2 – Customer engagement, challenge and assurance

2nd October 2023

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WONDERFUL ON TAP

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Annex 2A: Customer views in more detail

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Customer views in more detail

In this Annex, we synthesise the key insight we have drawn from our triangulation of customer research for each programme area, including any relevant third-party research and insight from stakeholders. We also show how we have weighted the inputs from customers, stakeholders and considered the external context, including any relevant regulatory requirements. We then summarise how the key insight in this area has shaped our plan.

Our independent assurance providers, Sia Partners, have reviewed the Annex and considered the synthesis of customer engagement. This included, how we have demonstrated use of engagement and, for those relating to enhancement investment, the evidence of customer support for the need and testing of potential solutions. These detailed insights could be viewed as individual documents and therefore you may find repetition with the sources sighted.

Figure A.1.1 – Sia Partners criteria used for assessment of the line of sight Annex

Area	Criteria	Question(s)
1. Synthesis of engagement	Engagement sources	Is there a range of sources from which the insight narrative is built?
	Evidence of link between narrative & engagement source	Is the insight narrative provided by Hafren Dyfrdwy an accurate representation of the engagement evidence in the respective sources?
2. Demonstrating use	Evidence of customer views' influence on the PR24 plan	Is it clear that customer priorities and views have informed and shaped the proposal? If the proposals go against customer views, is there a clear rationale why?
3. Evidence views on strategic investment*	Evidence of engagement on Need	Is there evidence of customer support for the Need for this investment?
	Evidence of engagement on Solutions	Where appropriate, have potential solutions been tested?

**For Strategic Investment case only*

A.2 Ensuring water is always there

Customers expect water to be there, no matter what. Customers typically take their water supply for granted, and whilst they express many concerns about their local areas for the future, these are not focused on the availability of future water supplies. They are largely unaware of the process of water resource management planning.

Our research on water resources is designed to be proportionate to the fact that Hafren Dyfrdwy is not predicting a future supply demand deficit, and therefore we have focussed on the key areas in which customers can influence the plan, including reducing leakage and installing smart meters. Whilst we see some mixed views on smart metering, there is a great deal of consistency in customer views on leakage. In our triangulation we have transparently weighted the sources of insight and discuss how this has shaped our investment plan.

In this Annex we summarise the key insight we have drawn from our triangulation of customer research, and we provide more detail on each of the themes coming from our research, with a focus on leakage and smart metering.

Key insight

- Customers trust and expect us to deliver a reliable source of water, now and in the future. There is little awareness of water resource planning.
- Once informed about water resource planning, reducing leakage and providing education on water efficiency are the highest priorities.
- Customers are supportive of the proposed drought restriction levels of service and many would accept more frequent restrictions.
- Water transfers are a very emotive topic for our customers; they perceive that a lot of water from Wales is transferred into England. Knowing this, and seeing our leakage numbers, raises further questions on the security of their water supply.
- Education on water efficiency has a lot of appeal for customers.
- There are mixed views on smart water meters. Plans to install smart meters can cause concern for unmetered customers, and there is a need to clearly communicate the benefits to customers beyond the ability to detect leaks more quickly.

How it has shaped our plan

The first table shows how we have weighted the inputs from customers and stakeholders and considered the external context in Wales and Government guidance. The second table shows how the key insight in this area has shaped our plan. As a result of the mixed feedback on smart meters, in particular amongst unmetered customers, our AMP8 strategy will be to replace existing meters rather than install "shadow" meters for currently unmetered customers.

Figure A.2.1 – relative weighting and decision making on Installing smart meters

Long term outcome: Ensure water is used wisely (Installing smart meters)		
	Relative weighting	Summary of view
Majority customer preference	Low	Customers passionately hate leakage. By installing smart meters, we are giving ourselves the best chance to detect leaks early and improve our understanding of network performance. There are mixed views on smart metering, particularly amongst those who are not currently metered. As a result, we are just proposing to replace (upgrade) existing meters with smart ones.
Specific customer segments	High	Unmetered customers tend to be more fearful of being forced onto a meter themselves, and of increased costs.
Forum Strategic Steers	High	The Strategic Steers expect Hafren Dyfydwy to maximise the opportunities available from installing smart meters.
Stakeholder / expert view	Medium	Smart meters are proven to have a benefit in terms of finding leaks and reducing water consumption.
Regulatory requirement	High	Smart metering has a National Environment Programme (NEP) driver and we want to ensure we meet this regulatory target.
How this has shaped our plan	There are mixed views from customers on smart water meters, although reducing leakage is a priority and this investment contributes to it. Plans to install smart meters can cause concern for unmetered customers, and there is a need to clearly communicate the benefits to customers beyond the ability to detect leaks more quickly.	

	However, we place a relatively low weight on the majority customer view as this is investment has a statutory driver and support through the Strategic Steers. We have taken considered the views of unmetered customers and now propose a programme to replace 15,340 existing meters with smart meters. Our plan is to replace existing meters with smart meters. This will accelerate our ability to find and fix leaks, help customers save money and reduce the amount of water we need to abstract from the environment. Because these customers are already metered there is no need for anyone to fear an increased bill.

Area of the plan	What we have heard from customers and stakeholders – key insight	How this has shaped our plan
Guarantee future water supplies	Customers want us to invest in more resilient and reliable water services. Reducing leakage is a high priority. Customers are shocked by leakage levels and it is a key driver of dissatisfaction. Customers value a plan that reduces leakage and maintains and improves our water supply infrastructure.	We will reduce leakage by a further 10% over the next 5 years.
Ensure water is used more wisely	There are mixed views on smart water meters. Plans to install smart meters can cause concern for unmetered customers, and there is a need to clearly communicate the benefits to customers beyond the ability to detect leaks more quickly.	This will accelerate our ability to find and fix leaks, help customers save money and reduce the amount of water we need to abstract from the environment.

Independent assurance

On this area of the plan Sia Partners have stated that this Annex clearly meets the requirements for demonstrating line of sight.

Figure A.2.2 – Sia Partners assessment of line of sight for Ensuring water is always there

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • NHH Tracker • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Insight and Challenge, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	Hafren has stated that they do not expect any future supply demand deficit in the short term. Therefore, the engagement undertaken in the development of the PR24 business plan has been focussed on other areas within guarantee future water supplies which customers can influence the plan, such a leakage and smart metering rollout. The table and surrounding detailed insight clearly outlines that reducing leakage is a high priority for customers leading to Hafren Dyfrdwy's leakage reduction plans of ~10%. It is also evident that customers have also shaped Hafren Dyfrdwy's plans for smart metering. Due to their mixed views on smart meters, Hafren focuses on how this will benefit customers, especially in relation to leakage, which customers see as a high priority.	There is clear evidence of the Need surrounding leakage reduction from Hafren Dyfrdwy's customers. The engagement identified that their customers feel substantially emotive and negative about leakage and want to see this area prioritised. Regarding smart metering, the evidence shows customers initially have mixed support surrounding smart meters, but once educated on the benefits they bring, they feel more positive.	Across the detailed insight, it is evident that engagement with customers on solutions has been undertaken, and that customers have been sufficiently informed to make informed choices. The detailed insight shows the majority of customers, when tested with costs, want to see leaks reduced irrespective of the costs due to the long-term savings and environmental benefits. Regarding smart metering, in the Acceptability and Affordability testing, customers strongly believed that smart meters should be targeted to those who would benefit the most and those who want them.

Detailed insight

Customers trust and expect us to deliver a reliable source of water, now and in the future. There is little awareness of water resource planning.

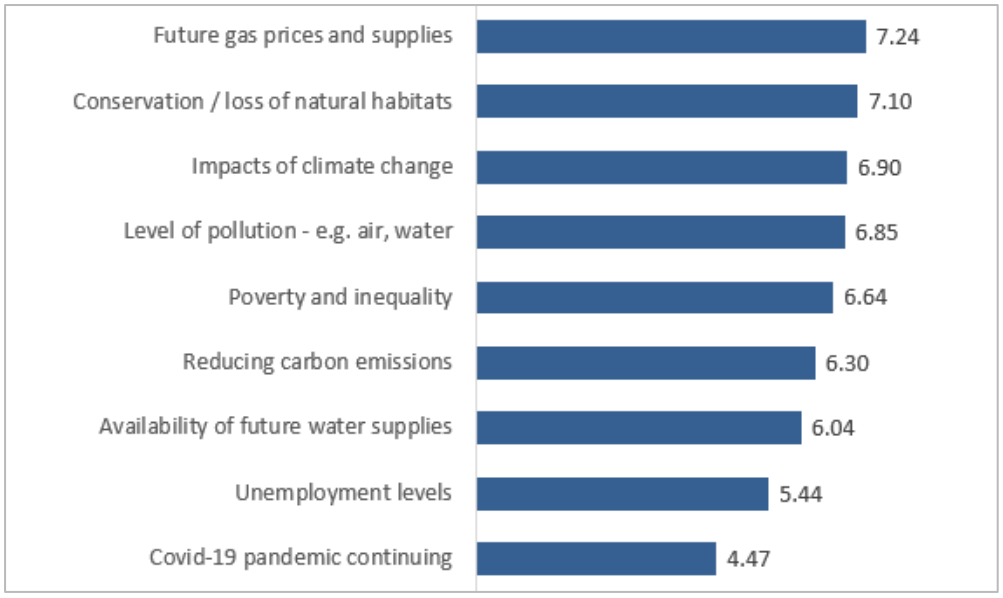
Reliable provision of safe drinking water is the key thing that customers expect from their water company, but they tend to know little about the extent to which water companies plan to ensure water is always there in the future. Hafren Dyfrdwy is trusted to supply water, and our tracker shows that this has remained consistent over time[1].

> *"It's good that issues are highlighted and being thought about, but I'm aware that nothing happens overnight and everything costs money. Education is a good start - some of the figures from the webinar would be useful if made more public."* Customer, WRMP research

> *"Whilst I gathered that the south east would have future water shortage issues, I had not realised that the prediction was so severe nor had I appreciated the possible solutions one of which was supplying additional water from our part of the world."* Customer, WRMP research

The availability of future water supplies is a low concern and ranks third from the bottom amongst these (prompted) concerns in the HH customer tracker[2].

Figure A.2.3 – Level of concern, mean scores out of 10 (1 = not at all concerned to 10 = extremely concerned) (wave 11, HH customer tracker)



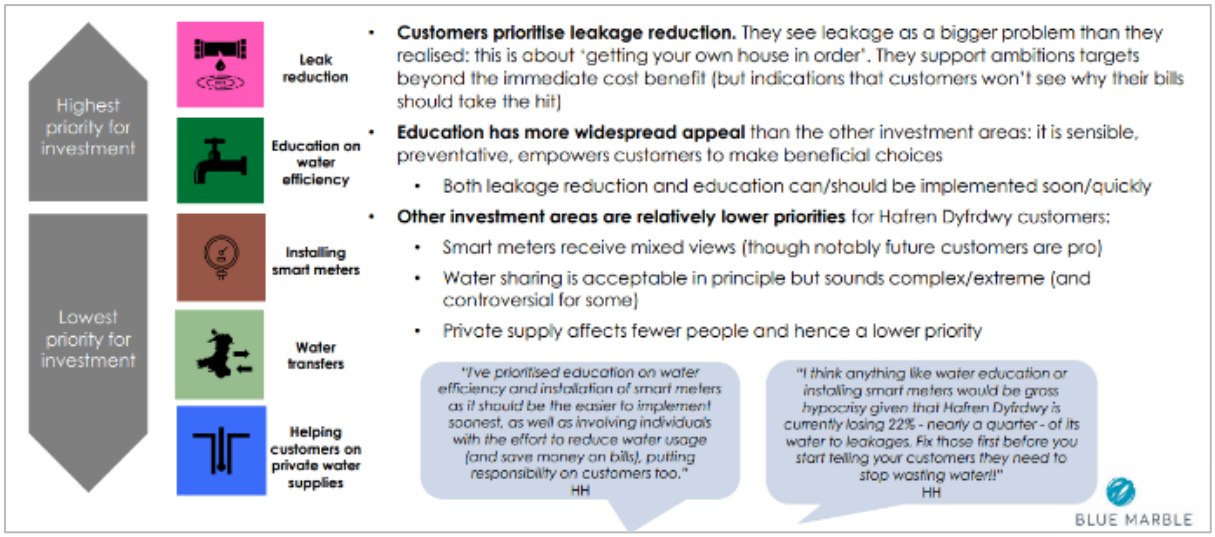
Once informed about water resource planning, reducing leakage and providing education on water efficiency are the highest priorities.

[1] Household customer tracker, Wave 11, Beaufort Research, May 2023

[2] ibid

In our WRMP research, once informed about water resource planning and that the risk of water supply shortages in the region is low, participants were asked for their views on a series of proposals. We find that customers prioritise leakage reduction and education, whilst smart meters, water transfers and helping those on private supplies are lower priorities.

Figure A.2.4 – customer views on WRMP investment priorities (WRMP deliberative research)



Reducing leakage is a high priority

Leakage levels shocked customers and reducing what they perceive to be wastage is a clear priority. We find this in both our own research and that undertaken by third parties. For example, in CCW's *Perceptions and Trust in Water Companies* research they found that one of the two key issues most mentioned by consumers was leaks. When consumers were asked to describe what water companies could to do improve their trust, the third highest response was to fix leaks[3].

Fixing leaks is identified as something that Hafren Dyfrdwy could be doing to improve customer satisfaction, in both the HH and NHH customer tracker[4]. Fixing leaks is also the most top of mind when asked about unprompted customer priorities.

> *"There was a leak up the road and they came out and repaired it…But it seems to need constant repairs. Speed up response to water leaks"* HH customer, Customer tracker, wave 11
>
> *"Important that these water leaks get fixed as can go on for days"* HH customer, Customer tracker, wave 11
>
> *"The water company should keep on top of any leaks. They are already doing this currently, but they need to maintain these high standards"* NHH customer, Customer tracker, wave 6

[3] https://www.ccw.org.uk/app/uploads/2023/04/Perceptions-and-trust-in-water-companies.pdf

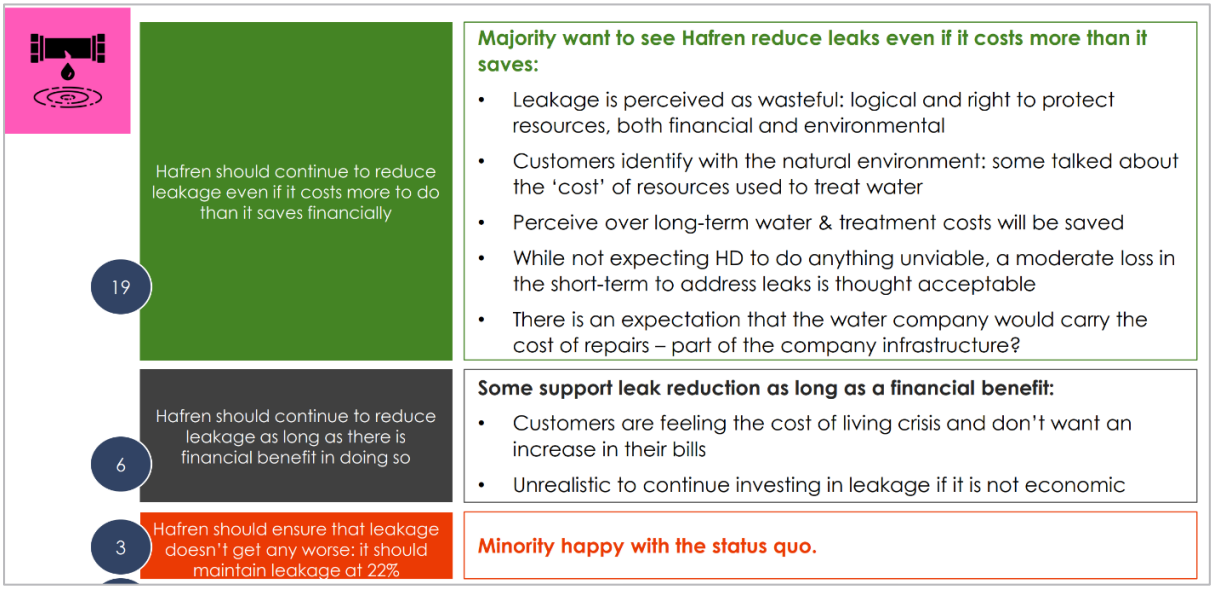
[4] HH Customer tracker, wave 11, Beaufort Research, May 2023 and NHH Customer tracker, wave 6, DJS Research, April 2023

In our Strategic Direction statement research, we find that customers would like us to halve our leakage levels ahead of the statutory timeframe. The majority of those we spoke to wanted to see leaks reduced irrespective of the cost, as they see long term cost savings and environmental benefits in doing so.

> "*I was shocked by how much leakage there is, so reducing that by half is a start. Such a waste of treated water.*" HH customer, Strategic Direction Statement research

> "*Why wait when it will eventually have to be done regardless? Although disruptive and expensive, long term a solution will have to be found as a 22% loss seems a lot higher than I would have expected. Surely, long term, fixing these problems sooner would benefit Hafren and allow them to produce a significant amount less [water], bringing costs down long term.*" HH customer, WRMP research

Figure A.2.5 - customer views on reducing leakage (WRMP research)



Our target for reducing leakage in the PR24 plan is one of the things that customers say they value in the Acceptability and Affordability research, as part of wider plans to maintain and improve our infrastructure[5]. Whilst it doesn't rank as highly in the quantitative research, it should be noted that the performance commitment was described simply as *Leakage*, rather than *Reducing leakage*.

Customers are supportive of the proposed drought restriction levels of service and many would accept more frequent restrictions

Customers in our research tend not to have experienced usage restrictions due to drought, although a few recall experiences in other countries or during the summer of 1976. Some of the NHH customers we spoke to tended to be more concerned than HH customers due to the potential impact on businesses, however others believe they would be exempt from restrictions (for example those using water for farm animals).

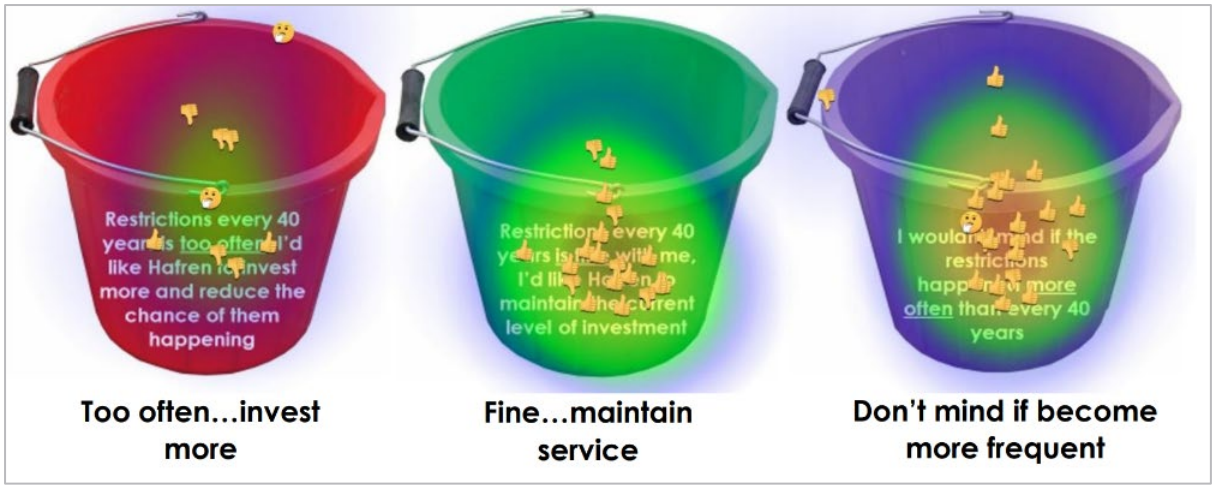
> "*Not being able to water garden plants or use a paddling pool for a short while will generally have little effect on households, however most businesses that use water use it*

[5] Acceptability and Affordability deliberative research, Thinks Insight & Strategy, August 2023

for essential reasons anyway. It will be very difficult for businesses if their water usage is restricted." NHH customer, WRMP research

Most of those we spoke to in the research supported the WRMP proposal of maintaining the current level of service or say they would not mind more frequent restrictions. Those who don't want restrictions at all don't see the need for them as they see so much rainfall in Wales, or they expect profits to be spent to reduce the likelihood of these being needed. Those who accept the current level of service don't feel that bans would be a regular inconvenience or would rather invest in reducing leakage. Others feels that restrictions could be more frequent – they might help people appreciate the water supply and encourage water efficient behaviours.

Figure A.2.6 – customer views on the level of service for drought restrictions (WRMP research)



Views on the frequency of non-essential use bans for businesses are similar, although businesses having mixed views. Some feel that the restrictions would be manageable (and they see these as reserved for emergency use only), others worry their businesses would be impacted.

Water transfers are a very emotive topic. Some customers perceive that a lot of water from Wales is transferred into England. Knowing this and seeing our leakage numbers raises further questions on the security of their water supply.

In our WRMP research we find that overall customers support water sharing, provided there is sufficient left for the Hafren Dyfrdwy region and with reassurance it wouldn't create a deficit during a drought. Some however think it's a bad idea – it sounds costly and comes with historic sensitivities. The future customers were perhaps unaware of these and were positive.

"I feel it's a good idea to balance supply and demand over large distances. Sharing is good as we might be short of water and we can get it from another region and vice versa" HH customer, WRMP research

"Given the very problematic history of Welsh water being used to supply English homes, I think this is a political powder keg and should only be undertaken if the water is charged for fairly and the profits used for the benefit of Wales and its people, not shareholders." HH customer, WRMP research

Education on water efficiency has a lot of appeal for customers

Educating customers on water efficiency tends to have widespread appeal; they see this as sensible, that it can help prevent water shortages, and that it empowers customers to make beneficial choices. However, perceptions of leakage levels can be a barrier to talking to customers about them saving water.

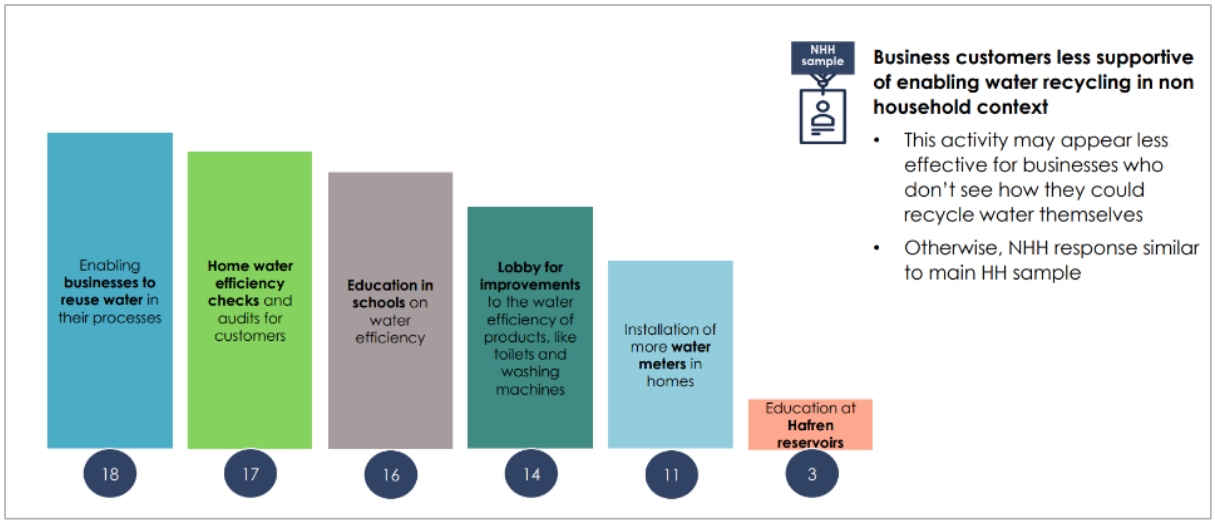
Figure A.2.7 – customer quotes on water efficiency (WRMP research)

"I've prioritised education on water efficiency and installation of smart meters as it should be the easier to implement soonest, as well as involving individuals with the effort to reduce water usage (and save money on bills), putting responsibility on customers too."
HH

"I think anything like water education or installing smart meters would be gross hypocrisy given that Hafren Dyfrdwy is currently losing 22% - nearly a quarter - of its water to leakages. Fix those first before you start telling your customers they need to stop wasting water!!"
HH

When it comes to how we educate customers, most of the prompted activities appeal, although water recycling for businesses appeals less to business customers themselves. Water efficiency education at reservoirs and installation of more water meters receive the least appeal.

Figure A.2.8 – customer views on water efficiency activities that Hafren Dyfrdwy could undertake



Education in schools gained a lot of support from participants in our research[6], although it's not seen as critical compared to core business operations.

There are mixed views on smart water meters. Plans to install smart meters can cause concern for unmetered customers, and there is a need to clearly communicate the benefits to customers beyond the ability to detect leaks more quickly.

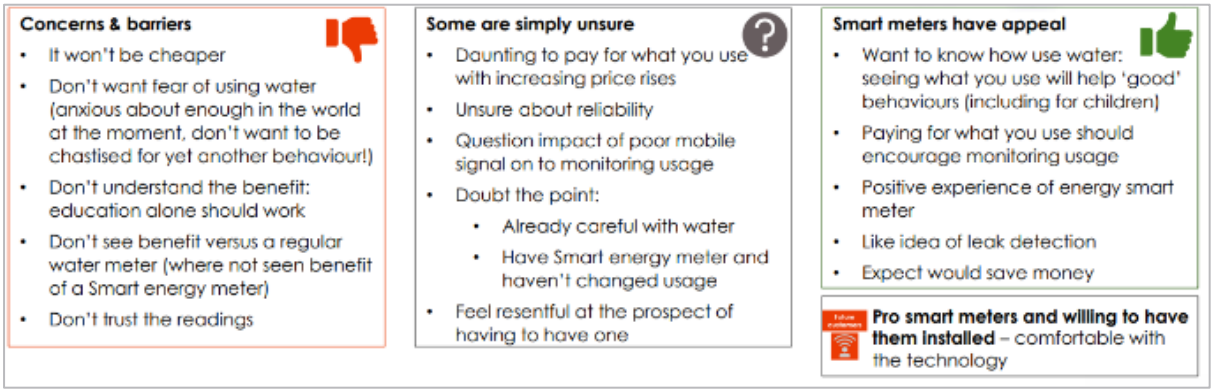
Whilst we see some conflicting views amongst customers on smart meters, there are a few things which clearly impact views:

[6] Common and bespoke performance commitment research, DJS Research, April 2023

- Concern for unmetered customers being "forced" to have a meter, and the impact on affordability either personally or for those who are vulnerable or large families.
- Mixed views on smart meters themselves, often from poor experience of smart energy meters.
- A need to fully understand the benefits and what it means for them personally.

