is help available. |

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| | • Although most felt that the application process was fine, 55% of the 44 respondents who had applied for BDS and 26% of the 50 respondents who had applied for H2H had sought help with their application. Note that these are small sample sizes, however we know that the type of help given was mainly related to "working through household finances" and "completing the application form". |
| Co-creation key findings | • Here2Help scheme - scheme could be increased to 50% reduction but consider varying levels so a certain proportion of the reduction can be matched with customer needs/circumstances.<br>• Text alerts to be sent day after payment missed, using customer's fist name, and signposting support if struggling, with free number. If another reminder needed then repeat 24 hrs later if low level arrears but after one week if severe arrears.<br>• Eligibility to consider customer circumstances rather than purely based on income. Expenditure details plus household circumstances are important factors to take in to account.<br>• When communicating eligibility it is important to make potential applicants aware of the factors that will be considered when assessing customer circumstances so they can decide whether to apply.<br>• The 3 staged match payment scheme seen as very positive but complicated. Key to its success will be the upfront and ongoing dialogue.<br>• Match payment scheme best as a 'one off' but important to understand whether exited customer can afford their water bill. |
| What did we already know that the research validated? | • Journey to water debt is complex but typically relates to health issues, unemployment or income reduction and significant life events. Many are trapped in a spiral of poverty and find it difficult to get out.<br>• There was a low awareness of support schemes with few recalling any communication from their water company.<br>• Many are in vulnerable circumstances, so likely to need a more specialised and considered approach during the arrears communications.<br>• Customers who are struggling the most are often unwilling to move to direct debit because they may not have the money in their bank account, which leads to bank charges. |

## 9.5 Social tariff cross-subsidy research

| Supplier | DJS Research |
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| Fieldwork completed | 3 – 28 May 2018 |
| Aim of the research | • To understand how much are customers in Wales are willing to cross-subsidise other customers through a water company social tariff, and why.<br>• To explore how they feel about cross-subsidies in general, and about cross-subsidies in the water industry in particular.<br>• To explore how they feel about the current social tariff scheme in their area.<br>• To explore what, if anything, would encourage them to contribute even more to the social tariff. |
| Demographics | • 439 household customers, equally split between Mid Wales and North Wales<br>• Quotas set on age, gender and SEG, to reflect the region's profile<br>• Sample included customers in Mid Wales who receive a water-only and waste-only service.<br>• Sample included customers likely to be eligible for tariff, unlikely to be eligible and 'just about managing' customers<br>TOTAL CUSTOMERS CONSULTED: 439 |

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| Research approach | Face-to-face survey. CAPI interviews in customers' homes.<br><br>We followed the specific guidance from Welsh government guidance on cross-subsidy research. We have also taken further specific survey design advice from CCWater. |
| What did the research tell us that was new? | • Cross-subsidies in general are supported, however water industry specific ones (particularly those involving debt) garner lower levels of acceptance.<br>• The majority of customers are willing to support a social tariff scheme and consider themselves to be altruistic.<br>• There is a hardened group who believe it's the responsibility of the individual, the company or the government to ensure that poorer customers are supported and are not the responsibility of other bill-payers.<br>• Whilst there is broad support across customer segments, cross-subsidisation is most likely to be accepted by customers aged 25-34, in skilled or non-manual occupations and amongst those who are personally struggling to pay their bills.<br>• Unsurprisingly, those who are just about managing to pay their household bills are more likely to believe that the schemes should be extended to help all those who struggle.<br>• After being shown the details of the water company's current social tariff scheme in their area (The Big Difference Scheme in Mid Wales and the Here2Help scheme in North Wales), most customers described them in positive terms when asked for a verbatim comment. However customers are concerned that the schemes should only help people who really need it.<br>• Just over half of all customers interviewed find £7 per year (on a combined bill) or £3.50 per year (on a single service bill) an acceptable level of contribution to the social tariff scheme.<br>• £3.50 in total per year is acceptable to 54% of North Wales (water-only) customers, an increase of £3.<br>• £6 in total is acceptable to three fifths of Mid Wales customers, an increase of £3 per year. £6 in total per year is acceptable to 61% of Mid Wales dual-service customers. £4 in total per year is acceptable to 53% of Mid Wales single-service customers.<br>• Overall, customers who identify strongly as Welsh have marginally higher acceptance of the cross-subsidy. There is little variance in metered/unmetered customers, nor those who were born outside of Wales.<br>• Reciprocal behaviour (a financial contribution from the water company) would act as the strongest incentive mechanism for customers agreeing to contribute even more towards the social tariff. However, approaching one third (29%) of customers interviewed would not want to pay any more than the amount they stated, mainly due to a lack of desire or perceived lack of ability to afford it.<br>• Reasons why people didn't want to pay more than the final price-point they were willing to contribute centred on issues of fairness (or lack thereof) (68%) and concerns around misuse of the scheme (63%). A further third claimed that they didn't want their bill to increase. |
| What did we already know that the research validated? | n/a |
| Did the research contradict any other findings? | n/a |
| Any other information | n/a |