In our WRMP research most of the participants felt positive about smart meters. They believe they would be motivated to monitor their water usage and potentially save money. The ability to detect leaks using smart meters also increases the level of support. The main barriers relate to either currently unmetered customers being fearful of the change to a meter, questions about reliability / poor connectively or simply needing more clear communication about the benefits.

Figure A.2.9 – customer views on smart metering (WRMP research)



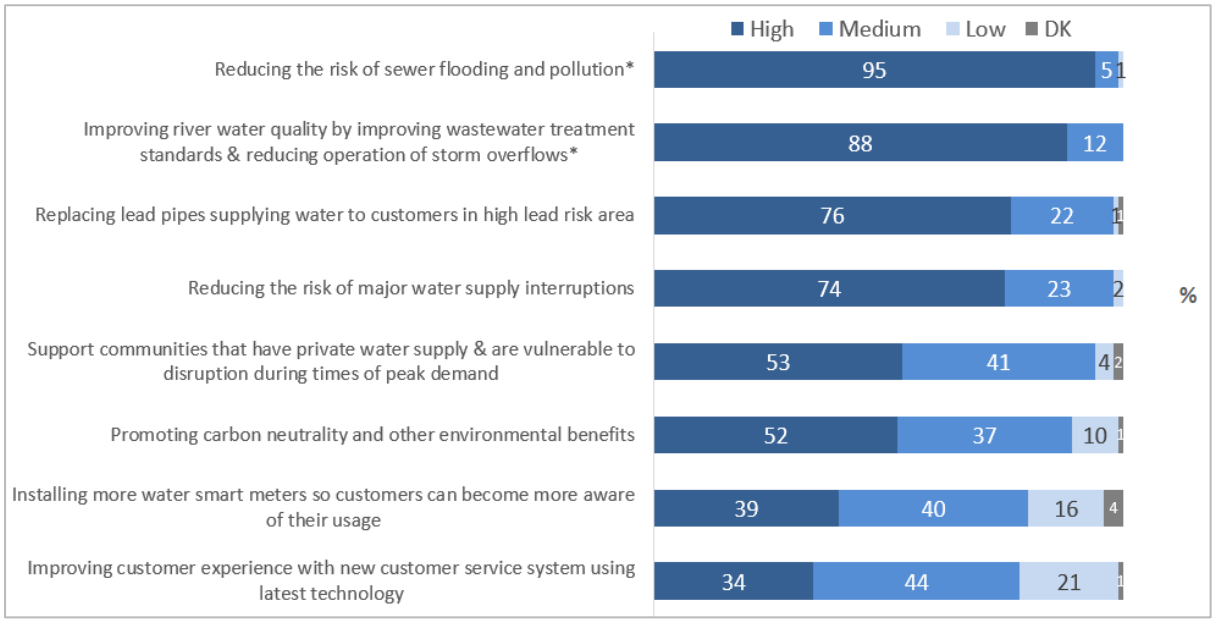
> *"I have a smart meter for my electricity and personally think it's brilliant"* Future customer, WRMP research.

Without any information about the benefits in terms of leakage reduction, customers in the customer tracker rank *Installing smart meters so customers can become more aware of their usage* as a low priority. Since many customers tell us they already feel they do all they can to conserve water, this uninformed finding isn't particularly surprising.

In the tracker we also see that customers consistently rate meters as the fairest way of charging[7].

[7] HH Customer tracker, Beaufort research, wave 11, May 2023

Figure A.2.10 – investment priorities, Customer tracker, wave 11, May 2023



In our Acceptability and Affordability deliberative research, customers had mixed views on the installation of smart meters as part of the long-term strategic direction. Those who already have a water meter are positive about them, but some are unconvinced, noting they are unlikely to be suitable for low income and/or large families if bills go up as a result of having a meter. At this point in the discussion customers were unaware that Hafren Dyfrdwy is not in a water stressed area, and there was no intention to introduce compulsory metering.

> *"Between metered and unmetered there is a big difference in cost. Water is a big cost for the business. Why are some properties metered and some not?"* NHH customer, Welshpool, Acceptability and Affordability research

> *"I'm not sure about water meters as it might send bills higher in some households."* HH customer, Wrexham, Acceptability and Affordability research

After further discussion and provision of information on the benefits of smart meters, customers are broadly comfortable with the investment – they are seen as an important tool in managing water resources better. The financially vulnerable customers were enthusiastic about having a tool to monitor and reduce their usage, although they were wary of increased costs (it should be noted the majority of the sample were already on a meter).

> *"Smart meters could reduce bills for some so it's a good idea. The more conscious we are of how we use water the more resilient our water supply is anyway"* HH customer, Acceptability and Affordability research

However, the benefits for customers and for Hafren Dyfrdwy need to be clearly articulated to gain support. Customers question whether this is the most cost-effective solution to help identify leaks (instead of more meters in the network), and those who are currently unmetered cannot see any personal benefit if bills based on actual usage would be higher. A minority who are actively opposed to the investment worry they will end up paying more. NHH customers operating on larger sites were

particularly supportive as they feel exposed to the risk of leaks due to the quantity of pipework on their properties.

"This is brilliant, I would pay for this. I'm on a farm with a bigger network of pipes so nothing scares me more than having a leak and it not showing up until the bill comes through 6 months later" NHH customer, Acceptability and Affordability research

Overall, customers did prefer our proposed plan and consider it acceptable, however they strongly believe that smart meters should be targeted to those who want them and would benefit most from having one. Alongside this education to support water conservation in homes is considered important.

A.3 Reducing the risk of major water supply interruptions

The provision of a reliable water service is a key expectation from our customers. Customers typically take their water supply for granted, and the majority haven't experienced any significant disruption to their water supply.

We have conducted extensive research on water resilience, and we find that reducing the risk of major water supply interruptions is a high customer priority. Customers want to see ambition through better performance, although for some this feels like a less pressing issue if they haven't experienced supply interruptions personally.

In our triangulation we have transparently weighted the sources of insight and we discuss how this has shaped our investment plan.

In this Annex we summarise the key insight we have drawn from our triangulation of customer research, and we provide more detail on each of the themes coming from our research.

Summary of customer insight

- A reliable water source is important for customers, and a general expectation of our service.
- Customers generally haven't experienced water supply issues, but express concern for business resilience and those who are vulnerable.
- There is no consensus on the pace of investment and some concerns over fairness.
- Our proposed investment plan is acceptable to customers.

How it has shaped our plan

The first table shows how we have weighted the inputs from customers and stakeholders and considered the external context in Wales and Government guidance. The second table shows how the key insight in this area has shaped our plan.

Figure A.3.1 – relative weighting and decision making for Resilience / reducing the risk of water supply interruptions

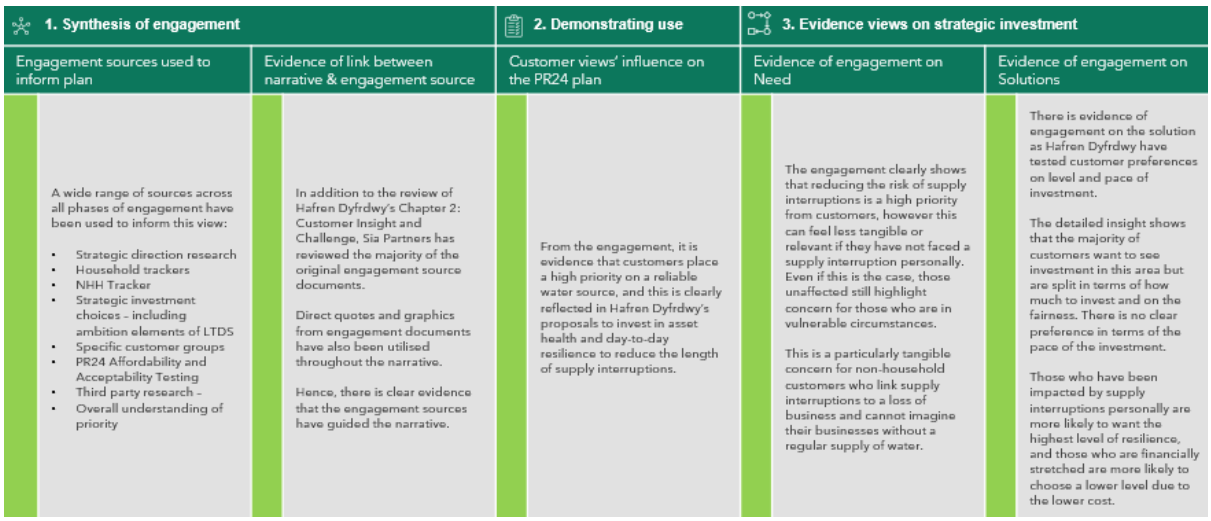
Long term outcome: Resilience / water supply interruptions		
	Relative weighting	Summary of view

Long term outcome: Resilience / water supply interruptions		
Majority customer preference	High	Reducing the risk of major water supply interruptions is a high customer priority. Customers want to see ambition in reducing water supply interruptions, although for some this feels like a less pressing issue if they haven't experienced supply interruptions personally. HH customers are particularly supportive of investment in resilience for their own part of the region (North-east Wales vs Mid Wales), but sometimes question the fairness of paying to invest in the other part of the region.
Specific customer segments	High	NHH customers are highly supportive of investment in future resilience as being without water would be very detrimental to business operations.
Forum Strategic Steers	Medium	The Strategic Steers expect infrastructure investment to modernise and expand water treatment and distribution systems.
Stakeholder / expert view	n/a	
Regulatory requirement	n/a	There are no specific regulatory requirements, although interruptions is a common performance commitment for all water companies.
How this has shaped our plan:	We understand the importance of investing for the long term and have taken on board customer views on the importance of providing a resilient water supply to both our urban and rural customers as soon as we can, including the fact that NHH customers are concerned about continuity of supply. The Strategic Steers also expect infrastructure investment to guarantee long term supplies. We have adapted our multi-AMP strategy following the strategic investment choices research to include work in the Mid Wales region alongside the planned work in North-east Wales for AMP8. These refined levels of investment were then presented in the Acceptability and Affordability research and customers supported investment in both North-east Wales and the Mid Wales region. Our investment in our asset health and day to day resilience will reduce the length of supply interruptions by 72% from the level seen in 2022/23.	

Independent assurance

On this area of the plan Sia Partners have stated that this Annex clearly meets the requirements for demonstrating line of sight.

Figure A.3.2 – Sia Partners assessment of line of sight for Ensuring a reliable water supply



Detailed insight

A reliable water source is important for customers, and a general expectation of Hafren Dyfrdwy's service.

Customers expect water to be there when they need it, and it's a basic expectation of the service we deliver. Hafren Dyfrdwy is trusted to supply water, and our tracker survey shows that this has remained consistent over time, scoring a mean score of around 8 out of 10[8]. In our Acceptability and Affordability testing research we find that customers value a plan that ensures reliability in the future[9]. The majority of those we spoke to in the deliberative research hadn't experienced water supply interruptions and this lack of experience can mean that they question the need for investment, although they can see the value in investing now for the future[10]. Whilst customers generally haven't experienced water supply issues, they do express concern for businesses and vulnerable customers. NHH customers in particular rate this as the most important out of the water performance commitments[11].

"For business, price and not having interruptions are key. It needs to be reliable, affordable and clean" NHH customer, Welshpool, Acceptability and Affordability testing research

"I think it's important. It's for our safety, you can't live without water" Financially vulnerable customer, Acceptability and Affordability testing research

Investment in the network is deemed to be important, although there are some mixed views on the investment need.

In our quantitative research, 90% of HH customers, and 91% of NHH customers say it's very or fairly important to invest in the network to protect homes and businesses from being temporarily without water. Indications suggest it's more important amongst some NHH customers, e.g., those in the hospitality sector[12].

In research conducted by DCWW on an "all Wales" basis, *Reducing the risk of major water supply interruptions* ranks as the top investment priority.

When discussing resilience investment with more informed customers in deliberative research, non-household customers are most supportive of resilience investment – it's seen as maintaining infrastructure (and an opportunity to be efficient and more profitable: less leakage, less treatment required). Some households don't feel a pressing need for investment, particularly if they haven't experienced it personally[13], nor do they question the severity of the problem, despite learning of our current performance compared to other water companies[14].

[8] Household customer tracker, Wave 11, Beaufort Research, May 2023

[9] Acceptability and Affordability research, deliberative phase, Thinks Insight & Strategy, August 2023

[10] PR24 Acceptability and Affordability testing deliberative research, Thinks Insight & Strategy, July 2023

[11] PR24 Acceptability and Affordability testing, quantitative phase, Explain, September 2023

[12] Strategic Investment Choices research, Blue Marble, January 2023

[13] ibid

[14] PR24 Acceptability and Affordability testing deliberative research, Thinks Insight & Strategy, July 2023

"I have never heard about anything to do with water resilience. I don't think it's that much of an issue. I think you'd hear more about it if it was an issue" HH customer, Wrexham, Acceptability and Affordability testing research

"I think we already have a resilient water supply. I have never heard about anything to do with water resilience. Shouldn't they focus on education on reducing consumption of water?" HH customer, Wrexham, Acceptability and Affordability testing research

In the HH customer tracker, 74% of customers rate *Reducing the risk of major water supply interruptions* as a high priority. It also ranks as a high priority in the NHH customer tracker.

Figure A.3.3 – investment priorities, HH Customer tracker, wave 11, May 2023

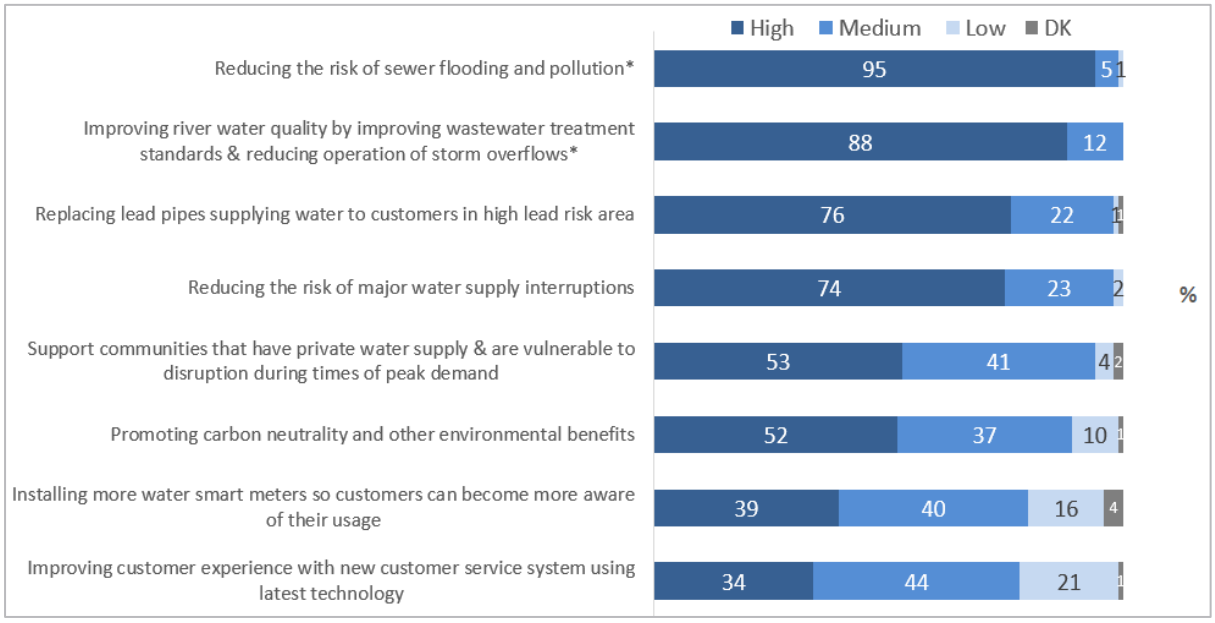
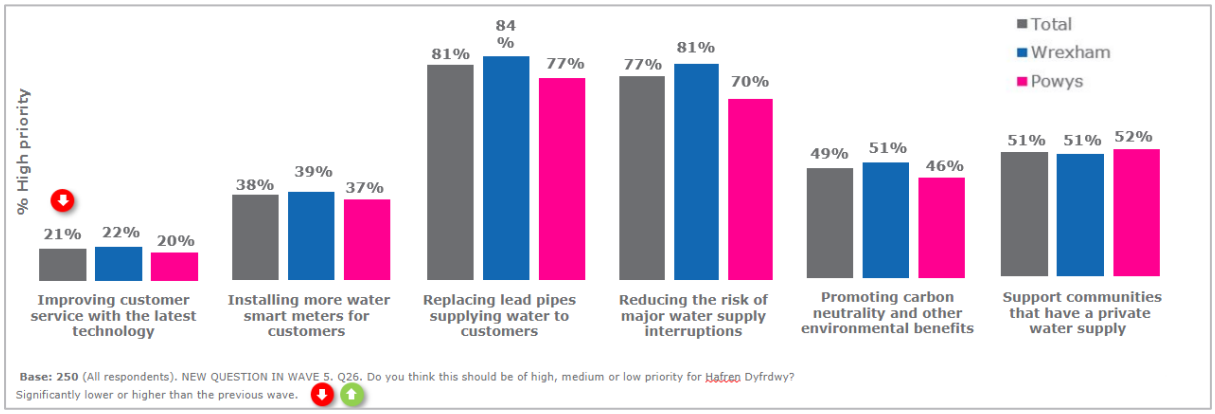


Figure A.3.4 – investment priorities, NHH Customer tracker, wave 6, April 2023



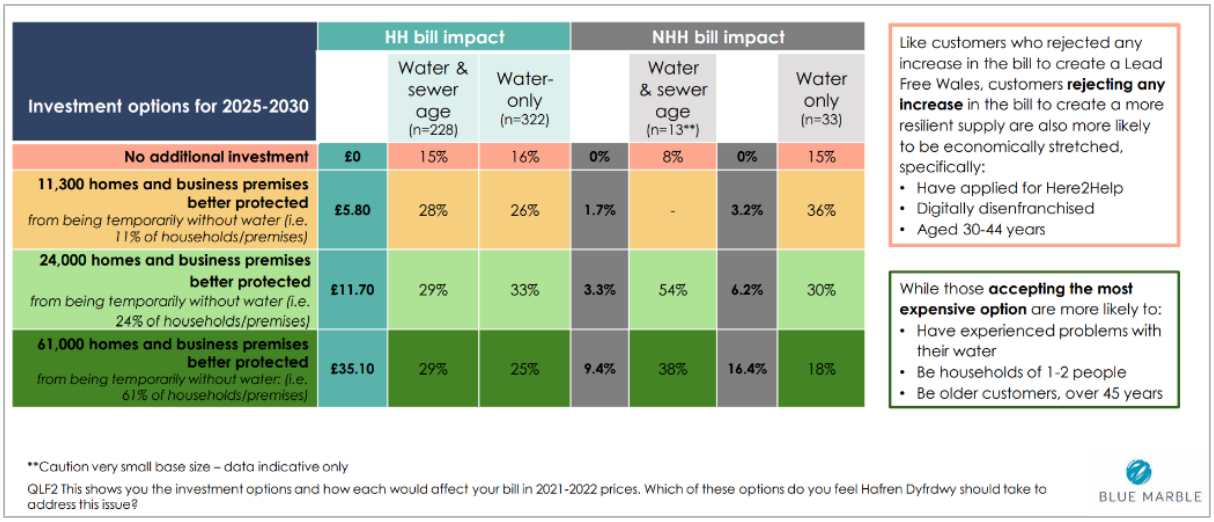
There is no consensus on the pace of investment and some concerns over fairness

The majority of customers want to see some investment, however early research shows no clear preference in the pace of investment[15]. Only around 15% of HH customers select no additional investment. Those who want the highest level are more likely to have experienced problems with their

[15] Strategic Investment Choices research, Blue Marble, January 2023

water supply (as well as smaller household and those aged over 45). Customers who are more economically stretched are more likely to reject an increase in bills.

Figure A.3.5 – customer choices for investment in a resilient water supply (Strategic investment choices)



Investment options for 2025-2030	HH bill impact			NHH bill impact			
		Water & sewerage (n=228)	Water-only (n=322)		Water & sewerage (n=13**)		Water only (n=33)
No additional investment	£0	15%	16%	0%	8%	0%	15%
11,300 homes and business premises better protected *from being temporarily without water (i.e. 11% of households/premises)*	£5.80	28%	26%	1.7%	-	3.2%	36%
24,000 homes and business premises better protected *from being temporarily without water (i.e. 24% of households/premises)*	£11.70	29%	33%	3.3%	54%	6.2%	30%
61,000 homes and business premises better protected *from being temporarily without water: (i.e. 61% of households/premises)*	£35.10	29%	25%	9.4%	38%	16.4%	18%

Like customers who rejected any increase in the bill to create a Lead Free Wales, customers **rejecting any increase** in the bill to create a more resilient supply are also more likely to be economically stretched, specifically:
- Have applied for Here2Help
- Digitally disenfranchised
- Aged 30-44 years

While those **accepting the most expensive option** are more likely to:
- Have experienced problems with their water
- Be households of 1-2 people
- Be older customers, over 45 years

**Caution very small base size – data indicative only

QLF2 This shows you the investment options and how each would affect your bill in 2021-2022 prices. Which of these options do you feel Hafren Dyfrdwy should take to address this issue?

BLUE MARBLE

The proposed investment is acceptable to customers.

In our Acceptability and Affordability deliberative research customers agree with the investment, and that single points of failure should be resolved, but are concerned about the fairness of solutions which might benefit others and not themselves. Those in Mid Wales struggle to see the value of solutions in North-east Wales, whilst those in North-east Wales don't see the benefit of investment in rural locations.

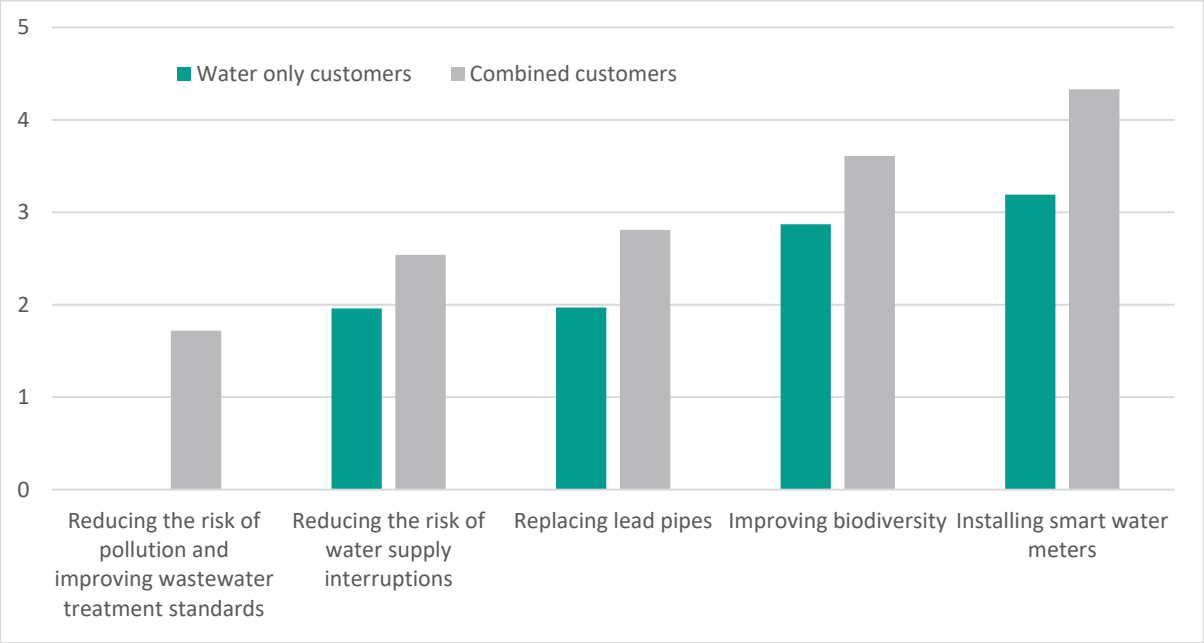
"No to this investment. It's not affecting us. Why are they making a distinction between Wrexham and Welshpool" NHH customer, Welshpool, Acceptability and Affordability testing research

Despite differences in the prioritisation of this area and the solutions, customers do not consider doing nothing an option, and the most feel that the proposed plan is best value for money. Financially vulnerable customers are more cautious about the bill impact, and question whether they should be made to contribute. On balance however they see the investment area as very important so consider the money well spent.

In the quantitative research, *Reducing the risk of major water supply interruptions* is ranked highly as an investment area for both water and sewerage combined customers, and water only customers.

HH water only customers rank *Reducing the risk of water supply interruptions* and *Reducing lead pipes* as almost equally important. Combined customers also rank *Reducing the risk of water supply interruptions* as the most important investment.

Figure A.3.6 – ranking of investment importance for HH customers, with 1 as the highest priority and 5 the lowest (Acceptability and Affordability survey)



A.4 Lead reduction

Replacing lead supply pipes is a high priority for customers. Prompted by the Welsh Government's ambition for a 'Lead Free Wales', we have built up an extensive evidence base on customer views at both PR19 and PR24 on lead pipe replacement. This emerges as a high priority investment area for customers, although there are questions over pace and responsibility. It's an area of the PR24 plan which customers tell us they value[16] and there is support for the long-term ambition.

In this Annex, we summarise the key insight we have drawn from our triangulation of customer research, and we provide more detail on each of the themes coming from our research.

Key insight

- Customers tend not to be informed about lead in the water supply.
- Once informed, customers are concerned about lead in the water supply.
- Replacing lead supply pipes is a high priority investment area.
- Customers do however have questions over our ambition and responsibility.
- When it comes to prioritisation in delivery, there are some mixed views.
- Overall, the proposed investment for lead pipe replacement is considered to be acceptable and affordable.

[16] PR24 Acceptability and Affordability deliberative research, Thinks Insight & Strategy, July 2023

How it has shaped our plan

The first table shows how we have weighted the inputs from customers and stakeholders and considered the external context in Wales and Government guidance. The second table shows how the key insight in this area has shaped our plan.

Figure A.4.1 – relative weighting and decision making for Lead reduction

Long term outcome: Lead reduction		
	Relative weighting	Summary of view
Majority customer preference	High	Across our research this is a high priority investment area. Once informed, support for lead replacement increases and many become concerned about the potential health impacts. Customers want ambitious plans to ensure replacement occurs as soon as possible.
Specific customer segments	Medium	Lead pipe replacement, although is important for both groups, is higher for HHs compared to NHHs (87% compared to 77%). Customers who reject any increase in the bill are more likely to be those most economically stretched such as vulnerable customers.
Forum Strategic Steers	High	The health and wellbeing of residents in Wales is a strong theme in the Future Wellbeing Generations Act. As set out in the Strategic Steers, and consistent with the long-term priority of achieving a lead-free Wales, Welsh Government expect us to set a long-term goal for lead pipe removal, with material progress to be made on these across future AMPs – including AMP8 – building on the successful approaches and work carried out in AMP7.
Stakeholder / expert view	High	Our stakeholders are working with us to help deliver a lead-free Wales and we aim for this to continue in AMP8. Working in partnership to deliver the ambition was also noted as a good idea at the WRMP stakeholder events. Views are mixed amongst stakeholders as to how invasive lead pipe removal is but working with schools is deemed to be a no-brainer.
Regulatory requirement	Medium	Comm pipe replacement is a regulatory requirement, but our strategy goes beyond this.
How this has shaped the plan	Supporting the lead-free ambition for Wales is very important to us and whilst customers feel very strongly about the health impacts of lead pipes, we can't deliver this ambition within a 5-year period. We will protect a minimum of 554 properties (which includes homes and non-household properties including schools) from lead pipes that we are confident can be delivered in AMP8. While we would prefer to put forward a larger investment case, there is too much uncertainty about where lead pipes are located and – when these pipes are found – whether the property owner can be persuaded to let us change the pipes under and into their property. This is why we will have an ODI incentive that will allow us to protect even more properties on top of those protected under the enhancement investment (up to 2000 or, if we can harness additional efficiencies, even more). Ultimately, these two-pronged approaches will allow us to make meaningful progress towards the wider lead-free Wales policy goal. Please refer to the annex on Lead Replacement for further information.	

Independent assurance

Sia Partners have reviewed our lead replacement research and the synthesis presented in this Annex. They have assessed the synthesis of engagement which includes the link between engagement sources and the narrative given in this chapter, as well as the evidence of use of customer views to

influence the plan. Finally, as per Ofwat requirements for enhancement spend, Sia have assessed the evidence of customer testing of the need and solution.

Figure A.4.2 – Sia Partners assessment of line of sight for Lead reduction

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • NHH-Tracker • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Engagement, Challenge and Assurance, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	Due to deliverability limitations and high relative weighting of expert views, Hafren Dyfrdwy are aligning to the Welsh Gov Lead Free Wales 2050, and aim to protect a minimum of 545 (up to 2000) properties, which includes schools.	There is clear evidence of engagement of Need within this area. Customers have stated that lead supply pipe replacement is an area of the PR24 plan in which they value significantly and are particularly supportive of schools being prioritised. However, once further information and cost is provided, nearly half of customers agree it's important to keep bills as low as possible than invest in lead supply replacement.	It is evident from the detailed insight that engagement on customers views on pace, scale and responsibility has been undertaken, although to a lesser extent than other areas, e.g. customers are supportive of schools being prioritised.

Detailed insight

For this area we have gathered insight through different approaches, including our customer tracker survey and specific PR24 research activities, including our Strategic Investment Choices research and Acceptability and Affordability testing.

Customers tend not to be aware of lead in the water supply.

In our qualitative research we find that amongst participants there is little awareness of the issue of lead pipes[17]. Some customers express surprise there are still lead pipes in the network. Most don't consider what their pipes are made of, but when prompted, reflect that there may well be lead pipes in properties.

> ***"I'd be surprised if there weren't some lead pipes"*** HH customer, Welshpool, Strategic Investment Choices research

> ***"There are still lots of lead pipes which affects water quality. I didn't think this existed anymore"*** NHH customer, Wrexham, PR24 Acceptability and Affordability research

Once informed, some customers are concerned about lead in the water supply.

Informing customers of the issues surrounding lead in the water supply does create concern, however some aren't bothered as it's not an issue in the public debate. Informing customers does lead to questions on why this hasn't been addressed before now and on the health implications.

> ***"It's not rammed down your throat in the news – you don't hear about it as a risk… you don't hear of people dying or affected mentally or physically by lead poisoning"*** HH customer, Wrexham, Strategic Investment Choices research

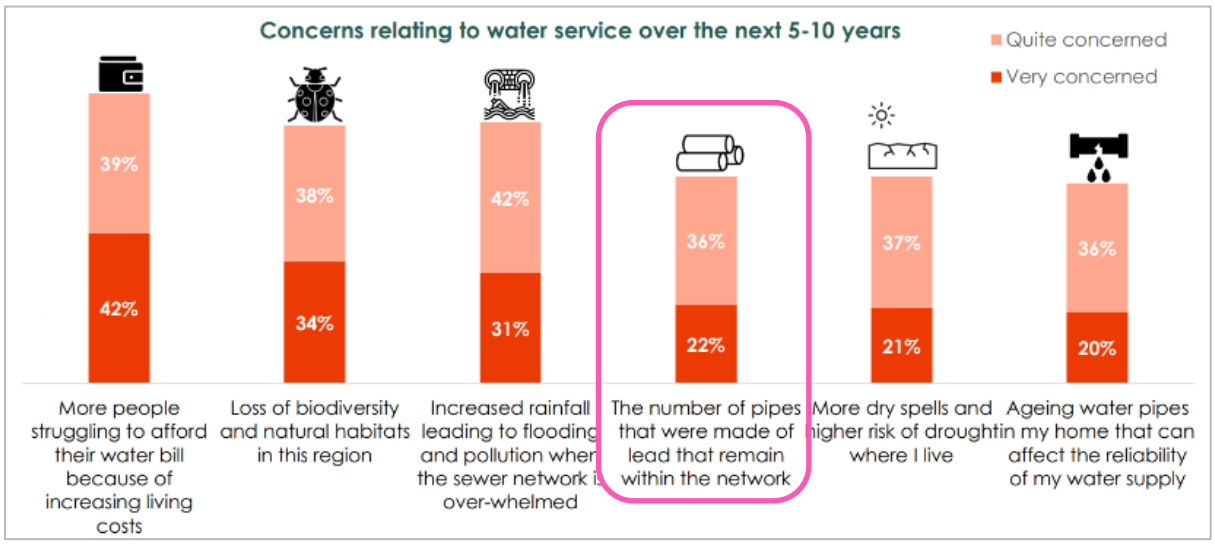
[17] Strategic Investment Choices research, Blue Marble, January 2023

> ***"I've slept fine knowing, not knowing"*** HH customer, Wrexham, Strategic Investment Choices research

> ***"I didn't know there were still lead pipes used in the water supply. It's very important these are replaced from a health point of view"*** HH customer, Wrexham, Strategic Investment Choices research

However, compared to other investment areas, this is a medium level concern, with 22% of customers saying they are very concerned, and 36% quite concerned[18].

Figure A.4.3 – concerns relating to the water service over the next 5-10 years (Strategic investment choices research)



Q5b. To what extent are you concerned about each of the following affecting you/your community in the next 5-10 years? (712)

BLUE MARBLE

Replacing lead supply pipes is a high priority investment area.

Across multiple sources of insight, we consistently find that customers rank replacing lead supply pipes as a high priority investment area, and one for immediate action. This includes research conducted by DCWW on an 'All Wales' basis, as well as research with Hafren Dyfrdwy customers on PR24 and our customer tracker.

Research conducted by DCWW for customers across Wales finding that *Replacing lead in water supply pipes* ranks as the second highest priority, following *Reducing the risk of major water supply interruptions* and ahead of *Reducing pollution and improving river quality*.

In our Strategic Direction Statement research, we find that on the whole, customers consider this a high priority area, although some caveat this with "only if it doesn't cause financial hardship".

[18] Strategic Investment Choices research, Blue Marble, January 2023

Figure A.4.4 – Customers views on relative priorities of different investment areas – SDS research

	Requires investment as soon as possible (high)	Requires investment as soon as possible, only if it doesn't cause financial hardship (medium)	Now is not the time to invest, due to increasing cost of living (low)	
Reduce the risk of **sewer flooding & pollution**	17	6	4	**Priority** customers feel the need for immediate action
Replace **lead pipes** supplying water to customers in high lead risk areas	15	11	1	
Reduce the risk of **major water supply interruptions**	12	11	4	**Secondary** although important, customers don't feel the same level of urgency, especially if investments cause financial detriment
Promote **carbon neutrality & other environmental benefits**	10	10	7	
Improve **river water quality** by improving wastewater treatment standards & reduce the operation of storm overflows	9	13	5	
Install more water smart meters so customers can become more aware of their usage	5	14	8	**Nice to have** most customers feel disconnected from these benefits
Support communities with a private water supply & who are vulnerable to disruption during times of peak demand	2	15	10	
Improve customer experience with a **new customer service system** using the latest technology	0	9	18	**Least important** as the benefits are marginal

Q. Hafren Dyfrdwy is currently planning for the future and considering some of the challenging issues that it could tackle in the period 2025-2030, in addition to their core activities which include reducing leakage and delivering great drinking water. Please could you look at the following list and sort the issues into high, medium or low priority.

BLUE MARBLE

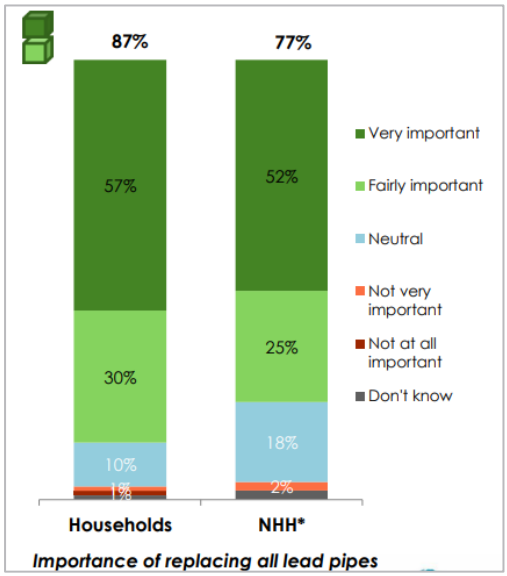
The negative health implications of lead in the water supply are considered a significant risk that must be resolved, even when participants are reassured about the steps taken to ensure compliance with current standards and are informed that Hafren Dyfrdwy does not own the supply pipes.

> "*I wasn't aware of this. I assumed the water we drink is healthy and safe. I've learnt it's not as healthy as I would like it to be. It's important for it to change for our kids and grandkids. This shouldn't be the situation in 2023*." Financially vulnerable customer, PR24 Acceptability and Affordability testing research.

In our quantitative research 87% of HH customers and 77% of NHH customers felt it was important to replace all lead pipes by 2050[19], with those over 65 and smaller households finding it significantly more important.

[19] Strategic Investment Choices research, Blue Marble, January 2023

Figure A.4.5 – Customer views on the importance of replacing all lead pipes – Strategic Investment Choices research



Customers do however have questions over pace, ambition and responsibility.

Without any context over the cost of lead pipe replacement, the proposal to replace lead supply pipes over the next 30 years does not appear to be ambitious enough[20]. When presented however with more information about bill impacts there are mixed views – 47% agree that "right now it is more important to keep bills as low as possible than invest in lead supply pipe replacement"[21].

> *"I don't think Hafren Dyfrdwy should wait as long as 30 years to replace the lead pipes if it is such a risk to health. People should be made aware of the problem so that if they wish, they could sort it themselves"* HH customer, SDS research

Customers wonder if this is the responsibility of Hafren Dyfrdwy or whether the Government should be contributing, as 'Lead Free Wales' is a Government priority[22]. In our Strategic Investment Choices research we find that a few would like to see funding coming from other sources and central Government, rather than through their water bill. 54% of customers agreed that it's unfair to ask all customers to pay more for lead replacement, with agreement driven by those in vulnerable circumstances, on a low income and lower socio-economic groups.

> *"I would go for Option B – get the ball rolling but the government needs to help with the cost and that taxes are raised to cover it"* NHH customer, Welshpool, Strategic Investment Choices research

When it comes to prioritisation, there are some mixed views about fairness.

Customers are supportive of prioritising lead replacement in schools, but some didn't support a focus on prioritising social housing[23].

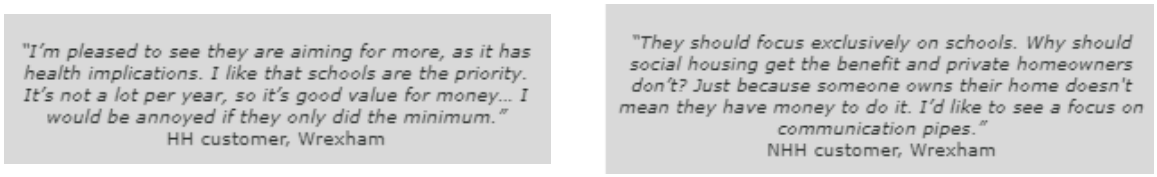
[20] Strategic Direction Statement research, Blue Marble, July 2022

[21] Strategic Investment Choices research, Blue Marble, January 2023

[22] PR24 Acceptability and Affordability testing qualitative research, Thinks Insight & Strategy, July 2023

[23] ibid

Figure A.4.6 – customer quotes on Lead reduction prioritisation (Acceptability and Affordability research)



Customers are particularly supportive of the prioritisation of schools in Hafren Dyfrdwy's plans. They also encourage going further in this respect and suggest hospitals and care facilities should also be prioritised. However, prioritising social housing raises some questions – it's seen by some to unfairly exclude homeowners from support.

Overall, the proposed investment for lead pipe replacement is considered to be acceptable and affordable.

In our Acceptability and Affordability research we find that the proposed plan is broadly considered both acceptable and affordable – the least cost plan is not acceptable because of the potentially serious health implications of lead.

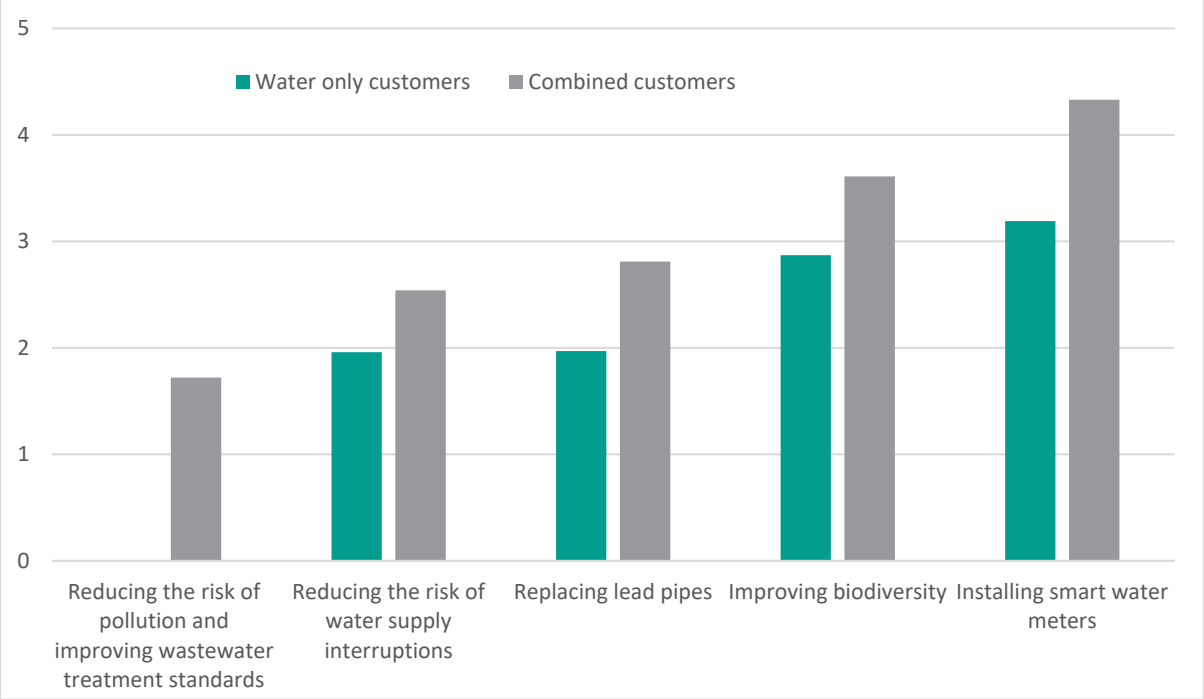
While the cost for Lead Reduction is considered small, some feel that customers shouldn't be responsible even when it's explained that supply pipes are the responsibility of the homeowner. However, customers are keen that costs should not be incurred by schools and are comfortable with investment to prevent this.

> "*Customers paying for pipe replacements? Hafren Dyfrdwy should be taking the hit for the cost*" NHH customer, PR24 Acceptability and Affordability research

There is some concern that the number of pipe replacements proposed, if continued at the same rate, would not meet the target of lead-free Wales by 2050 and they want to know how this will be achieved.

In the Acceptability and Affordability survey, Lead reduction is of medium level importance compared to the other investment priorities, ranking second for water only HH customers and third out of five for combined HH customers.

Figure A.4.7 – ranking of investments for HH customers (Acceptability and Affordability research): a mean score of 1 indicates the highest priority and five the lowest priority.



A.5 Protecting and enhancing the environment

Protecting and enhancing the environment is a high priority for customers, and even though the cost-of-living crisis is a key concern, environmental issues such as climate change, habitat loss and pollution concern the majority of customers. Future customers and those who care about the environment are particularly pleased to see Hafren Dyfrdwy focussing on protecting and improving the environment in the plan.

In this Annex, we summarise the key insight we have drawn from our triangulation of customer research, and we provide more detail on each of the themes coming from our research.

Summary of customer insight

- Protecting the environment is a high priority and the loss of conservation / natural habitats concerns customers.
- Investment in improving river water quality and reduce storm overflow spills is a high priority.
- Customers want Hafren Dyfrdwy to be ambitious in its plans to help improve biodiversity.
- Climate change is of some concern to customers, and reducing carbon emissions is a medium priority.

How it has shaped our plan

The first table shows how we have weighted the inputs from customers and stakeholders and considered the external context in Wales and Government guidance. The second table shows how the key insight in this area has shaped our plan.

Figure A.5.1– a summary of how we have weighted views from different parties

Long term outcome: Biodiversity / the environment		
	Relative weighting	Summary of view
Majority customer preference	High	Concern for the environment comes up in the majority of our research. Customers feel strongly about protecting the environment and improving biodiversity, especially their local environment. They understand the multifaceted benefits nature can bring.
Specific customer segments	n/a	We haven't identified any difference in views between customer groups.
Forum Strategic Steers	High	Welsh Government has said in the Strategic Steers they expect our priorities to include environmental interventions that provide maximum ecological benefit, in accordance with the approach agreed in the Better River Water Quality Taskforce and the First Minister's River Pollution Summits. They also expect us to be ambitious in our proposals to improve biodiversity because of our extensive landholdings and the nature of our business.
Stakeholder / expert view	High	Peatland restoration at Lake Vyrnwy, control of invasive species, partnerships and sustainable catchments were discussed during the WRMP workshops. Overall stakeholders were supportive of partnership working but acknowledge the difficulties with doing so. There is a need to ensure environmental benefits are present and communicated in the work that we do. Stakeholders were also very aware of the increased costs of living which may mean customers are less willing to pay for environmental programmes via increased bills. The 2022 well-being assessments conducted by Public Service Boards engaged citizens from Wrexham, Powys, Flintshire, Conwy and Denbigh to understand how wellbeing can be improved. Against the pillar of the environment, people want more to be done in response to the climate emergency alongside suggesting a range of environmental improvements that could be made.
Regulatory requirement	High	The investment is including in NRW's National Environment Programme.
How this has shaped our plan	We have aligned our plan to customer, stakeholder, and regulatory expectations after receiving strong support from customers for investment in this area, support from our stakeholders and clear regulatory targets to meet. We are prioritising improvements on land in designated areas, improving biodiversity at our sites, working in partnership, and developing longer term plans to protect the environment that we operate within. We are planning to deliver carbon savings of 838tCO2e/year through restored peatland.	

Independent assurance

On this area of the plan Sia Partners have stated that this Annex clearly meets the requirements for demonstrating line of sight.

Figure A.5.2 – Sia Partners assessment of line of sight for Improving biodiversity and protecting the environment

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Insight and Challenge, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	There is evidence of Hafren Dyfrdwy incorporating customer views into the PR24 plan. As an example, Hafren Dyfrdwy plan to create further units of biodiversity through its works at Lake Vyrnwy in response to customer insight that protecting the environment is a high priority for customers.	Across the engagement sources, it is evident that protecting the environment is a high priority for customers and that they support investment in both improvement in biodiversity and reducing storm overflow activations. Customers, unprompted, describe how much they like spending time outdoors and how much they value the environment. Driven by awareness from the media, customers have shown concern about overflows, and the impact on rivers. Therefore, customers have stated that they would like Hafren Dyfrdwy to invest in this area to reduce activations.	Customers' views on different solutions have been discussed in the engagements. Specifically, Customers views on level of investment surrounding biodiversity show that over a two thirds of customers want Hafren Dyfrdwy to go beyond investing on low cost 'quick win' biodiversity improvements, such as investing with more tree and hedgerow planting and working with other organisation to give the public access to biodiversity projects on publics lands.

Detailed insight

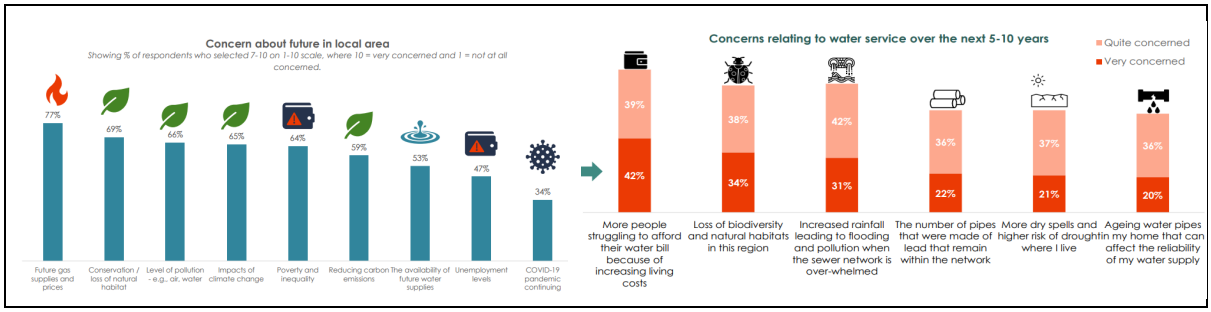
Protecting the environment is a high priority and the loss of conservation / natural habitats concerns customers.

A lot of our customers, unprompted, speak in research sessions about how much they care about nature and enjoy spending time outdoors in their local environment. This is particularly the case for customers in rural Mid Wales. Most research participants report that everyone has a responsibility to act now to prevent long term environmental problems.

Although the cost-of-living crisis has dominated more recent conversations, the environment is also mentioned as a concern, including sewage discharge and pollution of waterways[24]. Loss of biodiversity and natural habitats in the Hafren Dyfrdwy region are key concerns for our customers and they want us to protect the environment for the long term.

> "*Climate change has the potential to be most catastrophic, but biodiversity loss would be devastating*." Current customer, DWMP research

> "*Incredibly important, without plants and animals we wouldn't be here, would we?*" HH Newtown, Strategic Investment Choices research

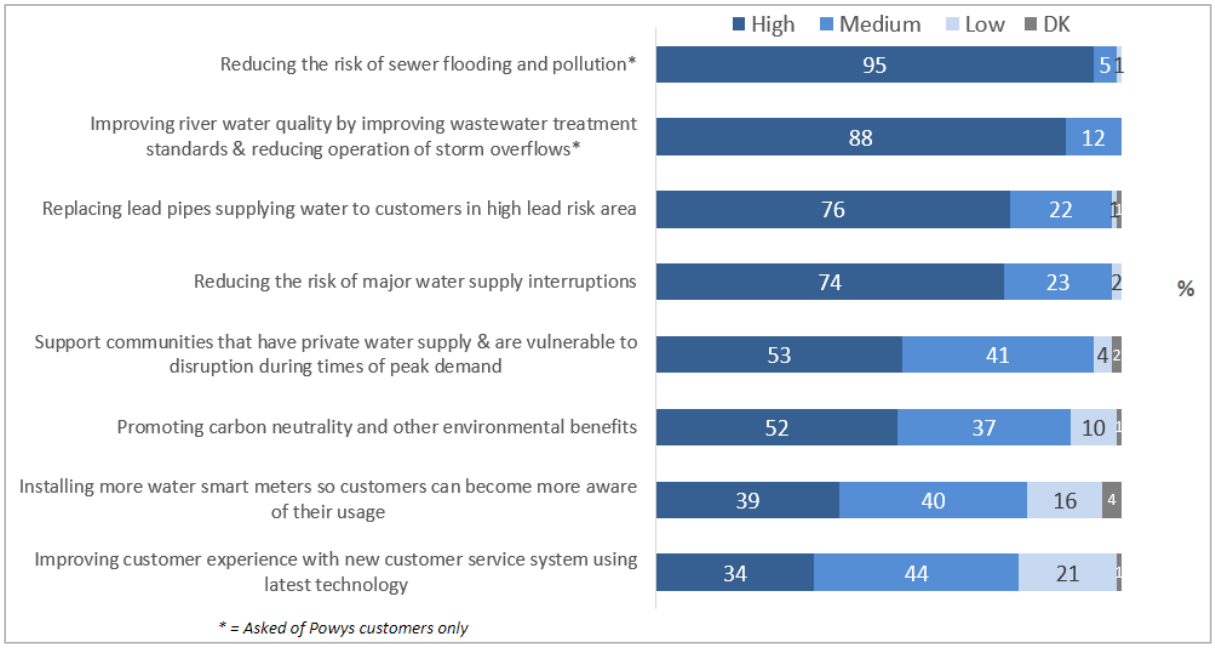


[24] Common and bespoke performance commitments research, DJS Research, April 2023

Investment in improving river water quality and reducing storm overflow spills is a high priority.