### 9.6 Insight from customer facing employees

| Supplier | In-house workshops with Dee Valley employees |
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| Fieldwork completed | August 2017 |
| Aim of the research | Understand from our customer facing employees what causes customer complaints and dissatisfaction |
| Demographics | A mix of staff with diverse customer facing roles at Dee Valley |
| Research approach | Workshops lead by the insight team |
| What did the research tell us that was new? | • The majority of the written complaints Dee Valley receive are bill related, followed by operations / metering (e.g. waiting too long for work to be carried out, including follow on work.<br>• We get some complaints about the delays in having meters installed (going beyond the SLA or 90 days)<br>• Leakage is in the media a lot, especially when the weather is hot.<br>• Farmers often complaints about noise, traffic, planning and access over their land. Often these are aimed at getting compensation or to delay works.<br>• Discoloration is an issue, but has improved recently due to lots of mains flushing and ice pigging.<br>• Low pressure is felt to be an issue in hilly areas.<br>• Repeat interruptions only affect a small number of properties, but are a big irritation for those affected<br>• Lead pipes don't appear to be a spontaneous concern<br>• We used to get lots of complaints about estimated metered bills, but this has reduced considerably now all household customers get their meter read at least every 6 months<br>• Customers value ease of contact with Dee Valley staff – they want to get straight through to a "real" person, not navigate complicated phone systems, including staff being able to pronounce Welsh place names<br>• Customers value flexible payment terms<br>• Some find the forms for the social tariff off-putting, some get help with Dee Valley staff at food banks<br>• Customers value home visits to the elderly and those who might struggle to pay<br>• Although not always front of mind, some customers want reassurance we are protecting the environment and that there will be enough water to meet people's needs in the future<br>• A social media presence is expected and would be useful during large incidents<br>• We should encourage customers to make better use of reservoirs, previously discouraged due to cost of health and safety investment<br>• Customers in North Wales respond to "matey" language and empathy – they dislike a corporate approach |
| What did we already know that the research validated? | • Drought and low flow rivers are not felt to be front of mind<br>• Retaining the local feel and identity is very important<br>• Customers value the "hatch" at North Wales<br>• Customers are worried about bills going up as a result of the acquisition<br>• Dee Valley is a well-recognised and trusted brand with loyal customers<br>• Dee Valley is a small local business which is really agile and responsive – no property is more than a 40 minute drive away<br>• Customers see the company as having a valuable role in the community<br>• Customers in North Wales won't necessarily feel an affinity with those in Mid Wales |

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| Did the research contradict any other findings? | • Employees feel non-household want to be able to switch supplier |
| Any other information | |