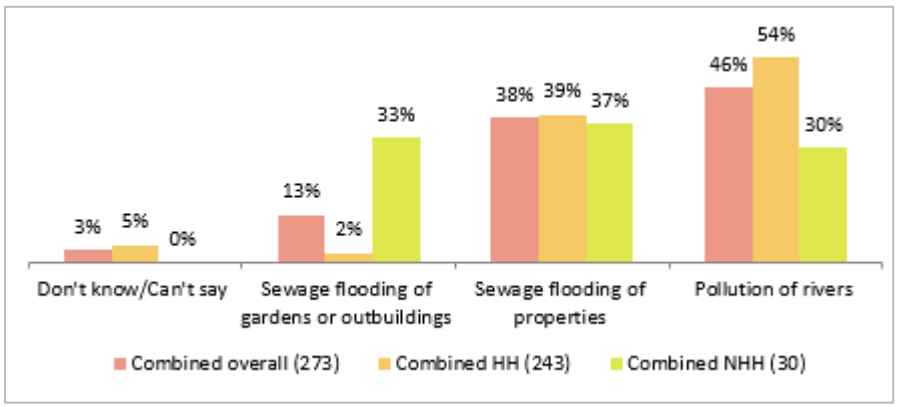
88% of customers rank improving river water quality as a high priority[25]. Storm overflow spills in particular have received extensive media attention in recent years. Whilst this is somewhat less prominent in the Hafren Dyfrdwy region due to the small wastewater customer base, there is still a lack of information surrounding overflows and a desire to see spills reduced.

Figure A.5.3 – investment priorities from the HH customer tracker, wave 11



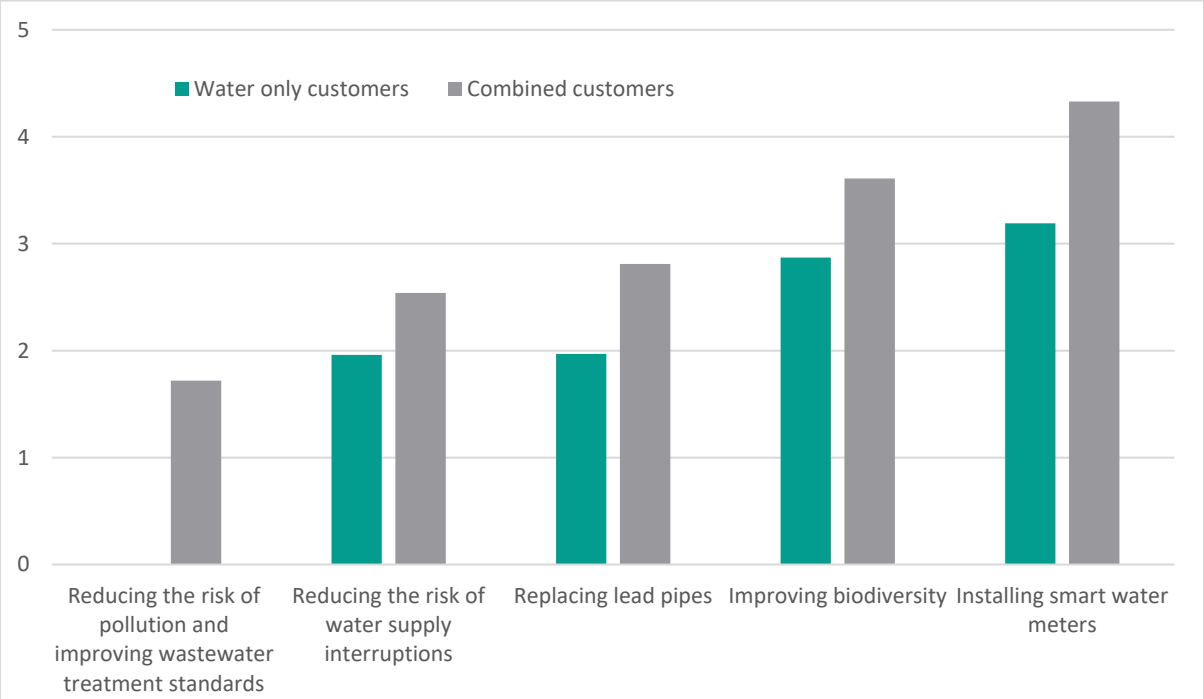
In the Acceptability and affordability research *Pollution of rivers* is considered the most important of the wastewater performance commitments shown to customers (see Figure A.5.4), and as an investment area amongst combined customers *Reducing the risk of pollution and improving wastewater treatment standards* is the highest ranked investment area (see Figure A.5.5).

Figure A.5.4 – based on what you have just read, which of these three parts of the business plan is most important to you? (Acceptability and Affordability testing, Combined customers)



[25] HH Customer tracker, Wave 11, Beaufort Research, May 23

Figure A.5.5 – ranking of investment areas (Acceptability and Affordability testing, HH customers): mean score of 1 indicates the highest priority and five the lowest priority.



Customers want Hafren Dyfrdwy to be ambitious in its plans to help improve biodiversity.

Investment in biodiversity is universally popular and most willingly support it because it engages with a strong need to protect their own environment. Many customers have very little specific knowledge about Hafren Dyfrdwy and the environmental impact of their investment, and whilst 81% of HH customers and 78% of NHH rank investment as important, this is less than the other investment areas considered[26]. We also see this in the Acceptability and Affordability research.

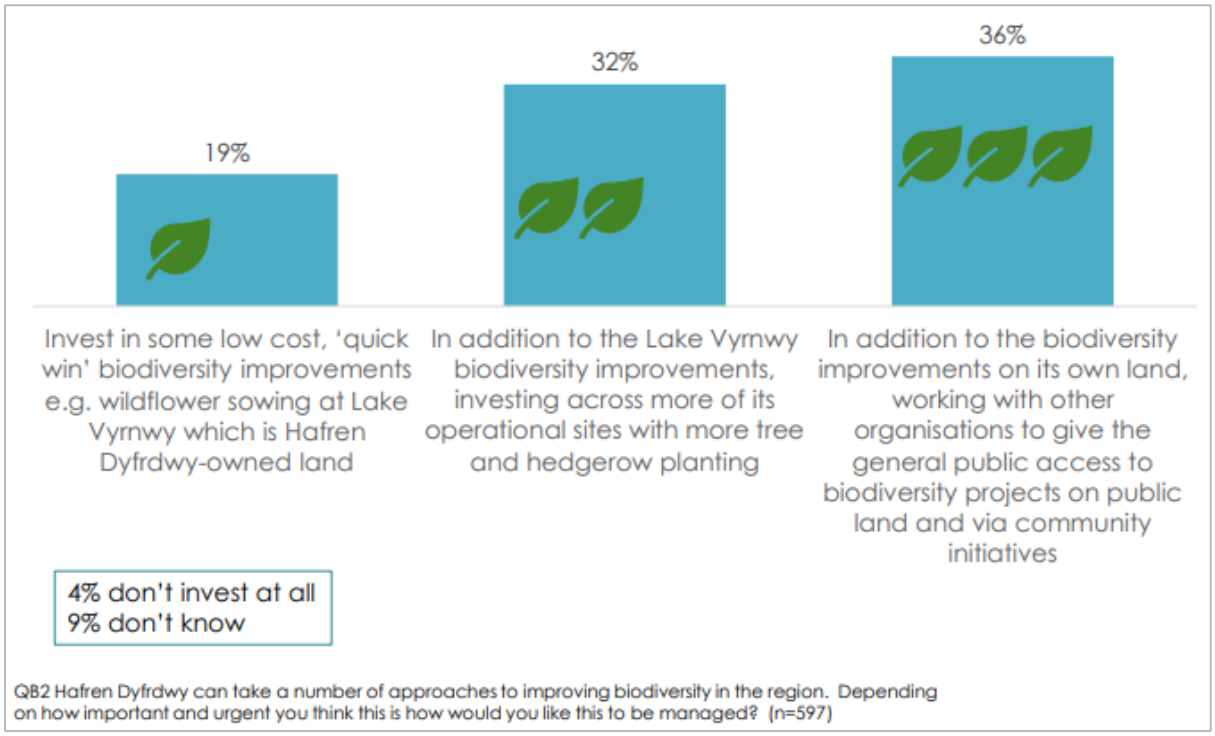
"*We've only got one earth, and everyone plays their part*" HH customer, DWMP research

Customers like that Hafren Dyfrdwy is developing plans to continue its work managing the habitats on land it owns or impacts to balance the impact of taking water and returning it to the environment.

Customers want us to go beyond quick wins by undertaking more substantial investment either across our own land and for over a third of customers, by collaborating with other landowners / organisations providing wider social benefits.

[26] Strategic Investment Choices research, Blue Marble, January 2023

Figure A.5.6 – customer views on biodiversity options (Strategic Investment choices)



The cost of biodiversity improvements seems small compared to other investment requirements, and some want to spend more on a cause close to their heart. We see the highest endorsement (by 44% of HH customers) for the more comprehensive level of investment, which includes wider benefits for communities[27]. There are few differences in acceptability between customers – those who are health vulnerable or with an income less than £30k are more likely to reject the plans.

> *"Literally you've got change in your pocket…It's not even the price of a Macdonald's!*"
> NHH customer, Welshpool, Strategic Investment Choices

Climate change is of some concern to customers, and reducing carbon emissions is a medium priority

Reducing carbon emissions is seen as a medium priority when compared to other investment opportunities which offer more tangible and immediate benefits[28]. In the HH customer tracker 52% of customers rank *Promoting carbon neutrality and other environmental benefits* as a high priority and 37% as a medium priority (see Figure A.5.3). Concern about *Reducing carbon emissions* also ranks lower than other concerns, and lower than the *Impacts of climate change*.

A.6 Lowering the risk of flooding and pollution

Taking wastewater away safely, reliably and with no negative impact on the environment is a core area of our service and a basic customer expectation. Both CCW's tracking research (*Water Matters*

[27] Strategic Investment Choices research, Blue Marble, January 2023
[28] HH customer tracker, Beaufort Research, wave 11, May 2023

and *Testing the Waters*) and our own, show that satisfaction with the sewerage service we provide is generally high for both household and non-household customers. In our DWMP research we find that most participants have not given the wastewater service much thought, and their expectations are generally for a reliable and environmentally friendly service.

While putting our DWMP together we conducted research in early 2021 with our wastewater customers in Mid Wales to understand customer views on the long-term challenges we face to ensure the sustainability of drainage and how we make decisions on the future of the service we provide to them and the environment.

As the media has continued to bring wastewater issues into public consciousness, we continue to seek and understand our customer views in this area. While our enhancement programme is driven by statutory requirements, informing customers of our performance and investment in this area is important for building trust.

Summary of customer insight

- Customers are concerned about climate change and future drainage challenges.
- Investing in the sewerage system to protect the River Severn is both important and urgent.
- Customers prioritise environmentally friendly drainage solutions
- Despite this being a high priority area, there is less support when customers are presented with the costs.

How it has shaped our plan

The first table shows how we have weighted the inputs from customers and stakeholders and considered the external context in Wales and Government guidance. The second table shows how the key insight in this area has shaped our plan.

Figure A.6.1– a summary of how we have weighted views from different parties and how this has shaped our plan

Long term outcome: Lowering the risk of sewer flooding		
	Relative weighting	Summary of view
Majority customer preference	High	Reducing the risk of sewer flooding and pollution is a high priority and in principle seen as urgent and important. However, there is limited willingness to support a costly investment even if this means compromising on the speed of reducing flood risk and the environmental benefits.
Specific customer segments	High	Customers with health vulnerabilities, those on a very low income, younger customers and socio-economic group DE select a low level of investment in this area.
Forum Strategic Steers	High	Welsh Government has been clear in the Strategic Steers that they expect us to have a minimal impact on the environment through our day-to-day operations such as storm overflow performance. They accept a phased approach to balance the impact on customer bills, financing and deliverability whilst addressing storm overflows that cause ecological harm and striving towards meeting regulatory targets.
Stakeholder / expert view	Low	Councils and NRW have statutory obligations to meet that are linked to flood risk reduction. As such they consider us a key stakeholder to work collaboratively to reduce the risk of flood risk that we are responsible for.

Long term outcome: Lowering the risk of sewer flooding		
Regulatory requirement	Medium	The NRW Strategic Direction Statements have strong drivers to improve the environment which includes the management of flood risk. Our DWMP outlines our long-term plans to reduce the risk of sewer flooding to protect the environment that we operate within.
How this has shaped our plan	Our wastewater plan is statutory and has been integrated into the National Environment Programme. Following concerns from customers about the impact of investment on the wastewater bill we have limited our proposed investment to keep bills as affordable as possible. In AMP8 we will assess the need and requirements for any major upgrade works required on our sewerage infrastructure in Newtown and identify the optimal solution for our customers and stakeholders.	

Independent assurance

On this area of the plan Sia Partners have stated that this Annex clearly meets the requirements for demonstrating line of sight.

Figure A.6.2 – Sia Partners assessment of line of sight for this investment area



Detailed insight

Customers are concerned about climate change and future drainage challenges

Our DWMP research (conducted in 2021), and research from third parties, shows a growing concern amongst customers about climate change. Unprompted views on the major challenges facing the UK comprise a range of concerns including climate change impacts, pollution, flooding and the use of resources.

Most participants in the DWMP research felt that everyone has a responsibility to act in the short term to prevent the longer-term implications of climate change. Government is expected to lead on issues and make the necessary changes to legislation, and businesses are seen to have a responsibility to act in an environmentally friendly way too.

> *"Climate change has the potential to be most catastrophic"* HH customer, DWMP research

> *"They [HD] definitely have a role, partly because they're delivering an essential service, so they have a powerful position and a lot of responsibility"* HH customer, DWMP research

In our DWMP research we discussed the challenges that might impact the drainage system now, and, in the future, and the problems that might arise as a result. Participants find climate change and extreme weather to be a concern, and these are felt to be difficult for a water company to control. Customer behaviour in terms of irresponsible flushing and disposal down drains is also concerning to respondents.

Customers feel that, as experts, water companies are in a position of power to educate and influence the government, businesses, and customers, to change behaviours and promote environmentally friendly activities. That said, investment in these activities should focus on issues related to drainage.

> *"Climate change and extreme weather, you can't plan for it, anticipate or predict it"* HH customer, DWMP research

> *"People don't care, and I know of people who are not acting responsibly when it comes to putting stuff down their drains"* HH customer, DWMP research

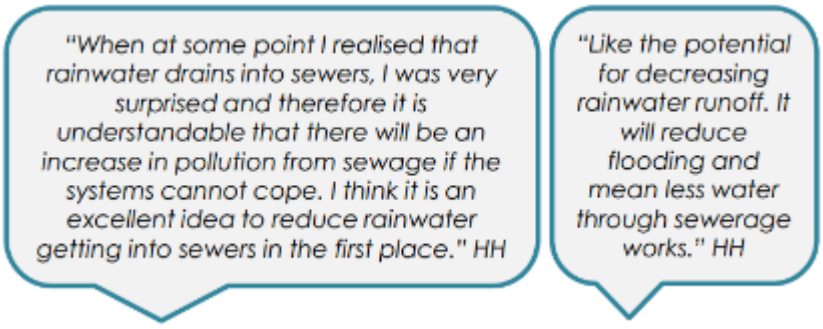
When discussing the potential problems that might arise because of challenges to the drainage system, the most concerning are river pollution and external and internal flooding. CCW and Ofwat research at the national level[29] finds that both internal and external flooding are of high importance to customers. Both are seldom experienced but are easily imagined to be impactful on homes and businesses, inconvenient and unpleasant. Internal flooding in particular is regarded as highly important due to the impact on health and people's lives and is a high priority to resolve as quickly as possible. River pollution is also considered extremely important, although it has less impact on day-to-day lives, due to the damage to the environment and because it is perceived to result from company malpractice.

In our DWMP research we found that awareness of the agencies responsible for flooding is low, and there is some confusion around who is responsible for what.

Investing in the sewerage system to protect the River Severn is both important and urgent.

Across multiple pieces of research, customers view investing to reduce the risk of sewer flooding and pollution as an urgent area to improve.

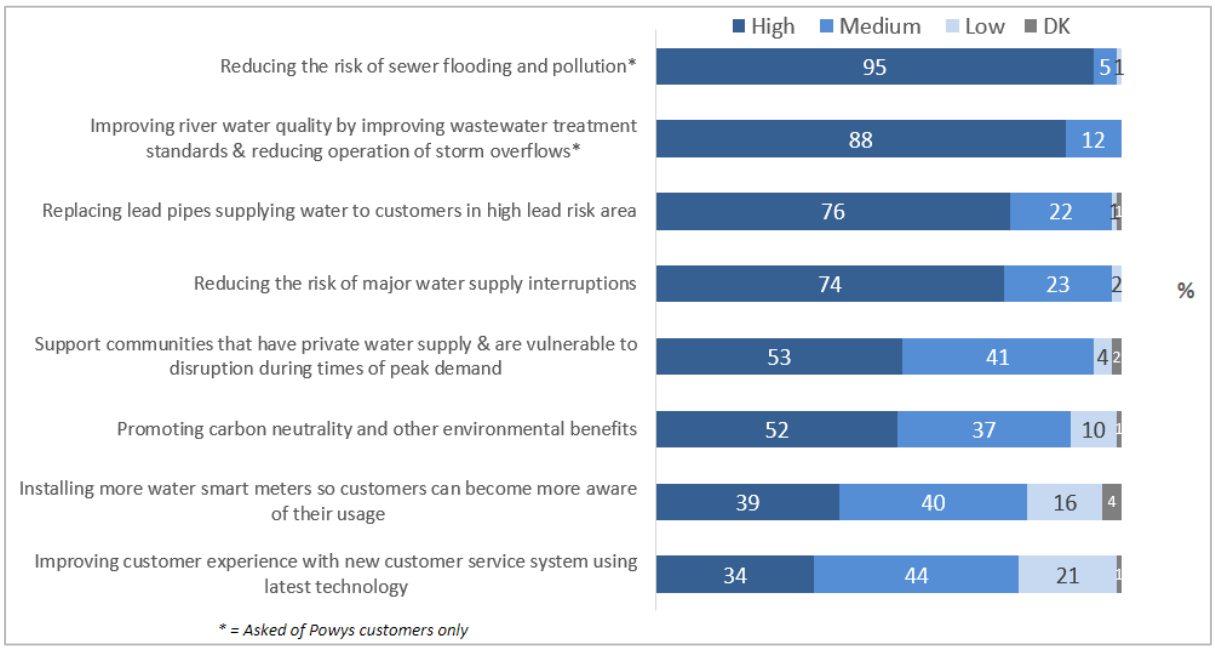
Figure A.6.3 – quotes from customers on reducing the risk of flooding and pollution (SDS research)



[29] Understanding customer preferences for Performance Commitments at PR24, CCW and Ofwat, April 2022

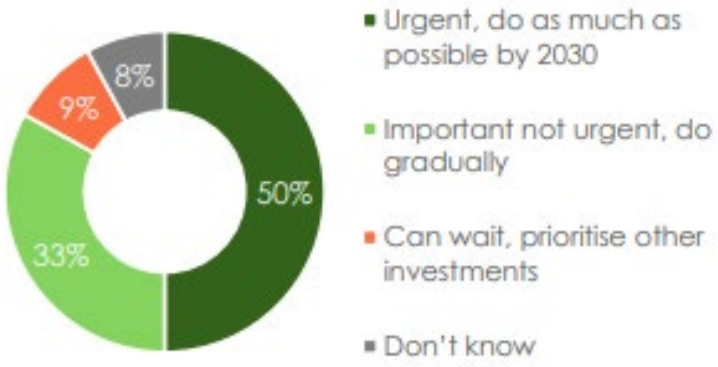
In the HH customer tracker 95% of customers rank this as a high priority, and in the NHH customer tracker 89% of customers consider it as a high priority[30].

Figure A.6.4 – investment priorities from the HH customer tracker (wave 11)



In our quantitative investment choices research, 50% of customers consider the investment urgent (see Figure A.6.3). In the qualitative research around half of the sample opt for the largest investment option. However, there is also a strong preference for the lowest cost option as customers are worried about high bill impacts (especially on vulnerable customers), and some are concerned that costs will increase in the future. Some feel uncertain about the extent of the risk of flooding, or don't feel that the problem justifies the large bill increases.

Figure A.6.5 - urgency of investing to reduce sewer water ending up in the River Severn (Strategic Investment Choices research)



[30] NHH customer tracker, DJS Research, wave 6, April 2023

In our qualitative research we also see customers prioritising this as an important area for action.

Figure A.6.6 – qualitative prioritisation of investment areas (SDS research)

	Requires investment as soon as possible (high)	Requires investment as soon as possible, only if it doesn't cause financial hardship (medium)	Now is not the time to invest, due to increasing cost of living (low)	
Reduce the risk of **sewer flooding & pollution**	17	6	4	**Priority** customers feel the need for immediate action
Replace **lead pipes** supplying water to customers in high lead risk areas	15	11	1	
Reduce the risk of **major water supply interruptions**	12	11	4	**Secondary** although important, customers don't feel the same level of urgency, especially if investments cause financial detriment
Promote **carbon neutrality & other environmental benefits**	10	10	7	
Improve **river water quality** by improving wastewater treatment standards & reduce the operation of storm overflows	9	13	5	
Install more water smart meters so customers can become more aware of their usage	5	14	8	**Nice to have** most customers feel disconnected from these benefits
Support communities with a private water supply & who are vulnerable to disruption during times of peak demand	2	15	10	
Improve customer experience with a **new customer service system** using the latest technology	0	9	18	**Least important** as the benefits are marginal

Customers prioritise environmentally friendly drainage solutions

Concern for the environment carries through into drainage and wastewater planning, with customers seeking environmentally driven solutions to drainage challenges when prompted with potential solutions alongside summary information including: the relative cost to build and operate, speed of implementation, sustainability and robustness[31]. There is strong support in the research for implementing sustainable solutions in all new building and housing developments. In our research customers see Sustainable Drainage Systems (SuDs) as being beneficial for the environment, although they recognise that at a local level a mix of solutions might be required.

Whilst short-term solutions might be necessary for immediate or urgent situations, customers prefer investment in long-term sustainable options. The DWMP research suggests that they might be willing to invest more now to prevent problems occurring in the future, particularly if Hafren Dfrydwy can deliver wider environmental and long-term benefits. However, this research was conducted in early 2021 before the cost-of-living crisis emerged, and customers were not presented with any indicative delivery costs. As Hafren Dyfrdwy has so few wastewater customers, investment has a high bill impact.

The findings from the research align to our ambition to ensure the right long term catchment solutions are implemented. We have agreed with NRW to complete investigatory work during 2025-2030 to understand the scale and complexity of the issues in Newtown so that during 2030-2035 we can begin to implement the start of a phased solution. This ensures we are spending customers' money in the right way to deliver long term benefits.

Sustainable drainage solutions receive strong support in our qualitative research because they are seen as natural and having a low impact on the environment. They are seen as an ideal solution for Mid Wales due to land availability, with the potential as well for subsiding farmers to use their land. Customers also see the potential for other environmental benefits such as storing rainwater for later

[31] DWMP customer research, DJS research, April 2021

use. Participants also recognise these solutions might not be possible in all areas, so appreciate that less sustainable solutions might be required in some circumstances.

> *"It's a low impact on the environment, and looking at how the Earth would naturally take water away, it's a really good thing"* HH customer, DWMP research

In our Strategic Investment Choices research customers also express a preference for nature-based solutions, in both the qualitative and quantitative research. Nature based solutions appeal because customers see this as adapting and future proofing (so better in the long term), and they consider these will also make Hafren Dyfrdwy more efficient and profitable in the long term. They also appear to be more cost effective.

Figure A.6.7 – customer acceptability of proposed investment type (nature-based solutions, traditional concrete solutions and customer incentives) (Strategic Investment choices research)



Despite this being a high priority area, there is less support when customers are presented with the costs.

When presented with costed options within our quantitative research, we find that despite the strong preference for nature-based solutions and this investment area being a high priority, there are mixed views on the pace of investment. 35% of customers selected an option that focuses purely on research to develop longer term solutions. The cheapest option appeals most to those with health vulnerabilities, those on a very low income, younger customers and the least affluent socio-economic groups, D and E.

Figure A.6.8 – customer choices for pace of investment to reduce the risk of flooding and pollution

Investment options for 2025-2030	HH bill impact	Water & sewerage (n=317)
Research to develop longer term solutions *(this option will not reduce the flooding and pollution risk in the short term)*	£5	35%
Nature-based and traditional concrete investments *to lower the pollution risk with some environmental improvements*	£25	31%
Prioritise nature-based investments *to lower the pollution risk and deliver greater environmental improvements*	£43	13%
Nature-based investments with customer incentives *to add permeable features to lower pollution and flooding risk and deliver community and environmental benefits*	£44	21%

We understand the importance of customers wanting longer term sustainable solutions to help reduce the risk of sewer flooding and overflow spills. We want to invest in the longer term beyond the requirements of the NEP. However, in the short term we understand customers concerns about affordability and ensuring that we spend customers money in the right way. We have agreed with NRW to progress investigatory works within Newtown during 2025-2030 so we understand the complexities of the issues the catchment faces, before we can begin the phased longer-term solution in 2030-2035.

Other drainage solutions discussed in the DWMP research

For completeness, we have included here some of the customer insight from our DWMP research. In our DWMP research we discussed potential drainage solutions with customers. Spontaneously, participants suggested that education and lobbying for legislation change / working with others were also ways in which Hafren Dfrydwy could address the challenges.

Figure A.6.9– relative qualitative prioritisation of drainage solutions (DWMP research)

Sustainable drainage	**High**
Sewer separation	High
Sewer repairs	High
Customer education	High
Addressing groundwater infiltration	Medium
Capacity improvements	Medium
Pumped storage	Medium
Garden de-paving	Low
Property resilience	Low
Sewer jetting	Low

Sewer separation receives strong support, particularly for implementing it in all new houses and developments. It is seen as a long-term solution, and participants didn't identify any concerns.

> *"I like the sound of this one…. it's a good solution for taking rainwater away, it's not high on energy use as you're not having to treat that water when it's combined, so you're using less chemicals"* HH customer, DWMP research

> *"This is the way forward. For too long as a society we make things work for us, rather than think about what will work best… all new houses and developments should be built like this"* HH customers, DWMP research

Sewer repairs are seen as necessary for maintaining the service to customers, and therefore are a high priority despite being a short-term measure and potentially resulting in higher costs in the future if the underlying problem isn't addressed.

Customer education is seen as a good approach, because people are unaware of the implications of their actions. Focusing on schools is seen as valuable because it's felt that children will then educate their parents. Customers say that education should be done on an ongoing basis in conjunction with other solutions. As disadvantages, participants highlighted that changing behaviours is difficult to achieve, particularly among older people, and the effectiveness of the solution is far from guaranteed.

> "*There does need to be education for all ages. The image of the blocked pipe is a really powerful image for people to see. But I don't think it's the only solution that can be relied upon*" HH customer, DWMP research

Addressing groundwater infiltration, pumped storage and capacity improvements emerge as medium priority. Participants in particular highlight a number of concerns with pumped storage, including it not being a sustainable solution, with a high cost and high disruption to build. Increasing capacity in sewers is thought to be a good way to future-proof infrastructure, but at the same time it is considered disruptive to the environment and local area.

> *"Just building a bigger pipe is treating the symptom not the problem, but that's not to say it shouldn't be done, symptoms need to be treated as well"* HH customer, DWMP research

> *"If there are issues at the moment, it's best to replace them with something that can last 100-150 years and pay for it over that time, than to keep doing quick fixes that mount up to cost more"* HH customer, DWMP research

Garden de-paving is considered a low priority; however participants recognise the environmental benefits and feel a targeted approach would make sense and tackles the problem at the source. However, they also considered that most people would not act on this, and it would be difficult to enforce without legislation change and planning restrictions on the amount of paved surface households can have.

> *"I don't see it as realistic. People don't like being told what to do…. I feel people would get a bit defensive about it, even if you told them the effect it would have***"** HH customer, DWMP research

Property level solutions to increase flood resilience are seen as a solution for an urgent situation, where homes are at high risk, but it is a quick fix solution that doesn't tackle the underlying issue so it is a low priority.

*"It's one that would go hand in hand with another solution. It would be great for a property really at risk***"** HH customer, DWMP research

Likewise, **sewer jetting** could be a useful solution, but it doesn't prevent the problem or tackle the underlying problem. Longer term solutions which ensure there is capacity are considered better.

> *"It's like putting a plaster on a bleeding cut"* HH customer, DWMP research

In the discussion, participants clearly prioritise solutions with a low environment impact, even if the investment required is higher. If solutions can deliver environmental benefits that is also a positive. At the same time, participants recognise however that some less sustainable solutions may be needed as well depending on local circumstances.

Longer term solutions, which address the underlying issue are preferred, although short term measures are recognised as being important in urgent situations. They would also be willing to pay more and invest early, as it is seen as more efficient than repeating short term fixes.

We talked to customers in our research about **partnership working.** We found that they were largely positive about this, seeing this approach as a good solution and essential in higher risk areas. Sharing expertise, resources and costs is seen as a common-sense approach. They do suggest there might be some downsides, such as slower processes due to consultation, who regulates partnerships and who takes a leadership role.

Customers in our research supported Hafren Dyfrdwy working in partnership with other organisations to address future challenges. They also feel that Hafren Dyfrdwy is in a position of power to influence Government, other businesses, and customers, to change behaviours and promote environmentally friendly activities. However, these activities should focus on issues related to their core remit of drainage and wastewater.

A.7 Affordability strategy

In this Annex we summarise the key insight we have drawn from our triangulation of customer research on our affordability strategy. Our research is published in full on our *Listening to you* webpage, alongside supporting research materials such as questionnaires, discussion guides, recruitment scripts and stimulus materials.

Our Independent Assurance provider, Sia Partners, has reviewed our synthesis of customer engagement and how we have demonstrated use of engagement in our Affordability strategy (described in Chapter 7). On this area of the plan Sia Partners has stated that the Annex clearly meets the requirements for demonstrating line of sight.

Figure A.7.1 – summary of our key affordability and acceptability research findings

1. Synthesis of engagement		2. Demonstrating use
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan
A wide range of sources across all phases of engagement have been used to inform this view: • Household customer satisfaction tracker surveys • Qualitative affordability research • Social tariff cross subsidy research • Interviews with affordability experts	In addition to the review of Hafren Dyfrdwy's Affordability Strategy and Affordability research chapter, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	In its Affordability Strategy and accompanying Affordability research chapter, it is evident that Hafren Dyfrdwy has taken a range of customer engagement and data into consideration when developing the Affordability Strategy. As an example, across the engagement, there is clear increased need for financial support due to cost of living crisis. Accordingly, Hafren Dyfrdwy have engaged with its customers about the affordability schemes that they currently pursue or plan to purse. This insight shows that bill discounts to those struggling make a substantial difference and as a result, Hafren Dyfrdwy are targeting an increase of 8.2% share of customers supported by social tariffs, up from 3.7% last year.

Figure A.7.2 – how our affordability and acceptability research findings have influenced our plan

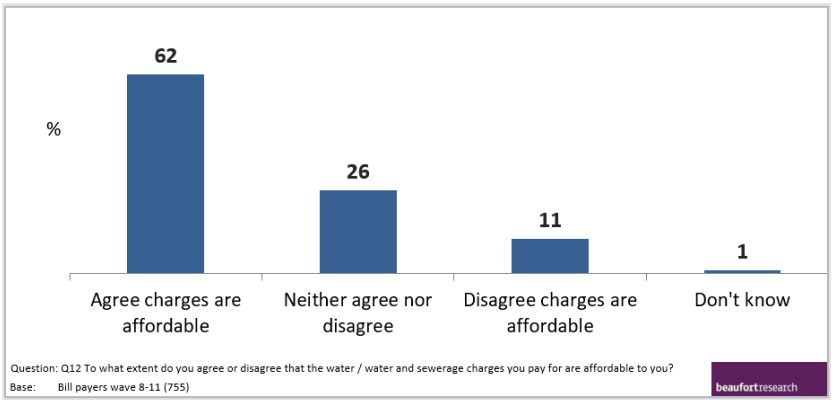
What have we heard from our research	How is this influencing the plan
When customers hear about the full range of our affordability support schemes, they are impressed; the schemes are deemed fit for purpose, generous, flexible for a range of circumstances. Customers say we're promoting our affordability schemes in the right ways (on bills and bill envelopes, our website, on social media, face to face in the community, via partner organisations and at the Wrexham customer 'hatch')	We will continue to offer all our affordability schemes in AMP8. These include Here2Help, the bill cap scheme: WaterSure, payment plans and payment breaks, Matching Plus, Water Direct, free meter installation, free water saving products, money management and benefits advice. We will continue to use the range of channels to promote our affordability support schemes. We will continue to look for new ways to reach out to customers who may need support.
Many customers who are eligible for our affordability support schemes are still unaware of them. Many assume that only customers on benefits are eligible for our affordability support schemes. Many customers who are struggling financially are reluctant to reach out for help. Some working customers who are struggling financially are ineligible for Here2Help because their household income exceeds the threshold for the scheme.	We will stress that customers do not have to be low income or on benefits to access support. We will use external partners to identify customers who are struggling financially, so that we can approach them proactively to offer help. We plan to develop an easy-to-use online tool for customers to self-assess eligibility for our affordability support and other services which could save them money and make it easier to manage bills. These include spreading payment evenly across 12 months, moving to metered billing and free Get Water Fit water saving products). A communications campaign will signpost people to the tool, and it will also be available by telephone and via our community partners. There will be a single application form for our key affordability schemes. We have increased the Here2Help household income threshold. Anyone whose household income is below £20,048 is eligible for a bill discount of 30% to 70%. The income threshold is up to £4,000 higher if there are dependent children.
In our communications about affordability support, words such as *poverty, struggling* and *vulnerable* can be stigmatising and should be avoided.	We will review our communications and try to use more positive, appealing, and inclusive words such as *discount* and *eligible*.
In both parts of our region, a strong majority of customers supports increasing the social tariff cross subsidy by £12.50 per year (North-east Wales) and £15 per year (Mid Wales)	This allows us to extend our social tariff support to an extra 4,500 customers (£3.7m) by 2029/30.
Customers particularly like to hear about the support we offer face-to-face in the community; they really value this personal approach.	We will continue with hyper-local promotion, alongside other traditional and online communications channels. We will look for further opportunities for partnership working with local charities and organisations who can also offer a personal approach.
Customers say our Community Fund is a great way of helping local organisations and charities.	In AMP8 we will increase our Community Fund by 20% to £60,000

Our customer tracker survey

Keeping our understanding of affordability needs up-to-date is underpinned by our active and regular engagement with customers. A Wales-based independent research agency (with bilingual interviewers) runs a quarterly household customer satisfaction tracker survey for us. This involves interviewing a representative sample of 200 customers by telephone in each wave of fieldwork – 800 customers a year.

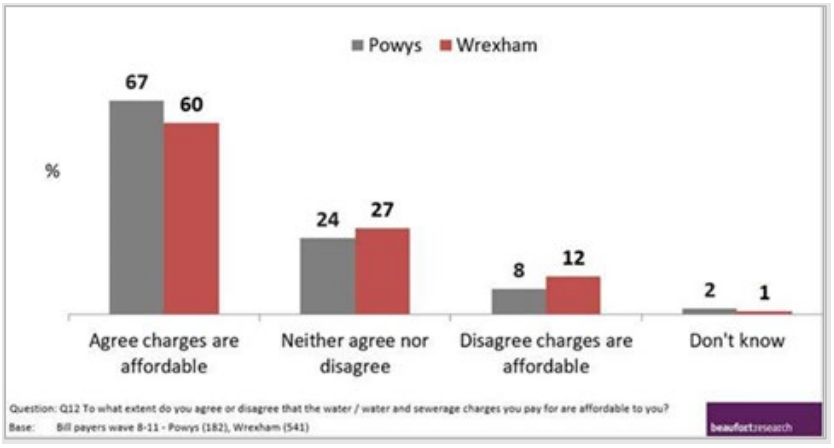
In the most recent full year results (the 12 months to May 2023), we see that more than six in ten bill payers agree that their Hafren Dyfrdwy bill is affordable. 11% disagree.

Figure A.7.3 – affordability of the bill for HH customers from the customer tracker, wave 8 – 11 combined



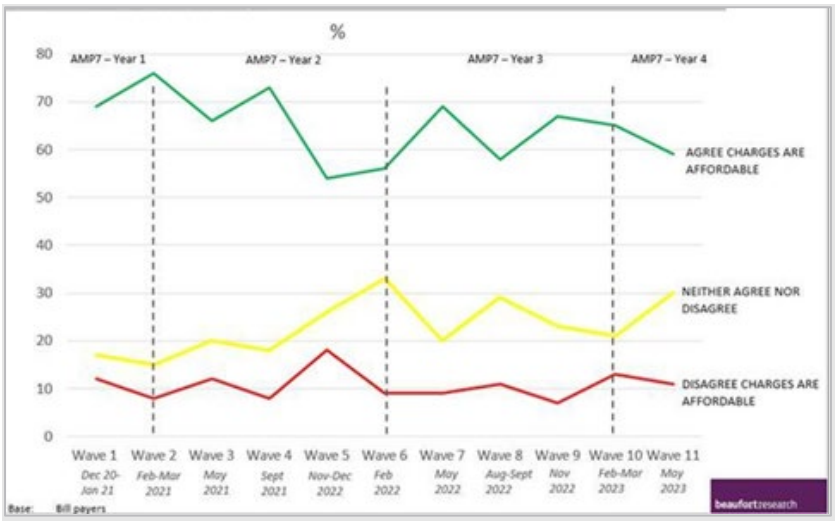
We find that customers in Mid Wales (Powys) are more likely that those in North-east Wales (Wrexham) to find their bill affordable.

Figure A.7.4 – customers in Mid Wales (Powys) were more likely than customers in North-east Wales (Wrexham) to agree that bills are affordable (HH customer tracker, wave 8-11)



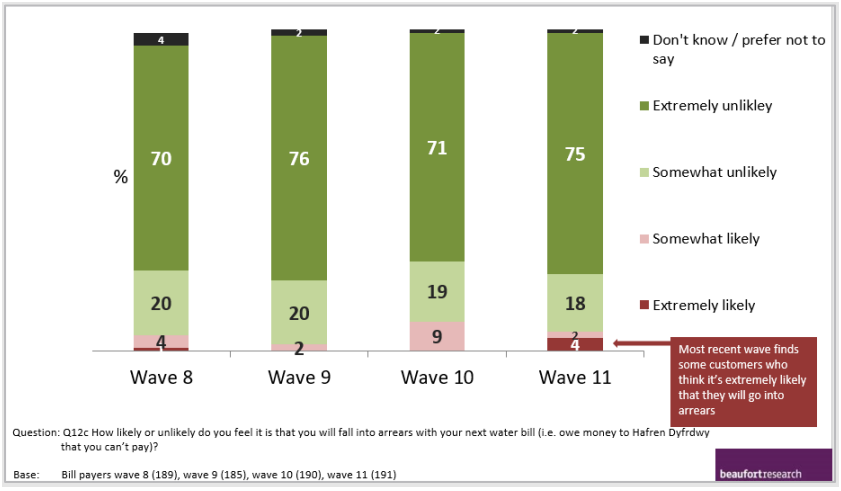
It's interesting to note that the proportion of customers *disagreeing* that their bill is affordable has remained fairly stable across AMP7. In contrast, the proportion *agreeing* that it is affordable has shown much more volatility. The proportion who *neither agree nor disagree* that their bill is affordable has risen fairly steadily over this period.

Figure A.7.5 – perceptions of affordability of charges over time, HH customer tracker, wave 1 to 11



In 2022, we started asking bill payers how likely or unlikely they feel they are to fall into arrears with their next water bill. In the most recent wave (May 2023), most (93%) say this is *extremely unlikely* or *somewhat unlikely*, although 6% say it's *extremely likely* or *somewhat likely*.

Figure A.7.6– customers who think it's likely / unlikely they will fall into arrears with the next water bill (HH Customer tracker, wave 8 – 11)



The customers fearing arrears are most likely to be (i) living in the North-east Wales area, (ii) under the age of 45 and (iii) in the least affluent socio-economic groups (C2DE).

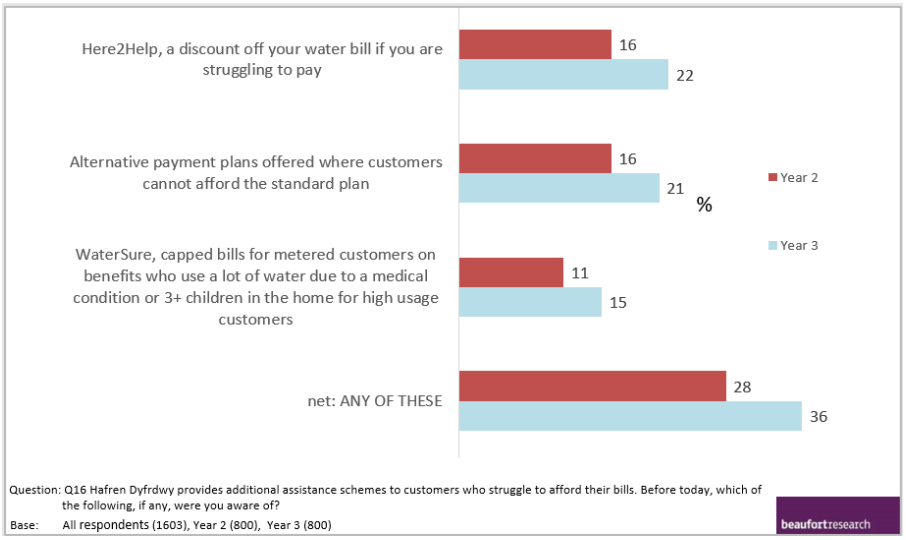
These findings align with what we've regularly heard from our customers and seen in our communities. They've also underpinned our drive to raise awareness of our support and connect with customers.

Awareness of our affordability support

Awareness of our affordability support schemes has been rising steadily over the last two years. In Year 3 of AMP7, more than one in five household customers (22%) were aware of Here2Help scheme,

which provides a bill discount for those on the lowest incomes. Awareness of alternative payment plans (21%) is similar, with awareness of the bill cap scheme, WaterSure at 15%.

Figure A.7.7 – year of year comparison of increase in additional assistance awareness of schemes over time (HH customer tracker)



Affordability strategy research

In the spring of 2023, we commissioned a qualitative research project to explore how the affordability challenge is manifesting in the Hafren Dyfrdwy regions, what customers who are struggling financially think of the support that is available from the company, and to ascertain how this could be improved during AMP8. The project comprised a mix of focus groups and in-depth interviews with customers who are currently 'just about managing' financially, those newly struggling with household bills, those in severe debt and recipients of all of our affordability schemes (Here2Help, WaterSure, Water Direct, Debt Support: Payment Matching, and short-term payment plans).

Figure A.7.8 – sample overview, Affordability strategy research

Total: 32 participants	Wrexham	Powys
1) Severe debt / Long-term struggling	**x4** 3x female, 1x male 4x English language 1x employed, 3x unemployed 2x rural, 2x town 4x family	**x4** 3x female, 1x male 2x English, **2x Welsh language** 2x employed, 2x unemployed 3x rural, 1x town 2x family, 2x post-family
2) Just about managing / Newly struggling	**x6** 3x female, 3x male 4x employed, 2x unemployed 1x pre-fam, 3x fam, 2x post-fam	**x5** 4x female, 1x male 3x employed, 2x unemployed 1x pre-fam, 3x fam, 2x post-fam
3) Recipients of Here2Help scheme	**x5** 3x female, 2x male 4x employed, 5x unemployed 3x fam, 2x post-fam	**x4** 1x female, 3x male 4x unemployed 2x pre-fam, 1x fam, 1x post-fam
4) Recipients of other schemes (e.g., Water Direct, WaterSure)	**x6** 3x female, 3x male 3x employed, 3x unemployed 5x fam, 1x post-fam	**x5** 3x female, 2x male 1x employed, 4x unemployed 3x fam, 2x post-fam

The affordability challenges that customers face

Undoubtedly, recent world events have impacted affordability of household bills. The COVID-19 pandemic, rising inflation and spiralling energy prices contribute to a cost-of-living crisis reaching

beyond water debt. Customers explained that the cost of living is becoming a significant issue in their lives. Water bills are not the main worry but are part of the affordability picture. Some customers, who were already on low incomes, have found themselves in very difficult situations as their outgoings increase beyond income. Customers on previously comfortable incomes are also feeling stretched and are worried their future looks different from what they had planned.

"I get a stomach-drop moment when I see all the debits go out of my account." (Powys, struggling, depth)	"We're in a position where, where we're not yet needing to borrow or we're struggling. But there's just there's nothing further for our wage to do. It comes in and it goes out." (Wrexham, struggling depth)
"My income is fixed, and the costs are just going up all the time. I try not to think about the future because I don't know what I will do. I had looked forward to this time: I was going to have a chance to relax in my retirement but now there is all this worry." (Powys, struggling, depth)	"If everything goes up by £5, you go from having a little bit of disposable income to having nothing." (Powys group, Here2Help recipients)

Customers explained that they consider their *highest priority* bills to be housing, council tax (unless on benefits), energy, water, and sometimes internet and childcare (to allow customers to work). Thus, the definition of 'water poverty' (spending more than 5% of household income after housing costs on the water bill) is not particularly meaningful to customers as it doesn't consider these other essential bills.

Having had to cut back on luxuries and essentials is standard for most customers, whether this is energy or water usage, changing food shopping habits or going without entirely. Families are particularly struggling with outgoings as they try to maintain a decent standard of living for their children.

"You're picking gas, electric, or food – survival right now" (Wrexham group, H2H recipients)	"This is probably the least amount we've ever had the heating on [in] winter, which is a bit heart-breaking, especially having two young kids and just telling them to go and get a blanket or put another jumper on." (?)
"It's a stressful, it's heart-breaking. I'm the breadwinner. I'm the dad, I'm supposed to be able to provide something as simple as heating, and something to eat." (Wrexham, struggling, depth)	"You tend to pay everything else and that's [food] last when everything's gone out" (Powys group, recipients of other schemes)

The causes of financial difficulty

In this research, we saw clearly that a customer's health, financial resilience, security, capabilities, and support networks are protective layers that insulate them from the financial shocks of life events and other external factors like cost of living. Customers struggling with health, mental health, resilience, and capability are more exposed to the shocks of life. They find it harder to manage, falling more quickly into financial difficulty than others without these challenges.

Falling into financial difficulty can happen easily and speeds up the more factors combine, like health issues, job loss, lack of support network and digital exclusion. Many customers described the physical and mental toll that facing debt takes; it is stressful degrading, isolating, and without hope.

"The worst thing about having no money is that you lose your dignity and you lose your pride and your sense of worth. You don't feel good

enough. You feel just full of despair." (Powys group, recipient of other schemes)

Affordability support

Our affordability support schemes are considered fit for purpose by both our affordability scheme recipients and non-recipients (once made aware of them). They are seen as generous, flexible, and covering a range of circumstances. The main suggestion for improvement was simply raising further awareness.

"I pay £3 something instead of £30 something [per month]. That's a huge-huge difference. Well, I wouldn't be able to afford it otherwise" (Powys group, H2H recipients)

"If you've been made redundant or you're out of work with little notice, then that [short term payment plan] is a stopgap to sort of like help you out short term" (Powys group, recipients of other schemes)

"[Debt Support: Payment Matching] If you offer a small amount, it's usually disregarded. But if it was a pound or two pounds or five pounds, then the customer is doing something and they automatically feel better" (Powys group, recipients of other schemes)

Affordability is a holistic problem, as it's the entire package of bills that's an issue rather than any singular bill. Therefore, any solution must be holistic too, so that as many of a customer's affordability issues get dealt with at the same time.

"[Hearing about the Here2Help discount] is a saviour, it is an absolute saviour. And you start to feel better immediately" (?)

"It is such a relief [getting help from HD] because then comes in the hope. And once you've got hope you can find a way forward" (Powys group, recipients of other schemes)

"[Seeing HD's affordability schemes] gives me reassurance so I'm not worried about it if you get what I mean, I feel that I've got help there [if I need it]" (Wrexham, struggling, depth)

"I didn't think there would be that many ways they could help you. 'Cos it's not widely shared." (Powys, struggling, depth)

Compassion

Most customers who had dealt with Hafren Dyfrdwy about their finances praised the way they were treated – empathetically, they were listened to and offered flexibility. This is how customers in financial difficulty would like to be treated, and all customer service teams who deal with this issue should aim to embody these three aspects. There were examples of energy companies, telecoms and Councils not showing the same support and empathy for those in financial need, instead chased debts aggressively, communicated poorly and set unreasonable repayment demands. There were some stories of being treated well by other suppliers or organisations, **but no 'stand out' organisation that is performing better than Hafren Dyfrdwy in this regard**.

"[What I owed in rent] was just over £200, I explained the situation [to the housing association]. And they literally took me to court and I was so scared" (Wrexham group, H2H recipients)

"I don't know how you train the customer service staff and people on your end. But it's spot on, it's really, really good. Whereas a lot of the companies are almost officious. It's almost like they've got crib sheet, and they stick to the crib sheet." (Powys group, recipients of other schemes)

"[Scottish Power have] got a charity pot, and you couldn't access it to save your life, you just couldn't. But with Hafren Dyfrdwy, they were there, they offered. And it was just brilliant. And they didn't take away your

pride and dignity on the phone. They were very soft. And they were nice. They weren't bullies" (Powys group, recipients of other schemes)

Promoting the support that's available

A sense of pride and dignity are strong in Wales, and many customers do not want to ask or beg for help. Communications offering support with bills should avoid potentially stigmatising language like 'vulnerable' and 'struggling', and make the offer extremely clear, so they don't have to dig around to understand what they can get. This way, customers can simply accept the offer, rather than having to identify themselves as 'struggling'.

Local and personal is the way forward when it comes to raising awareness across our region. Customers shared that this was the right approach for them because of their strong communities (especially Welsh-speaking and rural areas) and relative lack of digital engagement. Any digital or traditional marketing should be supplementary to the primary 'local' approach.

Communities in Mid Wales were particularly keen on face-to-face interaction, with several participants not using the internet, phone and television (usually out of choice). A desire for a close, 'old fashioned' community was common in Mid Wales although some felt this was on the decline and reflected in their local high streets and access to services (banks, healthcare etc.).

Welsh-language speakers felt they still had very close communities and both participants were heavily involved in local activities and support networks.