# Section 10: Basic needs research

## 10.1 Valuation research - willingness to pay (WTP)

| Supplier | Systra |
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| Fieldwork completed | October 2017 to January 2018 |
| Aim of the research | Determine the willingness to pay for a variety of non-market goods relating to the water industry. These valuations will form the basis of cost benefit analysis in order to determine whether or not certain projects represent value for money in the eyes of the customer. |
| Demographics | A representative sample of household and non-household customers in the Mid Wales and North Wales regions.<br>• 500 household customers (split equally between North Wales and Mid Wales)<br>• 150 non-household customers (split equally between North Wales and Mid Wales)<br>TOTAL CUSTOMERS CONSULTED: 650 |
| Research approach | For household customers we used best practice face to face computer assisted approach, administered to customers in the comfort of their own homes. Welsh language was offered as standard (bilingual fieldworkers were used for all the interviews).<br>The non-household fieldwork was administered over the telephone, with show materials emailed to each respondent.<br>Of the household customer sample, 400 were targeted using a random sampling approach, whereas 100 interviews were conducted in villages with a known high Welsh speaking population.<br>Considerable care was taken to ensure the validity of the research taking into account the following:<br>• Cognitive validity – testing and piloting the survey extensively prior to main fieldwork to ensure all service descriptions were understood and trade-offs could be undertaken<br>• Ensuring the overall survey load was not too onerous<br>• Minimising the need for scaling the final valuations by deriving WTP for groups of improvements rather than trading off money with individual service improvements (which can lead to over-estimation of WTP).<br>• Appropriate context and question framing<br>• External validity by validating the findings using alternative methods and/or contexts such as the budget game and service failure survey<br>The survey approach and experimental design was peer reviewed by an expert in the field (Prof Ken Willis).<br>The service attributes that were tested were as follows:<br>• Tap Water Package<br>• Appearance of water<br>• Taste and smell of water<br>• Lead Pipe Replacement<br>• Water Supply Package |

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| | • Interruptions of 3-6 hours<br>• Low water pressure<br>• Leakage from pipes<br><br>• Pollution and Flooding Package (Mid Wales respondents only)<br>• Internal sewer flooding<br>• External sewer flooding<br>• Pollution<br>• River water quality |
| What did the research tell us that was new? | For household customers experience of service failure in Mid Wales is relatively high, with 20% saying they have experience tap water that taste or smells unpleasant, 18% experiencing a reduction in water pressure, and 11% discoloured tap water.<br>Fewer customers had experienced service failure in North Wales, with 16% experiencing discoloured water and 11% a reduction in water pressure. Only 4% however say they have experienced tap water that taste or smells unpleasant.<br>For non-household customers experience of service failure in Mid Wales was also high, with 13% reporting tap water that tastes or smells unpleasant, 12% reporting leakage, 12% reporting seeing rivers with poor water quality and 11% reporting discoloured tap water. In North Wales discoloured tap water was the most experienced failure, with 16% of non-household customers saying they had experienced it.<br>Household customers in Mid Wales value reducing internal flooding the most out of the waste water attributes, values for external flooding, pollution and river quality are the same. Within the tap water package support for removing lead pipes was the highest valued improvement.<br>Household customers in North Wales value the tap water package of improvements much more than the water supply package, with improvements in taste and smell being the most valued improvement (despite stated experience of this being much less that appearance). Reducing leakage was the most valued water supply attribute.<br>When asked about the maximum they would be willing to pay for all the service aspects presented to them to be improved, Mid Wales (household) respondents reported an average of £6.80, whereas North Wales (household) respondents reported an average of £4.<br>Mid Wales (non-household) respondents reported an average of 2.8% whereas North Wales (non-household) respondents reported an average of 3.2%.<br>These figures need to take into account the fact that Mid Wales customers were considering a combined bill, and North Wales customers the water only bill. |
| What did we already know that the research validated? | • WTP values for the packages of improvement are lower in Wales than in England, although this is a generic statement and doesn't reflect the specifics of the survey (e.g. what amount of improvement customers get for the packages they are presented with). |
| Did the research contradict any other findings? | In Mid Wales there was no willingness to pay to improve the water supply package comprising of water interruptions, low pressure and leakage. This is despite a relatively high number of customers stating they had experienced low pressure, and despite some of these being comparatively frequent service failures in the region. |