It was striking that both areas were more focused on using community networks to spread messages than any form of online or traditional marketing. In these areas, community institutions and organisations are very well known and could be key assets to spread messages about affordability support.

Customers spontaneously requested for Hafren Dyfrdwy to create a self-service eligibility checker. This would be:

- all schemes and affordability support available in one place;
- quick questionnaire or 'decision tree' to instantly identify which schemes and support they're likely to qualify for; and
- provide some support for all households who are struggling, even if it's just the 'get water fit' freebies

> "I think that way, you just tick a few boxes, and then it tells you straight away if you're eligible or not. And then you haven't got to ring anybody. You've not got to speak to somebody. You can just do it yourself. Sometimes I can't speak on the phone because I have brain fog." (?)

There were three key reasons for wanting this:

- **assumed ineligibility** – lots of customers assumed they wouldn't be eligible for any support, so didn't think it was worth investigating, particularly customers who were in employment. This way, they can check upfront with minimal time commitment and effort;

- **pride and stigma** – customers did not want to have to phone up and ask for help, this was a huge barrier for some, especially those who have never struggled before. This way, they don't have to speak to anyone and ask, they will know they qualify for a discount or scheme; and
- **overwhelming** – all of the options together can seem a bit overwhelming, especially if they don't know which are even relevant. This way, the options are narrowed down to suit the customer's circumstances.

"The only person I know who gets it (H2H) is on disability so I thought, I assumed you need some extenuating circumstances" (Powys group, recipients of other schemes)	"What annoys me is when we first became like, on low income, and I was not working and things, there wasn't anybody that could just say, right, you need to claim for this, this, this, this and this, or you're eligible for this, or, you know, that sort of thing. You have to do all of the chasing yourself." (Powys, struggling, depth)

Having this as an online tool is a very important feature and would likely be used by younger, more urban, medium income customers. However, the digital divide in the area is important to consider. To counter this, the eligibility checker should also be adopted by the 'personal, local, community' approach, so used by customer service staff to talk through all the options when a customer makes contact via phone. Another important opportunity is to have this available for community partners to use, who are unlikely to be experts in the entire Hafren Dyfrdwy support package, which could mean more impact from those community partners.

Interviews with affordability experts

To complement the research conducted by Qa Research, our customer insight team conducted qualitative depth interviews with three affordability experts, representatives of organisations which have links with Hafren Dyfrdwy and regularly provide advice to Hafren Dyfrdwy customers. These interviews comprised representatives of a housing association, a Citizens Advice office and a community interest company. The interviews took place during March 2023.

The findings of these interviews echoed and corroborated the findings of the Qa project. We heard that there are more people than ever before coming forward to these organisations for help with their finances. There's also a broader range of people seeking support, including more working families and retired people.

I think there are more working people struggling [now], as well as people on benefits. (Affordability expert)	We're seeing a much wider variety of people [now]. So we're seeing a lot of retired people who are finding now that their income coming in isn't covering all of their expenditure. And this is because of energy bills and food price increases. (Affordability expert)
[The profile of the people we're seeing has] definitely changed. [It used to be] people who were on a lower income, mainly on means tested benefits. I think now we're getting a lot more people who are falling into that category of 'working poverty'. So lots of families that are struggling, but also people that are working 2 or 3 jobs to try and keep themselves afloat (Affordability expert)	

The experts explained that people in the region are struggling the most with their larger bills: rent, energy, food and fuel – and that those struggling with these costs will also likely be struggling to afford their water bill. They gave numerous examples of people going without heating and hot water, reducing spending on food and letting bills go unpaid in order to pay for higher priorities.

> If you don’t pay your rent, you’re at risk of losing your home. But if you’ve got a family, your priority is to feed them [rather than pay the rent], isn’t it? (Affordability expert)

> [Some clients] haven't actually got money to heat [their water]. So then people aren't able to access showers which means they can't then wash. (Affordability expert)

> [Some people are] spending all day in bed because they don't want to put the heating on. People can't afford to run a vehicle. They're not going to be going very far very often because the public transport [provision is poor in Powys]. You end up staying in your home that you can't afford to heat. You can't go to your big supermarket ‘cos you can't get there. So you end up going to the local shop and pay more for the convenience. So you might end up buying less, so you're not eating as much. It's a vicious, vicious circle. (Affordability expert)

The experts say that many customers are unaware that help, especially a social tariff bill reduction, is available from their water company. In particular, people tend to assume affordability schemes are only for those on benefits.

> [Many people] still think that the support is available only to those people who are on benefits. (Affordability expert)

Interviewees all had positive views of Hafren Dyfrdwy’s affordability schemes, particularly the Here2Help discount, and feel these are really helping those in most need. The generosity of the H2H discount was praised in particular. The helpfulness and responsiveness of the company was also praised. However, all felt the schemes need wider promotion, so that everyone who’s eligible can get support.

> [Promotion of affordability schemes] needs to be across the board [to all HD customers]. Everybody needs to be able to access it, which then means it makes it more acceptable [to reach out for help] (Affordability expert)

> [Here2Help is] really a huge help to our clients. It's just how do we get it out to more people? That's our only concern really. (Affordability expert)

> [H2H has] a good process. I think that's what's needed and it is helping. It's just being able to then to make sure that more people are aware of [it] (Affordability expert)

> By having the sliding scale [four levels of discount], it means that you're potentially reaching more people and doing it in a fair way. I think your scheme leaves Welsh Water’s dead in the water. It's much better [more generous than theirs]. So the poorest are getting the [biggest] discount. Is it 90%? (Affordability expert)

Interviewees also suggested that we promote water meters to those likely to pay less on metered billing – and challenge the misconception that metered billing is more expensive. They also suggested that we should make it clear that customers don’t need to be on benefits to access Here2Help. The experts agreed that it’s a good idea to auto-enrol low-income customers onto Here2Help.

> For some people it will be quite a surprise that they can make savings [on their water bill]. And I think it is then just a case of [Hafren Dyfrdwy] sending something out to everybody [explaining how they can save water and money]. (Affordability expert)

One interviewee mentioned that there are some barriers to applying for Here2Help. Some would-be applicants don’t have a computer or scanning facilities. This makes applying, particularly uploading documents, difficult.

> [One client] got back to us and said, ‘Well, I've been asked to send in scanned documents. I don't have any equipment to do that’. Some of

them, they do have internet access, but it's via a smartphone. The clients we see, not many of them have scanners or printers or anything like that. (Affordability expert)

It can also be difficult for some to access bank statements for proof of income; some don't have the skills or opportunity to do this via online banking and others find that branches have closed, making it more difficulty to access hard copies.

We're telling them, 'You're going to have to go down to the branch and tell them that you need to know how to use the app or you need to go back to paper statements'. That's easier said than done because so many branches are starting to close. (Affordability expert)

Everybody's being moved on to online banking, whether they liked it or not. And so, well, lots of our clients are now effectively in the dark about what's going on in the bank account. They can access their banking app and see the last few transactions, but some of them are struggling to get their statements to us for proof of income. (Affordability expert)

This interviewee commented that the application process is more time consuming than it used to be, as calculations now need to be made for those on Universal Credit. Therefore, this organisation has taken the decision to stop making H2H applications on behalf of their clients.

Doing [Here2Help] applications for clients has become very time consuming. Previously with the Big Difference Scheme, it would be OK for the client to send us a bank statement. Now it's not enough for us to get that total Universal Credit payment [amount]. We need to see the breakdown and then we need to calculate that. So that in itself it causes the first hurdle. The form is much more time consuming and so we've sort of as I say taking the conscious decision [not to help clients apply for Here2Help]. (Affordability expert)

Interviewees feel that the best way to get messages across to customers is via a mix of social media (including short videos) and face-to-face in the community. Interviewees were very positive about their organisation's existing links with Hafren Dyfrdwy, and would welcome further partnership working, particularly direct referrals between organisations.

Social media [is the way to reach them with affordability messages, because] the majority of people are scrolling on their phones. (Affordability expert)

A lot of older people prefer face-to-face you know, especially if they've got hearing problems. (Affordability expert)

I think face-to-face is something that suits a lot more people [who need support in this area]. If you see someone face-to-face it feels like you're being heard more. 'Oh they've come out to see us', that means a lot to people, doesn't it? (Affordability expert)

Experts concur that Hafren Dyfrdwy should be careful to ensure the language it uses is inclusive and positive when talking about the help it can offer.

['Poverty' is] a word that people don't necessarily like. [Instead we should talk about] how we can make things more affordable, reduce wasting water. [Not] talk about 'struggling' to afford things. (Affordability expert)

Interviewees were very positive about their organisation's links with Hafren Dyfrdwy, and would welcome further partnership working, particularly joint events and direct referrals between organisations – the latter is something that's currently seen to be hampered by data protection regulations.

I think that the biggest thing is exploring how we make better use of the partnerships. [Say to customers that you] have got to increase water bills, but actually this organisation can help reduce your energy bills. (Affordability expert)	[Perhaps] you guys [HD could] put on an event which could then potentially pull together organisations that provide support in the areas that you cover. That could be really, really beneficial. (Affordability expert)
What would be really good is if you've [HD] got someone that you're speaking to, that you're then able to do referrals through to partners such as [ours], that would be great. That would really, really make a difference because I know at the moment that's something is quite hard with regards to GDPR. (Affordability expert)	

Interviewees believe there is lots of information that HD could usefully provide to customers, including:

- Water saving tips
- Information about the average bill size for each household type – so people know if they may have a leak
- Promote days out at visitor sites – help with mental health
- Stress that customers don't need to be on benefits to access schemes
- If bills have to rise, explain what the extra money is funding, and explain that company has yet to make a profit.

Make sure they're not wasting their water. Are there any tips and tricks? (Affordability expert)	[You should] share that information [with customers, that Hafren hasn't made a profit yet]. So that people don't think, 'someone else's pockets are being lined with my money'. (Affordability expert)
If the [water bills] are going up, be transparent as to why. (Affordability expert)	Nobody really knows what a [how much a water] bill should be in their size property, so I think [Hafren Dyfrdwy] need to make more people aware of what they should be paying so that if they're paying too much or if they're not paying enough, [so] they can do something about it. (Affordability expert)

Social tariff cross subsidy research

In our representative **social tariff cross subsidy survey** conducted during April 2023 with 440 customers, we found that over half (52%) of our water-only customers (North-east Wales) find acceptable a bill increase of up to £1.25 per month or £15 extra per year, in order to provide extra funding for our social tariff, Here2Help (H2H), thus providing a bill discount to 11,700 low income customers per year.

The same proportion (52%) of our combined customers (Mid Wales) find an increase of £2.08 per month or £25 extra per year to be acceptable, in order to provide a bill discount to 10,280 low-income customers per year. In both regions, acceptability was highest amongst low-income customers, who are those most likely to be eligible for a Here2Help discount.

Figure A.7.9 – acceptability for paying extra for Here2Help in North-east Wales

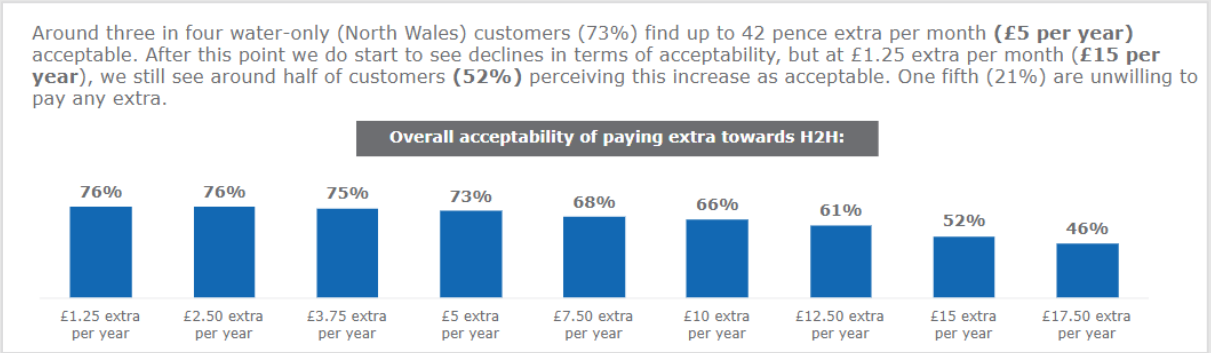
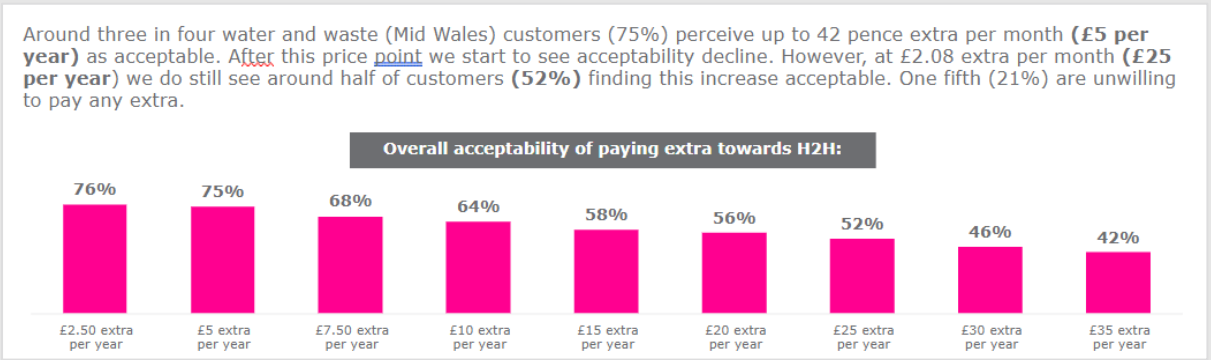


Figure A.7.10 – acceptability for paying extra for Here2Help in Mid Wales



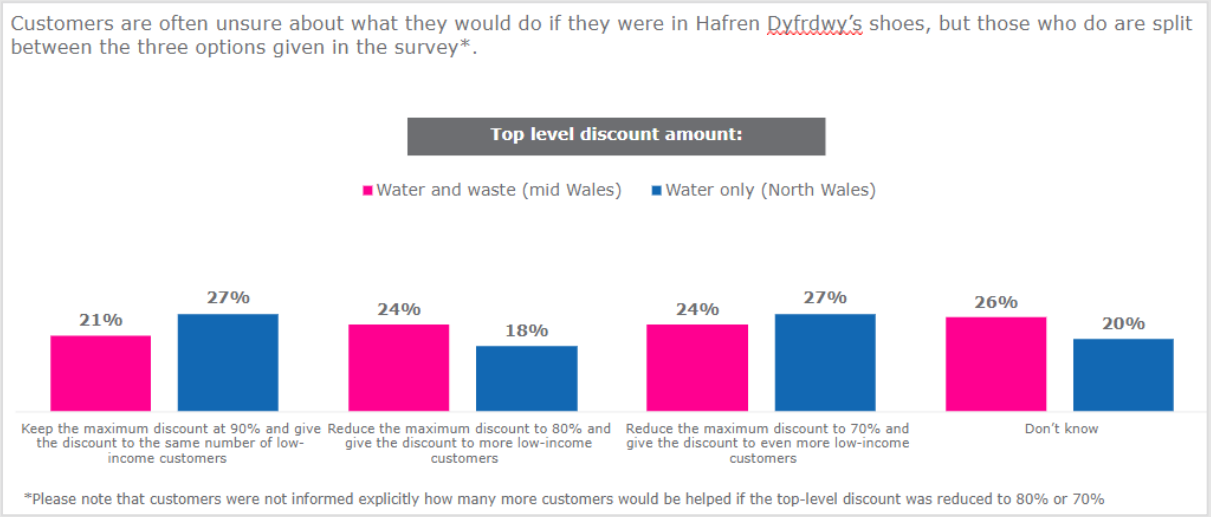
In the survey, a large majority of customers agree that it's essential that Hafren Dyfrdwy keeps bills affordable for everyone (91% agree or strongly agree). 79% agree or strongly agree that those who are struggling to pay their water bill should get a discount. Most customers see themselves as altruistic; 79% say they like to help other people when they can.

However, we found that 21% of Mid Wales customers and 21% of North-east Wales customers surveyed were unwilling to pay any more towards the social tariff cross subsidy. For these customers, their unwillingness to pay more was more likely to be due to *not wanting to pay more* (61%), rather than *not being able to pay more* (41%).

There was no clear consensus amongst respondents about what the top level of Here2Help bill discount should be. Amongst water-only customers (North-east Wales), 27% would prefer to see the top level of discount remain at 90% (and help the same number of low-income customers as currently), whilst 18% preferred reducing the discount to 80% (in order to give the discount to more low income customers), and 27% preferred reducing the discount to 70% (in order to help even more low income customers).

There were similar views amongst our combined customers (Mid Wales); 21% would prefer to see the top level of discount remain at 90% (and help the same number of low income customers), whilst 24% preferred reducing the discount to 80% (in order to give the discount to more low income customers), and 24% preferred reducing the discount to 70% (in order to help even more low income customers).

Figure A.7.11 – there is no clear consensus for a specific level of support



Over half of customers (57%) believe that Hafren Dyfrdwy should *automatically register* low-income customers onto the Here2Help bill discount scheme. Support for this was highest amongst those struggling, those on low incomes, those with dependent children, those with a disability and females.

Half of the customers surveyed (50%) feel that the level of the company's current financial contribution to the Here2Help fund (£105,000 until 2025) is about right, whilst a minority perceive it as too low (13%) or too high (5%). Almost one third answered don't know (32%)

In this survey, customers were generally positive about all the affordability schemes offered by Hafren Dyfrdwy, and about its Community Fund grant programme. However, some customers commented that these are poorly advertised, meaning that awareness is low. When asked what else Hafren Dyfrdwy could do to support struggling customers, the majority could not think of anything (72%). The same proportion (72%) were unable to suggest any new ways (not already employed by Hafren Dyfrdwy) of letting customers know about the ways it can help struggling customers.

PR24 Acceptability and affordability qualitative research

In our acceptability and affordability qualitative research, conducted in May and June 2023, customers told us that while the cost-of-living crisis is putting pressure on their finances, water bills are not the main cause of concern. With the exception of some financially vulnerable customers, water bills are generally considered by most to be more affordable than other expenses such as energy, fuel and food.

There was overall support for Hafren Dyfrdwy's long-term strategic priorities and 2050 ambitions, however customers still want to see the company go further in terms of ambition. Customers also want to know more about the incremental goals that will result in these longer-term targets being met, as well as education about why these are important both for Hafren Dyfrdwy and themselves as customers.

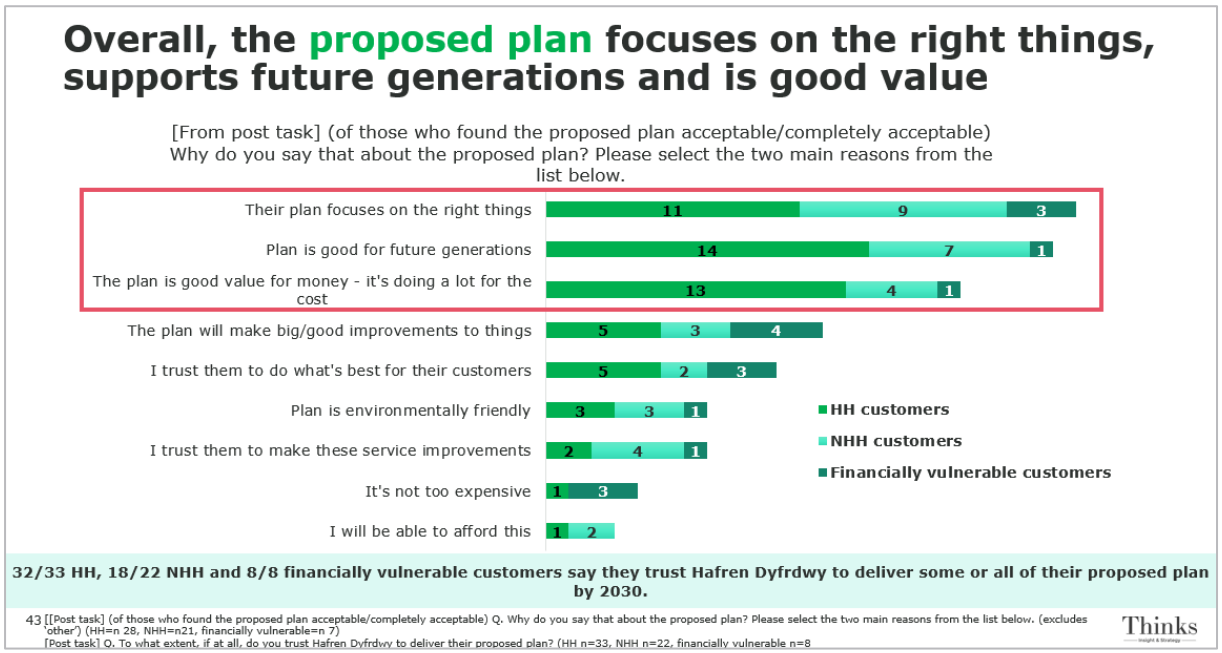
Hafren Dyfrdwy's targets for 2025-30 are broadly seen as acceptable and align with customers' own priorities. Customers particularly like that the plan focuses on reliability, affordability, maintaining and improving infrastructure, and sustainability. However, they want Hafren Dyfrdwy to show more ambition in its targets and go further, particularly on water supply interruption targets that have been

missed in recent years. They also want to see Hafren Dyfrdwy engaging proactively with customers and providing more clarity in terms of what the proposed targets will actually deliver in relation to pollution incidents and water quality.

Having reflected on everything they'd seen and heard in the research, almost all the respondents (in the post-task) rated Hafren Dyfrdwy's proposed business plan as acceptable to them. The most common reasons given for supporting the plan were that it focuses on the right things, is good for future generations and is good value for money.

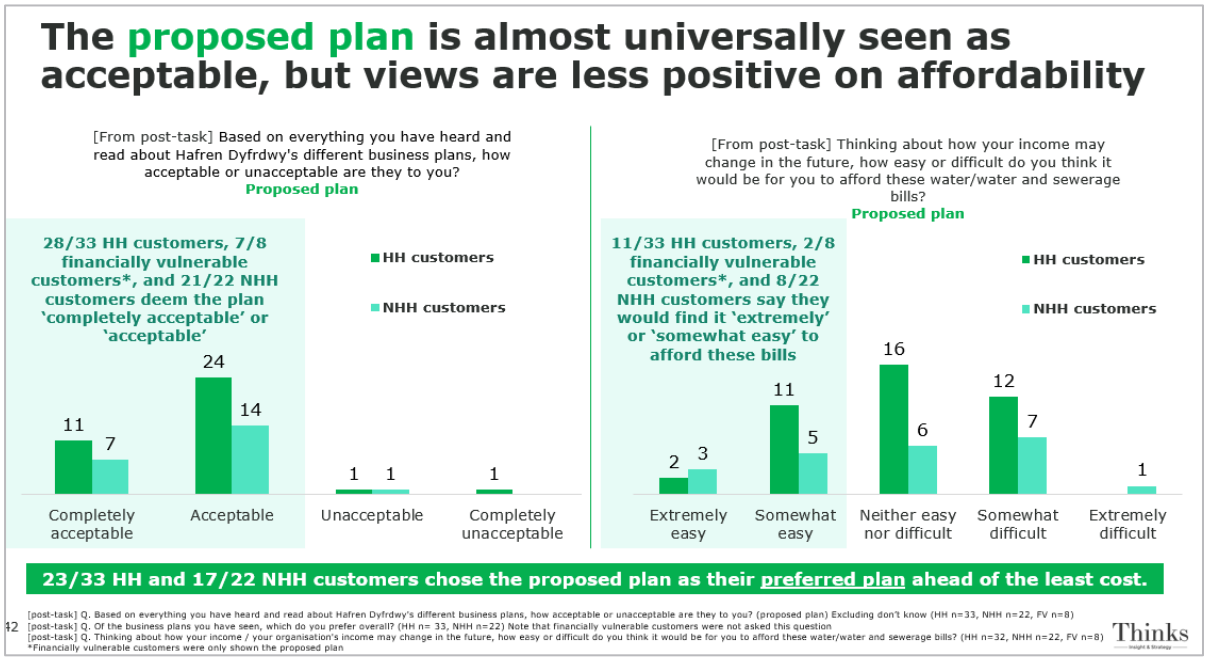
Please note all the charts in this section relate to a relatively small qualitative sample and should be treated as indicative rather than statistically significant.

Figure A.7.12 – customer views on the proposed plan, from the deliberative Acceptability and Affordability research



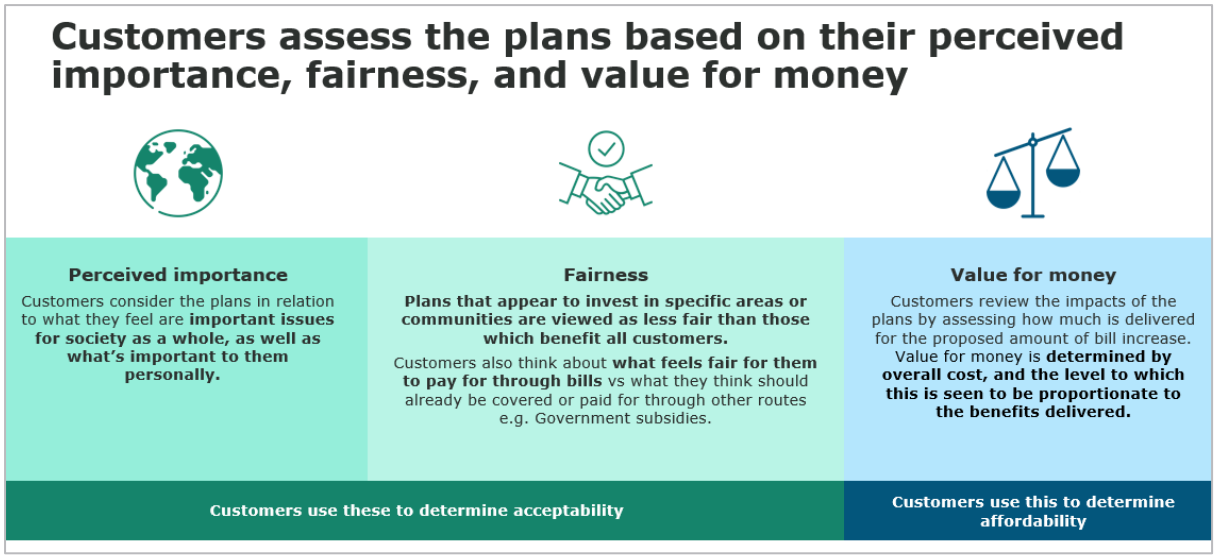
There was less consensus on the affordability of the plan, having seen a personalised bill impact for 2025-30. Views on the affordability of these future bills were split fairly evenly three ways: into *easy* to afford, *difficult* to afford and *neither easy nor difficult* to afford.