## 10.2 Asset health and resilience research

| Supplier | DJS Research |
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| Fieldwork completed | April 2018 |
| Aim of the research | Exploring issues of asset health, resilience and intergenerational fairness<br><br>To understand how well customers understand the issue of risk, and what level of risk they are prepared to tolerate<br><br>To understand whether customers are willing to fund better monitoring of assets |
| Demographics | Household customers included a mix of current and future bill-payers, a mix of age, gender, SEG, household size, and some with experience of a service failure<br><br>Non-household customers included a mix of size, sector and water dependency<br><br>TOTAL CUSTOMERS CONSULTED: 47 |
| Research approach | 2.5 hour deliberative workshop with household customers in North Wales (20 participants)<br><br>2.5 hour deliberative workshop with household customers in Mid Wales (19 participants)<br><br>8 telephone depth interviews with 8 non-household customers (4 each in North Wales and Mid Wales). Interviews lasted 30-45 minutes each. |
| What did the research tell us that was new? | Most customers were not surprised when prompted with a list of the services provided by Dee Valley Water/Severn Trent.<br><br>Some did not understand the meaning of 'enabling a thriving environment' and 'promoting a thriving community'.<br><br>Amongst some, trust in the water company scores declined by the end of the discussion, mostly due to scepticism around where investment would be spent vs go into shareholders' pockets. A few also lost some confidence in the company after discussing some of the scenarios, as they felt the company should have already planned for these.<br><br>In the Mid Wales workshop, there was a feeling that Mid Wales has become a forgotten part of the Severn Trent region, due to its size and rurality.<br><br>Participants say they are much more likely to report a leak if it is close to their home/business, or if it impacts them personally. They would also be more likely to report a leak if it had been evident for a few days or if it's a very severe leak.<br><br>Some were unsure who to contact about a leak on road – the council/highways?<br><br>Almost all of the bill-payers felt that water companies should take a proactive or mid-ground stance in regards to maintaining their assets to a high standard. A reactive investment position is not acceptable because water is such an essential service.<br><br>Many expect water bills to rise, and so expect the company to be proactively investing the additional money. |

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| | However, future bill-payer favoured the mid-ground approach. They did not want the company to do more than what needs to be done; as long as water continues to come out of their taps they are content.<br><br>Participants were shown some examples of assets being subjected to extreme events (Tewkesbury, Cryptosporidium and pollution case studies). After seeing these, most maintained the view that companies should have a proactive to mid-ground approach. They expect the company to have plans in place to deal with such events, and to communicate to customers about it as appropriate.<br><br>Customers do not expect problems to occur because of ageing assets or poor maintenance.<br><br>Most respondents expect their water company to spread the cost of expensive work (such as work on reservoirs and dams) over time. Many had hoped this had already been considered before now, and that current bills already pay for this type of investment. They certainly want to avoid bill shocks.<br><br>Future bill-payers struggled to get involved with the discussion on this; they were unclear on the impact and reasoning for bringing investment forward.<br><br>Most want the company to bring some investment forward to smooth the impact on bills over time.<br><br>Customers had little awareness of the existence of lead in water pipes or of tighter lead level restrictions. They want immediate action on this - more communication on this subject, as well as increased testing. Those with young children or grandchildren were particularly passionate about this subject.<br><br>Most support the lead-free schools and nurseries initiative, as well as proactive replacement of lead pipes in hot spot areas, plus investigation and support for all household customers where sample exceeds the proposed new lead limit (5ug/l).<br><br>Customers supported the following options for measuring performance in this area: customer rating of job satisfaction, assess the number of properties where the company has replaced their lead pipe, and assess the number of properties where the company has replaced their lead pipe and the customer pipe has also been replaced.<br><br>A higher proportion of participants are willing to invest in lead pipes (over two thirds) than reservoirs (just over half).<br><br>Most say they want to be informed exactly what their investment is being used for.<br><br>The bill impacts, when shown, were lower than most had expected. Most feel an investment of £4 per year for each is reasonable.<br><br>Participants say the Well-being Act is good for Wales, and feel that all businesses, including water companies, should be working towards the stated goals. |
| What did we already know that the research validated? | Respondents are aware that water companies are responsible for the water supply wastewater services. Maintenance of assets, resolving issues such as leakage, and customer service were also mentioned after some thought. |

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| | Most North Wales domestic customers believe that Dee Valley Water also provides their sewerage service.<br><br>Those who had personally dealt with DVW or ST often referenced good communications and customer support.<br><br>Perceptions of the company being local, friendly and helpful were particularly common in North Wales.<br><br>Respondents have high levels of trust in their water company; at the start of the discussions, most gave scores of at least eight out of ten.<br><br>Few are aware that they are responsible for their supply pipe. |
| Did the research contradict any other findings? | n/a |
| Any other information | n/a |

## 10.3 Performance commitments, investment choices and incentives research

| Supplier | DJS Research |
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| Fieldwork completed | April and May 2018 |
| Aim of the research | • Determine levels of trust and satisfaction in Dee Valley Water and Severn Trent<br>• Explore responses to the merger<br>• Understand whether core objectives are in line which what customers think<br>• Discover customer views of HD's performance commitments<br>• Explore whether customers mind how their water company performs compared to others<br>• Understand the willingness of customers to have a named value of their bill linked with company performance |
| Demographics | • Household customers included a mix of age, SEG, gender, urban/rural and some who struggle to pay household bills<br>• Non-household customers included a mix of size, sector and water dependency<br>TOTAL CUSTOMERS CONSULTED: 539 |
| Research approach | • 2 x 2.5 hour deliberative workshops with household customers, one in North Wales and one in Mid Wales.<br>• 2 x 2.5 hour focus groups with micro/small non-household customers, one in North Wales and one in Mid Wales<br>• 400 face-to-face, in-home CAPI surveys, 200 each in North Wales and Mid Wales<br>• 104 face-to-face CAPI surveys with micro and small businesses, 52 in North Wales and 52 in Mid Wales<br>• North Wales and Mid Wales household data were weighed to reflect the demographics of the area |
| What did the research tell us that was new? | • Overall a third of household (HH) customers and two fifths of non-household (NHH) customers are aware of the merger between Severn Trent and Dee Valley (Hafren Dyfrdwy). HH customers in North Wales are more likely to be aware of the merger than those in Mid Wales. |

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| | • The qualitative research reveals high awareness of the merger with mixed views of what exactly the merger would mean. Both HH and NHH want their service to continue as it was before and some are concerned it is a takeover. It is important to customers that Welsh issues are prioritised.<br>• NHH Customers in Mid Wales generally have a good understanding of the retailer and wholesaler difference and are aware Severn Trent will no longer operate in Wales.<br>• Most recalled receiving literature from Severn Trent outlining the change. Although no respondents were in the open market before the change, some feel they are disadvantaged by not being able to participate in future.<br>• None of the respondents have been in contact with Severn Trent, as it was made clear they didn't have to do anything, however there is some interest.<br>• In the qualitative research, customers were asked to spontaneously suggest which priorities they felt that water companies should be focusing on. Almost all suggest a continuous supply of safe, clean water is key.<br>• When discussing what Hafren Dyfrdwy should focus on, comments most commonly relate to the wholesale services e.g. ensuring water comes out the tap. However, there is some focus on the retail side such as communication and customer service, and also on corporate responsibility, especially protecting the environment and understanding the value of water.<br>• Customers were shown the core objectives of Hafren Dyfrdwy (5 in North Wales and 6 in Mid Wales). The core objectives are seen as broadly positive and in line with the key priorities for a water company which were spontaneously identified in the qualitative group sessions.<br>• The PCs are generally seen as positive by both HH and NHH customers with high levels of acceptability across all measures, however qualitative research indicates some improvements that would help customers to understand PCs better.<br>• For HH, education is the most acceptable PC, followed by sewer blockages and sewer flooding. Leakage is the least acceptable PC and an issue that HH customers voiced concern and dissatisfaction with in the qualitative group sessions. Customers think future target levels of leakage are still too high and the PC is not stretching enough.<br>• Education is the most acceptable PC for NHH, followed by biodiversity and sewer blockages. For both HH and NHH leakage is the least acceptable PC and the one that customers think is the most important to focus on and aim to exceed the future target<br>• For investment options, both HH and NHH customers are most likely to want to 'Do More' to enhance biodiversity. Welsh Language Services are an area where respondents are most likely want to 'Do less', although with all PCs, the majority are happy with the proposed option.<br>• Three quarters of HH and NHH customers think it is acceptable to link a small amount of their bill to performance when asked about incentives. |
| What did we already know that the research validated? | • Overwhelmingly, initial feedback about Dee Valley Water and Severn Trent is positive. Positive associations are down to a reliable supply, good taste, good customer service and rarely (if ever) having issues. Negative associations are held by the minority, but include water quality, price of bills, getting someone to come out and also specific issues. |
| Did the research contradict any other findings? | n/a |
| Any other information | n/a |