Figure A.7.13 – customer views on the acceptability and affordability of the proposed plan (deliberative Acceptability and Affordability research)



It is important to note that in the workshops and depth interviews, that when asked to consider the affordability of the plan, many customers were assessing its perceived *value for money* (cost vs benefit), rather than *personal affordability* per se.

Figure A.7.14 – how customers assess the plans (deliberative Acceptability and Affordability research)



The financially vulnerable participants consulted in this project consider Hafren Dyfrdwy's affordability support scheme proposals are acceptable and like the focus on supporting all customers who are struggling, not just those with a low household income or on benefits. However, they emphasise the importance of the company increasing awareness of what's available for customers, to ensure all can access them if needed.

PR24 Acceptability and affordability quantitative research

In August – September 2023 we conducted the quantitative phase of our Acceptability and affordability research. More details on the survey design and methodology are provided in Chapter 2, and the full research report is published.

Within the survey customers were asked a number of questions about their current financial situation, as well questions about the ease of affordability of future bills.

Household customers

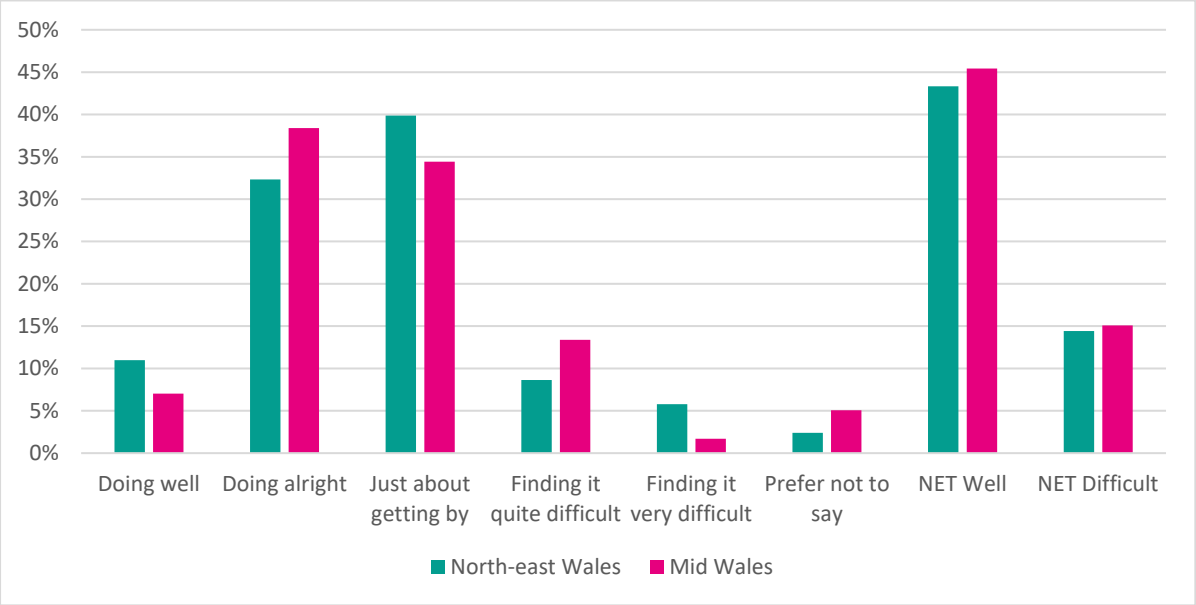
- At the start of the survey customers are asked about whether they have struggled to pay at least one of their household bills over the past year. We find that 43% of customers in Mid Wales and 40% in North-east Wales have struggled to do so (we don't have any information about which bills these are, and we know from our qualitative research that customers tend to find their water bill more affordable than other household bills.

Figure A.7.15 – HH customers who have struggled to pay at least one of their household bills in the past year (Acceptability and Affordability research)



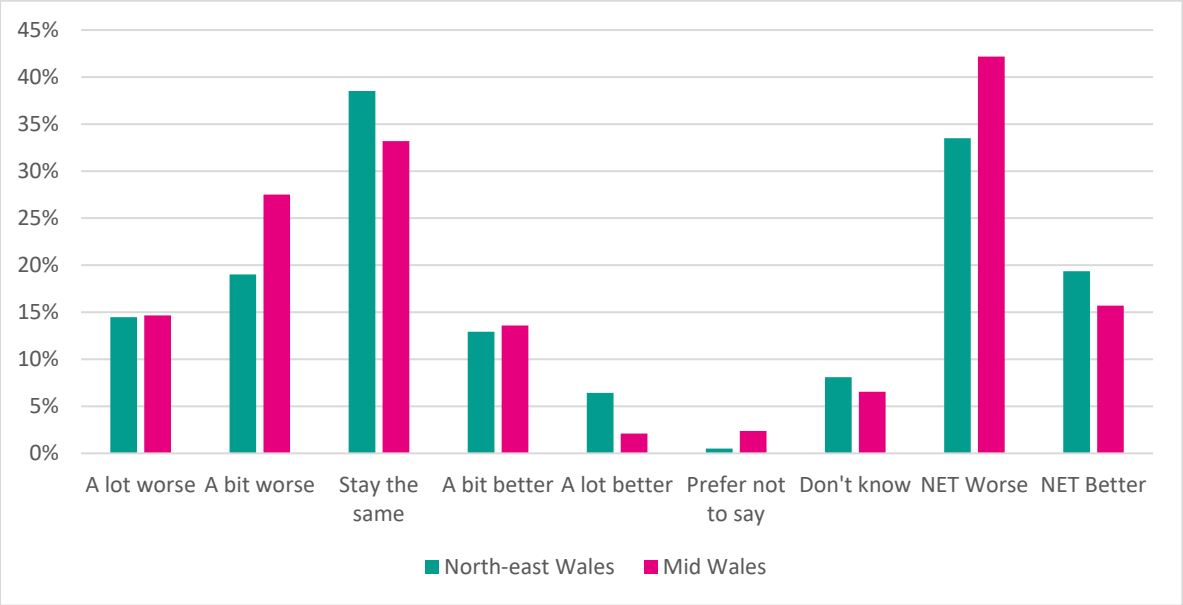
- When asked how they are managing financially right now, the results are more positive. Less than 15% say they are finding things quite or very difficult.

Figure A.7.16– HH customers on how they are doing financially right now (Acceptability and Affordability research)



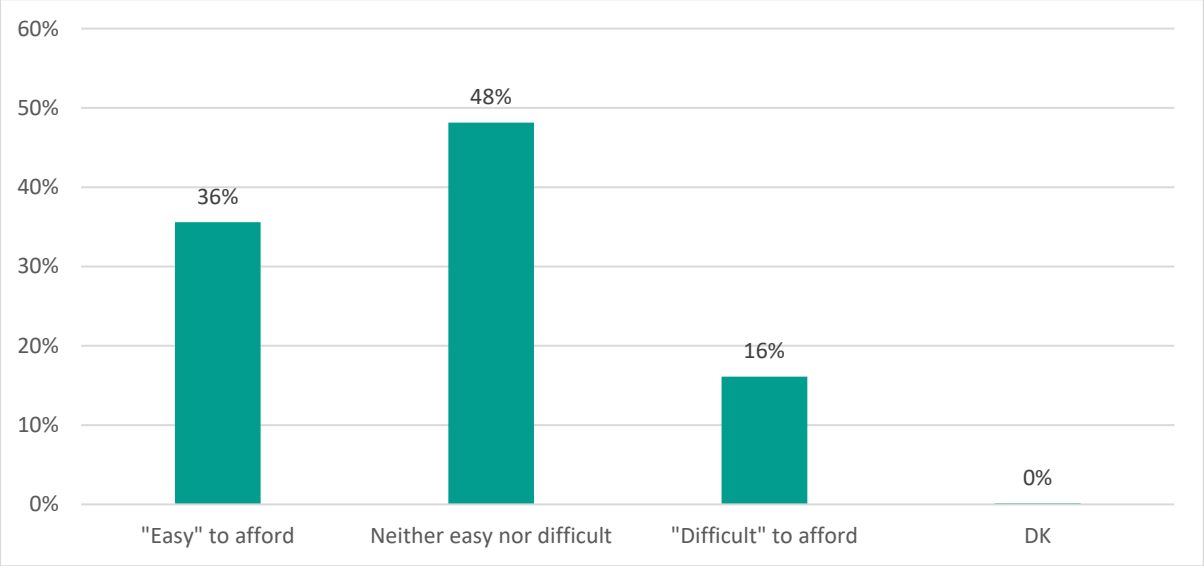
- When looking to the future, up to 2030, many customers feel that their financial situation will get worse, with more of those in Mid Wales feeling it will get worse than in North-east Wales.

Figure A.7.17– HH customers future financial outlook (Acceptability and Affordability research)



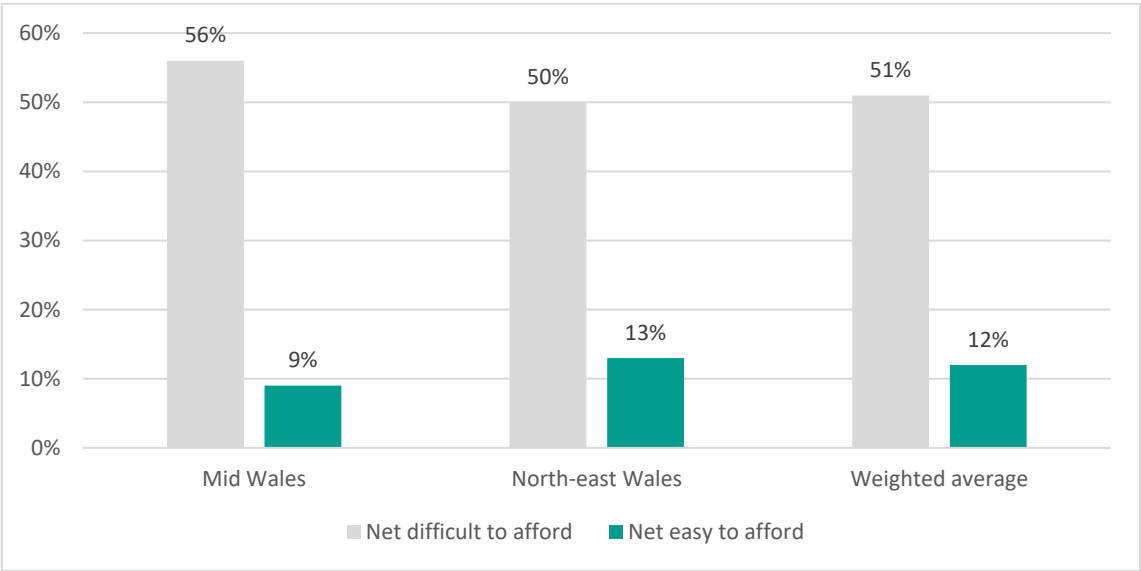
- 36% of Hafren Dyfrdwy HH customers found their current water and sewage bill amount easy to afford. 16% say it is difficult to afford, which is slightly higher than the number reported in our HH customer tracker. Slightly more customers in Mid Wales report finding their bill difficult to afford compared to those in North-east Wales (18% vs 16%).

Figure A.7.18 – ease of affordability of the current bill (HH customers)



- 12% of Hafren Dyfrdwy customers say they find the proposed 2025-30 bills easy to afford, while 51% find it difficult overall. Customers in Mid-Wales (Hafren Dyfrdwy water and sewerage customers) are more likely to say it is difficult to afford than those in North-east Wales (who in this question were asked about the whole bill, with the sewerage element provided by DCWW). These customers also express very similar views on the ease of affordability of the future water only bill, with 52% saying it will be difficult to afford and 13% saying it will be easy to afford.

Figure A.7.19 – Ease of affordability of the proposed (whole) bill, up to 2030 (HH customers)



Non-household customers

The minimum sample for NHH customers was small, but we can draw some key findings from the research. It should also be noted that NHH bills increase at a different rate to HH bills.

- 33/50 say they have struggled to pay at least one of their organisation's bill over the last year, however most of the sample (40/50) report they are doing well financially right now.

- The majority are positive about their organisation's financial situation getting better over the next few years, with only one respondent thinking it will get worse and 44/50 thinking things will get a bit or a lot better.
- Current bills appear to be easy to afford, with 41/50 giving a positive response. NHH views on the future bill is more positive too, with 38/50 saying the future bill will be easy to afford.

Annex 2B: Independent Challenge Expert challenge log

2nd October 2023

RHAGOROL O'R TAP
WONDERFUL ON TAP

HAFREN DYFRDWY
severn dee

Customer views in more detail

ICE areas of challenge

Customer engagement activities	Area of challenge	Company response
Strategic Investment Choices	Ensure that the approach to data weighting is transparent and that there is clarity on the views of customers who get different services.	The research agency was asked to provide this and the data is included within the final report.
Acceptability and Affordability Testing (qualitative phase) - materials	Include an explanation of the history of the set-up of Hafren Dyfrdwy and relationship with Severn Trent and Dee Valley Water Alter the colour scheme of the graphs for the average bill impacts for the two plans to make them more distinguishable and add £ to the proposed bill bars. When talking about replacing lead supply pipes mention that there is benefit to under 10-year-olds – the perception can be focused on the very young.	We reflected these challenges in the materials for the deliberative research.
Acceptability and Affordability Testing (qualitative phase) - recruitment	Consider the split between urban and rural areas for recruitment. Consider of appropriate sample size for vulnerable customers and future customers.	We followed the guidance in terms of recruitment using random customer lists. Although the research took place in Welshpool and Wrexham, we typically find that more rural customers are happy to travel to central locations to take part in the research. We followed the recommended sample sizes for future customers in the guidance. Those in health and wellbeing vulnerable circumstances took part in the main workshops and financially vulnerable through more targeted in-depth interviews.
Acceptability and Affordability Testing (qualitative phase) – cognitive testing	Should we need to pilot or cognitively test the research materials, as per the Ofwat / CCW guidance.	We piloted the research materials for Severn Trent and learnings had been subsequently incorporated into the Hafren Dyfrdwy materials. The same agency was commissioned for both companies so the learnings from the Severn Trent project could be easily incorporated. The ICE was comfortable this was a proportional approach for Hafren Dyfrdwy, particularly given the prescriptive nature of the research.
Acceptability and Affordability Testing – ICE involvement	All Acceptability and Affordability research materials should be reviewed by ICE and completed to her satisfaction.	ICE feedback discussed during formal meeting with HD insights team, and all materials were reviewed to the ICE's satisfaction.
Acceptability and Affordability Testing (qualitative phase)	Voiceover what the dividend pay-out is for Hafren Dyfrdwy when discussing what the customer bill pays for (or at another relevant section of the stimulus).	Information was provided to the research agency moderators if questions on dividends and the role of shareholders came up (as this information is not included in the guidance).

Customer engagement activities	Area of challenge	Company response
Acceptability and Affordability Testing (quantitative phase)	Concern over the example colour scheme in the guidance used to show the bill profile.	CCW and ICE agreed on using a more subdued colour for the inflation impact in the survey bill charts
Acceptability and Affordability Testing (quantitative phase)	Concern over timing of the Acceptability and Affordability fieldwork and how we might reflect the findings in the plan.	We have explained that the research is intended to include the final company plan / bill projections where possible, and therefore the survey is intended to be the final piece of research (rather than used to make refinements to the plan). After the fieldwork period we have discussed the findings with the HD Executive Committee, the Board, Audit and Risk Committee. The ICE has also been involved in the discussions with the Board.
Acceptability and Affordability Testing (quantitative phase)	Concern over the bill profile due to the step up between AMP7 and AMP8.	We have challenged ourselves to try and do everything we can to keep the bill as affordable as possible for customers, as well as supporting those who might struggle with our affordability package. We have strived to ensure that the bill increase is as smooth as possible, within the confines of the methodology for calculating bills. We have made some improvements to the profile since the research went into field which smooth the step up between AMPs.
Affordability strategy / social tariff cross-subsidy	Think about how we triangulate the evidence from the qualitative affordability strategy research and social tariff cross-subsidy	These two projects have different objectives and therefore creating a combined report is not appropriate. The affordability chapter summarises our insight on this topic, across all our research.

Customer engagement activities	Area of challenge	Company response
Your water, your say (YWYS)	Ensure that those who wish to complete registration in Welsh have the same experience as in English.	ICE feedback was taken on board for the design of the YWYS session and promotion to customers, including taking advice on the approach to the Welsh language during the session and the approach to in-house event production, supported by internal IT teams and with company representatives joining from their local office or home. The ICE had full visibility of the presentation and materials in advance of the session.
	Ensure the ICE has full visibility of materials before the session and opportunity to comment.	
	Make sure the presentation of future bill impacts is clear and transparent.	
	Consider what level of externally supported 'production' is appropriate for a small company, to deliver best value for money for customers.	
	Ensure translation in place for Welsh speakers in line with approach during other public meetings and the Senedd.	
	Apply learnings from YWYS sessions already conducted by other companies and in particular approach to promotion in order to ensure reasonable turn out e.g., mailings, pop ups on website, social media etc.	
Triangulation of customer insight	Concern regarding the accurate reflection of customer views on water meters. The ICE suggested the HD interpretation might be unduly positive here and needed more nuancing to reflect the research.	ICE feedback was taken on board and the proposal around water metering was altered to stipulate that only those customers with existing water meters would have meters replaced by smart meters.

Annex 2C: Independent Challenge Expert report

2nd October 2023

RHAGOROL O'R TAP
WONDERFUL ON TAP

HAFREN DYFRDWY
severn dee

PR24 Customer Engagement Overview and Assurance

Closure Report

Prepared for Hafren Dyfrdwy by

Kate Eden, Independent Challenge Expert

25 September 2023

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APPENDIX I – Customer Engagement Summaries

Executive Summary

Since my appointment as Independent Challenge Expert in July 2022, there has been a **positive working relationship** with Hafren Dyfrdwy, with effective meeting and review processes implemented to enable me to fulfil my objectives whilst maintaining my independence. This has allowed me to:

- Provide constructive feedback on the scope, quality and effectiveness of HD's customer engagement programme
- Ensure that the customer research is being appropriately used to help shape the proposed Business Plan
- Scrutinise the development and testing of the proposed Business Plan commitments in relation to their justification, acceptability and affordability for customers
- Follow up with HD on any perceived shortcomings in its engagement activity.

The company has cooperated fully in responding positively and openly to its challenges and information requests. I have been given adequate and appropriate access to company information and personnel in order to carry out my work.

Customer engagement to date has been broad and representative. Whilst proportionate to the size of population served, it has covered the critical areas I would expect, particularly the financially vulnerable, health vulnerable, the urban/rural split, future generations, household, non-household and the digitally disenfranchised. It has been wide ranging and of high quality, although the Board will be separately independently assured of this. Customers have been able to take part through Welsh or English. Perhaps as a function of the area it serves, I've found that in addition to individuals being engaged, communities have too and the use of these place-based research groups has been particularly helpful for the company to really understand the needs and priorities of the populations they serve.

I am able to see a **clear thread through the feedback provided by customers over the past eighteen months and the priority areas identified for delivery in the HD draft business plan** – there is generally a medium to high level of support that can be evidenced for the topics chosen. Care does need to be taken where there is nuance in customer feedback however, particularly around the use of smart meters where response tends to be mixed. **It was therefore positive to see the company subsequently qualify its plans around the use of smart metering, to confirm that only existing meters would be eligible for upgrade to smart meters.**

Customers viewed the proposed bill as acceptable and mixed on affordability during the qualitative element of the AAT research. Customers felt that inter-generational fairness was being served by phasing bills across the five year period, and were in favour of spreading costs over the long term. Support schemes are viewed positively and as generous although customers felt there was more to be done by HD to publicise their availability and ensure that the most vulnerable customers are able to access support.

However, provisional data gathered during the quantitative element of the AAT research revealed a stronger and more negative view on affordability. There was still a **high level of acceptability of the plan** (73% of Powys customers and 70% of Wrexham customers with HD water services and Dwr Cymru sewerage). **Affordability was viewed more negatively however, with 51% of customers stating that the bill would be difficult to afford.**

Previous challenge to Hafren Dyfrdwy centred around my desire to see the company further investigating customers' views on **phasing the bill increase over the AMP**. The most significant jump in bill profile occurs in the first year and requires customers to take a heavy initial hit before the impact tapers over the remaining four years. Appreciating that the majority of the bill increase reflects statutory investment and there is a commercial imperative to phase the bill to allow for up-front investment, I was however keen to see more engagement on this, particularly with the financially vulnerable. Discussion at the September Board meeting focused on this element of my challenge and it was positive to hear that **the company are now exploring a smoother shape to the bill increase** so there is less of a jump from AMP7 to 8; and **a customer focused communications strategy** to explain – in lay language – why bills do not increase uniformly over the AMP and why initial investment is required to fund delivery of the schemes identified as priorities by customers. Given the high acceptability of the plan this should go some way to mitigate concerns – together with any action that can be taken to smooth the curve of the increase and provide greater predictability on bills. **It would be my hope that the company is subsequently able to progress these two elements in response to my challenge.**

I have also been concerned that, as a consequence of the Ofwat centralised research methodology, the final AAT quantitative research was to be concluded late in the business planning process, which limits my ability – and that of the company - to fully and effectively discuss and challenge both the feedback received, implications for the proposed plan and any subsequent changes to the business plan. The provisional data on affordability has borne this out. This has not allowed for any subsequent engagement based on these results which might have included some more nuanced options testing around affordability levels and bill impact. **It would be my hope that Ofwat and the water industry work closely together to ensure this is not repeated for subsequent Price Reviews.**

There are shortcomings in the research methodology proscribed by Ofwat for the AAT research which did not present the bill and affordability questions in any context – either of current bills, of value for money for expected outputs and outcomes, nor of any existing or planned support schemes to help those struggling to pay. However, 51% of customers reflecting that the bill will be difficult to afford is significant and should not be ignored.

Therefore, i**t is clear that the company's support schemes will be increasingly called upon in coming years.** The support schemes are very much welcomed by customers who view them positively and would like to see them being publicised more and made simpler to access. It is therefore positive to see the company response pledging to double the amount of customers who can benefit from up to bill discounts up to 70%. At the September Board discussion also centred around company plans to better publicise these schemes via a range of traditional communication routes, social media and increased community outreach across the mid and north Wales regions. Again, I welcome this and look forward to company progress in this respect.

1. About this report

This is a report prepared by Hafren Dyfrdwy's Independent Challenge Expert (ICE) in response to the customer engagement undertaken by Hafren Dyfrdwy leading up to the submission of their PR24 Business Plan, and the manner in which customers' preferences and opinions are being reflected in the development of the proposed plan. It incorporates reflections on customer engagement research undertaken up to the start of September 2023 and reflects the ICE's understanding of the proposed business plan as presented to the Board in September 2023. It includes information verbally presented at the Board in September as closure to my challenges.

At the time of writing the quantitative element of the Affordability and Acceptability research was concluding and provisional data only was available as the final data was being weighted and quality checked. Therefore, the related section of this report should be read with that caveat.

2. Review of ICE and Company Working Process

Ofwat decided not to mandate Customer Challenge Groups at PR24 and its expectation about customer challenge was as follows:

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

For PR24 Ofwat suggested that each company puts in place challenge and assurance solutions for customer engagement that meets its particular scale and ambitions. This company-specific approach has allowed Hafren Dyfrdwy to evolve a model more appropriate to its size and scale of operation. It chose a single-individual model which is accompanied by additional assurance auditing by an independent third party and triangulation work undertaken by a further third party. I was appointed as the Independent Challenge Expert in July 2022.

Hafren Dyfrdwy has engaged with me and provided me with evidence of their customer engagement and Business Plan development process through the following methods:

- **Induction process** – on appointment the ICE and company representatives met for a comprehensive introduction and induction session which was followed up by additional reading material
- **Regular meetings** with company representatives throughout the year
- **Open and standing invitation to all customer engagement activity** including:
    - all pre-briefings for third party research companies
    - sight of materials in development for research in line with Ofwat/CCW guidance
    - observational attendance at all engagement fieldwork
    - all debriefs
- Involvement in **independent assurance process**
- Involvement in **independent triangulation exercise**

In addition to this company activity, I have also been an active member of the following forums:

- **Challenge Oversight Group** – monthly meetings with all Chairs of Customer Challenge Groups and CCW
- **PR24 Forum Wales** – monthly stakeholder forum engaged in development of strategic steers for two water companies operational in Wales ahead of plan submission

3. Sources of information

To develop this report, I have referred to the following documents and sources including:

- Ofwat's **PR24 and beyond: Customer engagement policy – a position paper, February 2022**
- **Customer engagement research** including:
    - Drainage and Wastewater Management Plan, April 2021*
    - Water Research Management Plan, June 2022*
    - Strategic Priorities Research, July 2022*
    - Strategic Investment Choices, January 2023
    - Common and Bespoke Performance Commitments, April 2023
    - Affordability Expert Interviews, April 2023
    - Here2Help Scheme, May 2023
    - Affordability Strategy, May 2023
    - Affordability and Acceptability (AAT) Research – qualitative phase, May-June 2023
    - Affordability and Acceptability Research – quantitative phase, July-September 2023 *(provisional data only available at time of writing)*
- **Your Water, Your Say** session and write up, May 2023
- **Household and non-Household Trackers** provided by Hafren Dyfrdwy throughout 2022/23
- **Draft Business Plan information** presented to Hafren Dyfrdwy Board, June and August 2023
- **Information shared in Board meetings,** August and September 2023

**These three pieces of research were commenced and completed before my start date with Hafren Dyfrdwy. For more information on my involvement with each piece of engagement research please see Appendix 1.*

In conclusion, I am pleased to report that there has been a positive working relationship with the company, with effective meeting and review processes implemented to enable me to fulfil my objectives whilst maintaining my independence. This has allowed me to:

- Provide constructive feedback on the scope, quality and effectiveness of HD's customer engagement programme
- Ensure that the customer research is being appropriately used to help shape the proposed Business Plan
- Scrutinise the development and testing of the proposed Business Plan commitments in relation to their justification, acceptability and affordability for customers
- Follow up with HD on any perceived shortcomings in its engagement activity.