## 10.4 Acceptability research (wave 1 and 2)

<table>
<tr><th>Supplier</th><th>DJS Research</th></tr>
<tr><td>Fieldwork completed</td><td>June 2018</td></tr>
<tr><td>Aim of the research</td><td>Understand whether our proposed plan is acceptable and affordable for customers, and the reasons why</td></tr>
<tr><td>Demographics</td><td><ul><li>Household customers, a mix of age, gender, SEG, household size, and some with experience of a service failure</li><li>Non-household customers included a mix of size, sector and water dependency</li></ul>TOTAL CUSTOMERS CONSULTED in wave 1: 513<br><br>TOTAL CUSTOMERS CONSULTED in wave 2: 200 (Mid Wales households only)</td></tr>
<tr><td>Research approach</td><td>Face to face interviews for both household and non-household customers, following a short pilot phase.<br><br>The research takes customers on a journey, introducing the future bill level, before presenting the business plan and bill profile, and finally showing the future bill in nominal terms. Those in North Wales saw a (real terms) increase in their water bill of 1%, compared to a 6% increase in the combined bill in Mid Wales; and this is the likely cause of the significant difference we see in customer's views.</td></tr>
<tr><td>What did the research tell us that was new?</td><td><u>Wave 1</u>: In North Wales, despite the modest increase in bills we find that 86% of customers find our proposed plan acceptable, when presented with the service plan and bill in real terms.<br><br>Customers in Mid Wales were less likely to find the plan acceptable - when asked about the bill alone (uninformed acceptability), 65% of household customers find it acceptable, compared to 51% when presented with the service plan and bill profile.<br><br>We asked customers whether the proposed performance commitments for water, wastewater and retail are acceptable, and the majority of customers agreed they are, although customers in North Wales were more positive than those in Mid Wales:<ul><li>63% of household customers in Mid Wales, and 79% in North Wales, supported the proposed package of water performance commitments;</li><li>64% of household customers in Mid Wales supported the proposed package of wastewater performance commitments; and</li><li>62% of household customers in Mid Wales, and 77% in North Wales, supported the retail performance commitments.</li></ul>In response to challenge from CCWater, we presented customers with the bill in both real and nominal terms. We find that this does have an impact on net acceptability.<br><br>We analysed whether some customer groups are less likely to find our proposals acceptable and found no difference, including for the low income groups and those who defined themselves as "just about managing".</td></tr>
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| | As we have found in other research, some customers are altruistic. Most customers recognise the significant service improvements that our plan delivers – "all customers will benefit from the improvements" and "the improvements are needed" were among the top two reasons for the plan being acceptable in both Mid Wales and North Wales. Those customers who find the plan unacceptable tell us this is down to the bill being already expensive, or company profits being perceived to be too high.<br><br>Wave 2: We find that 81% of customers find the proposed plan and bill profile (with a 2.5% increase) acceptable when presented in real terms, and 73% in nominal terms.<br><br>• 79% of customers agree with the water performance improvements;<br>• 86% agree with the wastewater performance improvements; and<br>• 85% agree with the retail performance improvements.<br><br>Customers who find the plan acceptable say it is because their household, all customers, and the environment will benefit. Those who find the plan unacceptable say it is because they cannot afford the increase, or because the bill is already too expensive. Some also feel profits are too high.<br><br>Socio economic group and income does not have a significant impact on acceptability but it does impact affordability. JAM status has a significant impact, with 72% of those "just about managing" finding the plan acceptable in real terms.<br><br>59% of customers find ODI penalties acceptable, and 67% find rewards acceptable. |
| What did we already know that the research validated? | |
| Did the research contradict any other findings? | In Wave 1: It is unclear why Mid Wales customers have much higher acceptability for the uninformed question compared to the informed question, despite the majority agreeing with the proposed improvements. |
| Any other information | n/a |

## 10.5 Customer complaint data

| Supplier | n/a |
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| Fieldwork completed | n/a |
| Aim of the research | Understand what aspects of service and experience customers contact their water company about |
| Demographics | Dee Valley and Mid Wales |
| Research approach | n/a |
| What did the research tell us that was new? | • From our wave 1 18/19 SIM water results we know that our happy customers liked the helpfulness and professionalism of the contact centre and engineers, and the fact they were prompt. The dissatisfied customers wanted us to fully resolve the problem, and better communication.<br>• From our wave1 18/19 billing results satisfied customers like how quick, efficient and helpful we were on the phone. Dissatisfied customers wanted more discussions about affordability.<br>• Wave 4 of SIM 17/18 told us that communication was an issue – since then we have been calling customers on the way to all appointments. We have seen more positive comments in wave 1 on “being informed” and “keeping promises”.<br>• Disputed consumption was the highest contributor to complaints for Dee Valley in 17/18, followed by workmanship and loss of supply. Taste and smell is in the top five reasons for complaint.<br>• So far in 18/19 for Dee Valley the highest contributor to complaints is payment facilities, followed by pressure.<br>• For Mid Wales the highest cause of complaints in 17/18 was loss of supply, and leakage is the third highest cause. Pressure issues is in the top six. In 18/19 in Mid Wales complaint handling is the highest contributor, followed by taste and smell.<br>• NHH contacts have increased as a result of the licence change and telephone contact is the primary contact. Primary reasons for contact are for balance enquiries and payments. |
| What did we already know that the research validated? | n/a |
| Did the research contradict any other findings? | n/a |
| Any other information | Data are primarily taken from the July CCWater liaison meeting |

## 10.6 Water trading, joint research with Thames Water, Severn Trent and United Utilities

| Supplier | Verve |
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| Fieldwork completed | May and June 2018 |
| Aim of the research | Research was needed to evaluate customer views on water transfer solutions in comparison with water supply and demand management alternatives. Aims were:<br>• To understand the spontaneous views of customers towards possible water resource management options<br>• To ascertain customer views towards water trading specifically, focusing on perceived barriers and assurances needed to overcome these barriers<br>• To understand how the above differs across key customer groups |
| Demographics | • Mix of household and non-household customers in four regions: Severn Trent, Thames Water, United Utilities and Wales.<br>TOTAL CUSTOMERS CONSULTED: Project total is 1,727 comprising customers of Severn Trent, Thames Water, United Utilities and DCWW |
| Research approach | Across the whole project: 49 non-household depth interviews, deep dive online community (173 household customers), online survey amongst household customers (1505 respondents) |
| What did the research tell us that was new? | • 7 in 10 customers across the whole sample are concerned about water scarcity, particularly those in Thames Water areas. Lack of concern is largely due to disbelief<br>• **Customers in Wales are least likely to be 'very concerned' about the issue of water scarcity (66%)**<br>• Customers question why they don't know more given the severity of the water scarcity issue<br>• Those in 'donor' regions are significantly more likely to feel disbelief about water scarcity due to the wet climate.<br>• Customers recognise that water scarcity is a long term issue requiring immediate nationally co-ordinated action<br>• Customers recommend that sustainability is the top solution selection criterion in terms of supply demand solutions<br>• 74% of the total sample agree they would support water trading as part of the solution - it's logical to share<br>• **Customers in Wales are least likely to agree they would support water trading (65%)**<br>• Concerns exist about security of supply, environmental and financial impacts<br>• **Customers in Wales are the group most likely to be concerned whether the donor area has enough water left**<br>• Thames Water customers ask whether water will be available when needed<br>• Non-households in donor regions are concerned about the impact of an 'unreliable' supply on their business<br>• Customers assume they will cover the cost of water trading through increased bills.<br>• In donor regions, 40p is seen as better reinvested than returned via lower bills<br>• Eight assurance statements have been developed to help mitigate core areas of concern with water trading, including transparency and fairness<br>• Customers also need to know that there is continued improvement in demand management |

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| | • Research revealed there are few areas on which customers differ in opinion on the issue of and solution to water scarcity. Where differences exist these are driven by the following factors:<br>o Living in a donor region vs. a recipient region<br>o Customers with a water dependent medical condition<br>o Working for a water critical business<br>o Social, cultural and political views held<br>• Household and non-household customers demonstrate very similar views throughout. There are three areas in which non-household customers are differentiated:<br>o Have additional concerns about the impact of water scarcity on business operations and running costs<br>o Additional assurance required that water companies are committed to maintaining a water transfer network<br>o High levels of trust in water company working practices to ensure effective planning and delivery of supply solutions |
| What did we already know that the research validated? | • Customers believe widespread education is needed and assume that fixing leaks is the major priority<br>• Customers are less certain about preferences for supply solutions |
| Did the research contradict any other findings? | n/a |
| Any other information | n/a |