I can confirm that the company has to date co-operated fully in responding positively and openly to its challenges and information requests. I have been given adequate and appropriate access to company information and personnel in order to carry out my work. I have also had appropriate contact with and access to the Board, and they have all had my contact information should they wish to confer with me at any time.

4. Customer Engagement Overview

Ofwat is clear in its guidance on how it views good customer engagement:

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

To that end Ofwat has developed a set of principles which I feel are useful to measure the quality of engagement with customers and interaction with the company.

Principle	ICE Commentary	Summary
Independent	The ICE is completely independent of the company and has no prior nor ongoing relationship with HD which might risk 'capture'. Whilst remunerated for her time the arm's length principle of working with HD is fully reflected in the Terms of Reference.	✓
Board accountability	The Board is accountable for having a mechanism in place for ensuring customer engagement is heard and reflected. The ICE model has been in place since July 2022, but the Board should reflect at the end of this process whether it has provided them with the quality and level of input they have required which complements other sources of assurance. It should be judged in the round at the end of the business planning process but in a timely fashion to allow any changes in the model to take place well in advance of the next price review.	✓✗
Ongoing	Companies should be able to evidence challenge on both their day to day delivery and longer term strategies. The ICE process is firmly in the latter box – HD can point to initiatives such as Your Water, Your Say as fulfilling the former but I would suggest this is a development activity for the company. Tracker surveys are ongoing but could be harder to evidence change from feedback through to operational plans – I would suggest that Hafren Dyfrdwy needs to consider how ongoing challenge is achieved outside the PR planning process.	✓✗
Transparent	Companies need to demonstrate transparency in how business plans have been developed, reflected customers' views and preferences. All research should be published and made available in a timely manner. Whilst this is currently being work on, it has not yet been concluded therefore I reserve comment on this.	✓✗
Representative	Customer challenge should ensure that a wide range of customer voices are heard and understood. This has been a key priority of mine through this process as although the HD population size is small, the geographical area served is large and diverse. I have been content with the way in which the engagement has taken into account the following: • Urban vs rural populations, for example, the concerns of the Wrexham population as distinct from the more rural areas of Newtown, Welshpool and surrounding areas. This has also been critical to understand the water only/water and waste water split across the HD area • There has been an appropriate gender balance in the research • There has been an appropriate representation across social economic groups (as a distinct category to financially vulnerable customers) – where this has not been achieved the research companies have been transparent about the conclusions that are able to be garnered from the research in this respect • Future generations of bill payers have been specifically sought out and included – in a range of ways e.g. in their own peer groups and in mixed age groups • Financially vulnerable customers have been included in a comprehensive manner and the company has specifically sought their views on affordability and acceptability in a range of ways. In addition, this group has been broken down in a considered way to include long term struggling and newly struggling customers. Their views on existing support schemes have been heard and ways to improve access to these in future. Stakeholders working with and representing the financially vulnerable have also been included. • Health vulnerable customers have also been included as a distinct group in some of the research	✓

	• Digitally disenfranchised customers have also been included and efforts made to reach these customers by post, telephone and in person recruitment. Importantly, there has not been an assumption made that digital disenfranchisement is due to age • There has been an appropriate split of household and non-household customers. Within the latter I've seen good representation of small business owners and the medium sized ones available in the HD catchment area. Engagement with farming communities in mid-Wales has also been good who might be facing specific concerns over high water usage • Bilingual issues and ability of customers to access the research in the language of their choice are specifically addressed by me below	
Informed	Research and information has to date been high quality and accessible to the ICE. It has adhered to all Ofwat/CCW guidance but this will also be assured by an independent third party. Where there has been divergence from the guidance I have judged it to be minor, such as the AAT research not being piloted with the specific HD population and instead learning from the Severn Trent work. I have not found it to materially affect the overall quality of the research.	✓
Comprehensive	Customers have been able to feed in on a wide ranging and comprehensive set of areas over a period of years.	✓
Timely	Companies' challenge arrangements should allow sufficient time for challenge and reflection in business planning processes. As a consequence of Ofwat's centralised research methodology, I note my concern that the quantitative element of the AAT research is being completed too late to materially impact the final plan or allow for any further testing.	✓✗

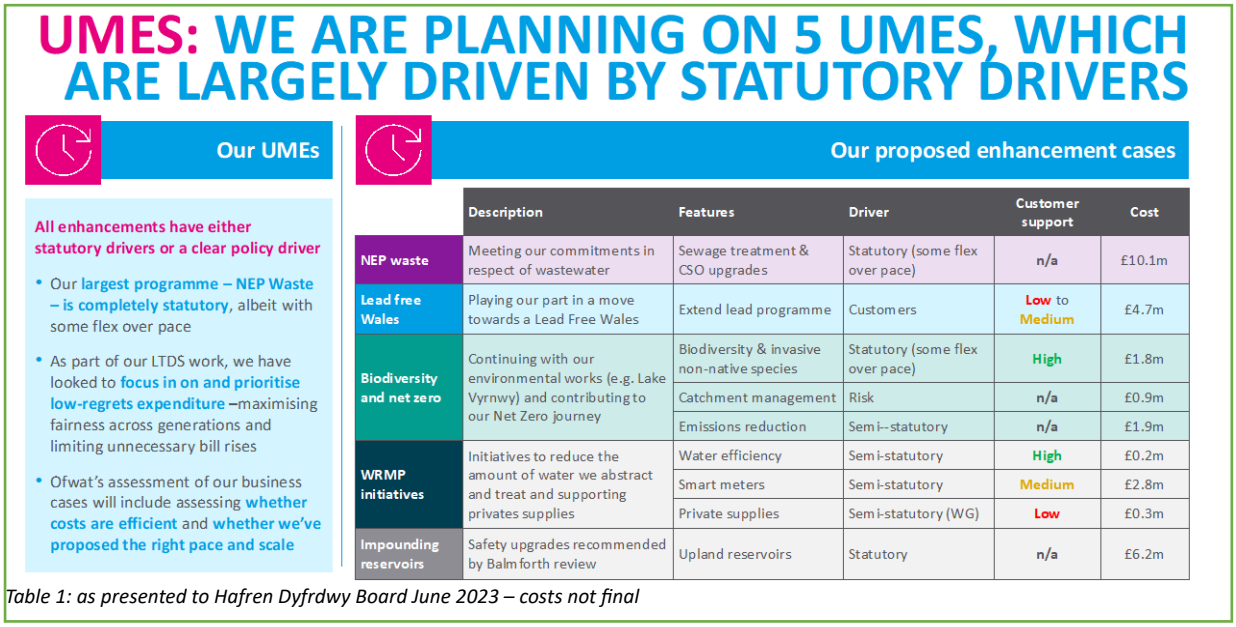
Bilingualism

The Ofwat principles do not cover this element specifically, but in addition to the eight principles listed above, throughout the customer engagement process I have sought assurance from the company that **all their research activity can be accessed through the medium of Welsh or English**, and that customers are able to fully participate in the language of their choice. I have found that equal provision has been made for both Welsh and English, and it has been good to see that that the company has also made use of local researchers where possible to allow for dialect considerations.

Customer engagement to date has been broad and representative. Whilst proportionate to the size of population served, it has covered the critical areas I would expect, particularly the financially vulnerable, the urban/rural split, future generations, household, non-household and the digitally disenfranchised. It has been wide ranging and of a high quality. Customers have been able to take part through Welsh or English. Perhaps as a function of the area it serves, I've found that in addition to individuals being engaged, communities have as well and the use of these place-based research groups has been particularly helpful for the company to really understand the needs and priorities of the populations they serve.

5. Business Plan Overview

Customer Support for UMEs



	Description	Features	Driver	Customer support	Cost
NEP waste	Meeting our commitments in respect of wastewater	Sewage treatment & CSO upgrades	Statutory (some flex over pace)	n/a	£10.1m
Lead free Wales	Playing our part in a move towards a Lead Free Wales	Extend lead programme	Customers	Low to Medium	£4.7m
Biodiversity and net zero	Continuing with our environmental works (e.g. Lake Vyrnwy) and contributing to our Net Zero journey	Biodiversity & invasive non-native species	Statutory (some flex over pace)	High	£1.8m
		Catchment management	Risk	n/a	£0.9m
		Emissions reduction	Semi--statutory	n/a	£1.9m
WRMP initiatives	Initiatives to reduce the amount of water we abstract and treat and supporting privates supplies	Water efficiency	Semi-statutory	High	£0.2m
		Smart meters	Semi-statutory	Medium	£2.8m
		Private supplies	Semi-statutory (WG)	Low	£0.3m
Impounding reservoirs	Safety upgrades recommended by Balmforth review	Upland reservoirs	Statutory	n/a	£6.2m

Table 1: as presented to Hafren Dyfrdwy Board June 2023 – costs not final

There is clear customer support for the proposed enhancement case around **lead pipe replacement.** This has been reflected strongly through successive research projects over the past two years. Hafren Dyfrdwy reflect that customer support for this is low to medium but given its predominance in customer feedback on the Strategic Direction Statement, Strategic Investment Choice, and the Affordability and Acceptability (Qualitative only to date) research I would recommend that this is changed to high. It was made clear to customers throughout these sessions that whilst Lead Free Wales is a Welsh Government priority, this area of work is not subsidised by any Welsh Government funding and is a Hafren Dyfrdwy choice. Indeed, customers' challenge in this area focuses on whether the company is doing enough, quickly enough to eradicate lead pipes across the patch.

Biodiversity and Hafren Dyfrdwy's environmental concerns resonate with customers' concerns, as evidenced again by successive research projects. It's clear that customers highly value the natural environment around Llyn Vyrnwy and the leisure and educational opportunities afforded by access to the reservoir, and local people feel a vested interest in ensuring that the lake and it's surroundings are managed and improved in a sustainable fashion, ensuring their enjoyment for future generations.

There is strong customer support around measures to improve **water efficiency and use water wisely** but mixed responses around how behaviour could and should be changed. **Smart meters** are somewhat divisive – with some customers expressing support for them to highlight the use of water; for others it feels intrusive and unwelcome. For this reason, I do not recognise the characterisation of support for smart meters as medium, but would rank this as low to medium.

Whilst customers were sympathetic to the challenges faced by those on **private supplies**, particular in more rural areas, there was little support for the company to do more to support these customers.

Three proposed common ODIs

Common ODIs	Proposed tailoring
Supply interruptions	A per incident collar to reduce our financial exposure to large incidents.
Internal sewer flooding	A penalty-only deadband to reflect our small number of incidents each year.
External sewer flooding	A deadband to reflect our small number of incidents each year.

Table 2: as presented to Hafren Dyfrdwy Board June 2023

The bespoke and common performance commitment research reflected the support of customers for a **per incidence collar for supply interruptions**. However, even among those who supported this there were questions and concerns raised around whether a per incident collar inadvertently might shield the company from penalties from a higher number of supply interruptions. In the main, opposition to this proposal came from younger age groups (under 45 years). They felt that that Hafren Dyfrdwy should have to work within the parameters set by Ofwat, and if there was a case for 'special dispensation' in this instance it could open the door for other companies to adjust the parameters in future which would dilute the effectiveness of performance commitments; coupled with a sense that the water industry model wasn't fit for purpose, and even with a regulator in place, customers wouldn't be / aren't getting the best deal. Likewise, even those supporting a per incidence collar found it difficult to articulate any customers benefits although there was a feeling that bills were less likely to go up or down across the AMP.

Customers were likewise supportive of a **deadband for flooding incidents** and understood why Hafren Dyfrdwy might want to propose this given the small margins potentially disproportionately affecting the company more than others. However, there was still a strong desire for the company to be held to high standards around sewer flooding incidents.

Therefore, I find that there is sufficient customer support to justify proposal alternatives to the supply interruptions and flooding incidents performance commitments. However, Hafren Dyfrdwy clearly has work to do to further engage with younger age groups in particular to explain the regulatory model and any enhancements it gains from tailored commitments, and with all customers to better articulate company and customer benefits emanating from them.

Three bespoke ODIs

Bespoke ODIs	Aim
Inspiring our customers to use water wisely	To encourage customers not to waste water and put only the right things down toilets and sinks.
Number of lead pipes replaced	Supports Welsh Govt's overall policy goal for a lead-free Wales
Number of smart meters installed	Incentivise installing smart water meters at customer properties to help improve leakage detection and dissuade customers from wasting water.

Table 3: as presented to Hafren Dyfrdwy Board June 2023

There is strong customer support for a **bespoke education performance commitment**, particularly aimed at engaging a greater number of children on the importance of responsible water usage and disposal of waste items. However, it was not seen as a priority or critical to day to day operations.

Lead pipe replacement and smart meter installation were not tested in the Common and Bespoke Performance Commitment Research. However, as covered elsewhere there is strong support for lead pipe replacement and a desire for Hafren Dyfrdwy to be ambitious in this area. Smart meter installation is, as already discussed, divisive and therefore claiming unqualified customer support for this bespoke ODI is stretching.

Affordability and Acceptability of proposed Business Plan – Qualitative Phase

As is expected, the context within which the Hafren Dyfrdwy business plan is landing is critical for customers at a time of cost of living crisis, particularly as the HD catchment area contains some of the highest levels of water poverty in the UK. It was somewhat surprising therefore that successive research projects confirm that **water bills are not at the top of the list of customers' concerns regarding utility costs**. Water bills are not regarded as being as high as other utility bills, nor have they been felt to be as volatile as other areas. However, **financially vulnerable customers are finding it increasingly difficult to manage their water bill** – feedback has also consistently shown that whilst HD support schemes are regarded in a positive and generous light, **more could be done by the company to publicise these and ensure they are easy for customers to access.**

Research conducted during this time has also been done in an atmosphere where water company performance has been under intense scrutiny. Again, it has been somewhat surprising that to date this has not be greatly reflected in the engagement sessions. However, there is generally a **low level of awareness of the regulatory regime** under which Hafren Dyfrdwy operates and once explained it tends to elicit mixed responses. Whilst for some learning about the regulatory system leads to positive response around independent oversight, the performance target approach leads others to question good performance being rewarded by companies' ability to charge customers more – an approach which doesn't sit well with some customers. This latter view was most expressed by younger customers, and I have discussed elsewhere that HD has work to do to better explain its regulatory and pricing framework to this younger and future generation of customers.

Moving to consideration of the proposed business plan, **the majority of customers felt that it was acceptable** and focused on the right areas seen as value to them. However, **they would like to see targets go further**:

- Greater ambition in targets, particularly water supply interruption targets which aren't seen as sufficiently stretching over the period and viewed by some as a continuation of targets from the previous AMP
- More proactive communications and engagement with customers on positive initiatives including support schemes, water meters, and reduction in water usage
- Greater clarity on what the targets will deliver e.g. 'pollution incident' was difficult for customers to interpret and quantify

On **affordability** of the proposed plan, customers were presented two versions of the plan in the qualitative research – the least cost version and the proposed version. They were also presented with a personalised bill showing the impact to them over the period.

The least cost plan was found acceptable, although less so than the proposed plan, as it was not viewed as sufficiently stretching or ambitious. Customers wanted to see the company do more than what was proposed in the least cost plan.

The proposed plan was almost universally seen as acceptable, including by financially vulnerable customers. They felt it focused on the right things, focused on future generations and was good value for money. 22/33 household and 17/22 non-household customers chose the proposed plan as their preferred plan ahead of the least cost. **In terms of affordability of the proposed plan, views were more mixed.** 13/33 household and 8/22 non-household customers said they would find it 'extremely easy' or 'somewhat easy' to affordable the plan, with a further 16/33 and 6/22 customers in these groupings finding it 'neither easy nor difficult'. 12/33 household customers stated they would find it 'somewhat difficult' and 7/22 and 1/22 non-households customers finding it 'somewhat difficult' or 'extremely difficult'.

In each of the **three investment areas** explored - delivering a more resilient water service, lead pipe replacement and installing smart water meters – **the proposed plan was preferred by the majority of customers**. However, two areas to highlight:

- Customers felt strongly that **geographical fairness** should be taken into account when proposing areas for investment. Customers in mid-Wales felt that they shouldn't pay for improvements in water resilience and infrastructure in the Wrexham area for example, and vice versa. Likewise, fairness of where HD should prioritise upgrades to lead pipes was voiced – the majority felt that schools should be prioritised, but prioritising social housing was seen as disadvantaging home owners. On this concept of fairness and how it is applied by customers, it is clear that HD needs to articulate the benefits of public good and public health.
- Secondly, whilst the proposed plan on the installation of **water meters** is seen as better value for money, customers strongly believe that they should be targeted to those who want them and stand to benefit most from them.

As a result of this feedback from customers, HD has shifted its position to confirm that, whilst customers will be offered meters, only existing water meters will be replaced by smart meters.

Proposed staged bill approach

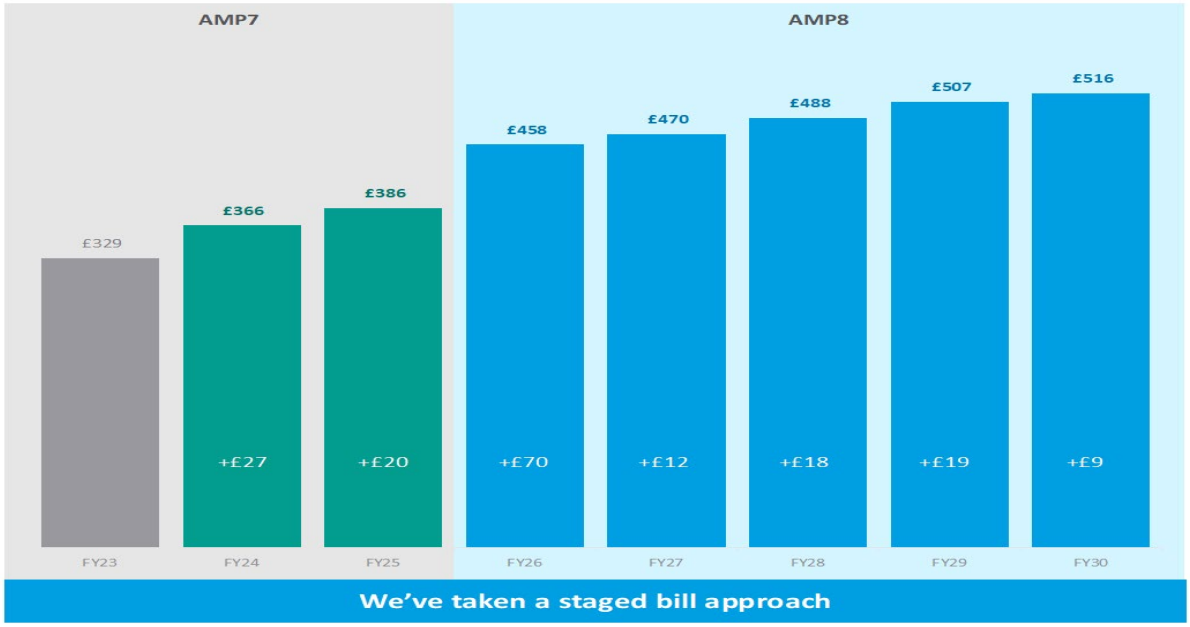


Table 4: as presented to Hafren Dyfrdwy Board June 2022

Ofwat's guidance for this AAT research however did not include a requirement to assess how customers viewed the particular proposal for **phasing the bill increases over the AMP**. My subsequent challenge to the company has been to incorporate this into the quantitative element as it is clear that the most significant jump in bill profile occurs in the first year and requires customers to take a heavy initial hit before the impact tapers slightly. **This challenge hasn't been taken up and therefore my concerns remain about the shape of the bill over the course of the next five years, particularly for the financially vulnerable.**

Affordability and Acceptability of proposed Business Plan – Quantitative Phase *(based on provisional data)*

The second phase of the AAT research was a robust piece of work with over 500 customers included, thus exceeding the Ofwat minimum data set for this engagement.

It confirmed a high level of acceptability of the plan (73% of Powys customers and 70% of Wrexham customers with HD water services and Dwr Cymru sewerage found the plan acceptable). The rationale for acceptability focused on three elements: customers supporting what the company is trying to do in the long term, focus on the right services, and trusting the company to do what is best for customers.

However, this element of the AAT research revealed a stronger and more negative view on affordability from customers, as seen in table 5, with 51% of customers saying that they will find the bill difficult to afford.

	HH combined customers	HH mixed customers (whole bill)	HH mixed customers (water only bill)
% finding the plan *difficult* to afford	51%	51%	51%
% finding the plan *easy* to afford	10%	12%	13%
% neutral	35%	34%	33%
% Don't know	4%	2%	2%

Table 5: Provisional data from AAT Quant research September 2023

As a consequence of Ofwat's methodology for centralised research the results of this element of the AAT are now coming at a time when it is too late to conduct any subsequent research to further understand customers' views or test them against a number of options. I understand the company's perspective, contained in the Customer Insights Chapter of the business plan, that there might be a number of factors impacting the responses here, including the lack of context within which customers were asked the question i.e. no sense of value for money or return for higher bills. Likewise, the question was asked with no reference to support schemes in place to help struggling customers. However, there will be some customers for whom this is simply unaffordable and at this time we cannot distinguish the level of these responses with any certainty.

In summary, **the proposed bill approach was seen as acceptable during the qualitative element of the AAT research, with views on affordability more mixed**.

During the **quantitative element of the AAT acceptability was confirmed as high, but affordability was viewed more negatively**, with 51% of customers stating they will find the bill difficult to afford. Accepting that this research question was asked without context of potential value for money presented by the bill increase and without discussion of support schemes available, there will still be some customers for whom the bill is not affordable. **The methodology (proscribed by Ofwat) however has not allowed for any subsequent engagement based on these results which might have included some more nuanced options testing around affordability levels and bill impact.**

Whilst appreciating that the plan is mainly statutory, I would also have liked to see the company further investigating customers' views on **phasing the bill increase over the AMP**. The most significant jump in bill profile occurs in the first year and requires customers to take a heavy initial hit before the impact tapers slightly. **It is disappointing that this wasn't further explored, particularly with the financially vulnerable.**

In response to these two remaining challenges, **further information was presented at September 2023's Board meeting which I comment on in the executive summary of this report.**

APPENDIX I

Ofwat has set out requirements for High Quality Research in their Customer Engagement Policy. Hafren Dyfrdwy is undertaking specialist peer review and independent assurance work on their research which will provide assurance to the Board on these particular aspects of the PR24 approach. Therefore, this section is not intended to duplicate this specialist work, but provides some additional ICE commentary on the engagement work undertaken.

Customer Research on Strategic Direction Statement
July 2022

<table>
<tr><th colspan="2">Background</th></tr>
<tr><td colspan="2">Establish how a cross section of household and non-household customers view the (high level) Strategic Direction Statement
Explore some specific areas where discretionary investment could be included in the plans:
• Reducing flood risk in Newtown
• Lead pipe replacement priorities
• Supply interruptions
• Improving biodiversity at Lake Vyrnwy</td></tr>
<tr><th>Key Findings</th><th>Research Methodology</th></tr>
<tr><td>Overall, customers believe Hafren Dyfrdwy is prioritising the right strategic areas
• Customers tend to place greater importance to areas of the plan that are more tangible and accessible: service delivery, protecting the environment, using water wisely and lowering the risk of flooding and pollution
• The more conceptual areas of the plan – e.g. guaranteeing future water supplies, making a positive social difference – are more difficult to relate to
In terms of the more detailed plans, customers are happy with the ambition in several areas
• Hafren Dyfrdwy’s environmental ambitions resonate strongly, reflecting customers’ personal values
• Customers are happy with the ambition of plans to facilitate using water wisely and resilience of future supplies
However, there are specific areas where customers question the ambition:
• Least confidence that plans for flooding and pollution will be effective. For some this is a big issue and are doubtful Hafren Dyfrdwy’s plans will meet the challenge
• Perception that Hafren Dyfrdwy’s response to lead replacement is lacking; the plan is not ambitious enough and should be moving more quickly
• Hafren Dyfrdwy’s ambition to reduce supply interruptions is not evident in the description and so little confidence that the problem is being addressed
Confidence in Hafren Dyfrdwy’s plans is lessened when:
• They are described in a vague, unfocused way: customers switch off or lose confidence in the message</td><td>• 27 current and future customers
• In July 2022, everyone took part in a 4-day online community</td></tr>
</table>

• Achieving the ambition relies on customer behaviour: perhaps sceptical of the effectiveness of these plans **Customers prioritise the same strategic areas for the near term (5 year) plans:** • **Sewer flooding** and **lead replacement** seen as the most urgent areas to improve • While introducing **smart metering, supporting private supply customers** and implementing a **new customer service platform** are the least urgent areas	

ICE Commentary
Please note that this research was designed and conducted before my start with Hafren Dyfrdwy therefore I cannot comment on this element of the process. Having been present for the research read out, this piece of qualitative research felt like an innovative approach to following up on the previous WRMP research carried out with the same group of customers. The four day 'online community' approach was novel and allowed this well-informed group of customers from a geographically dispersed area to engage in assessment of strategic priorities. Accommodation was also made for those not able to access the research digitally. The research findings were shared with the company and me in full and Blue Marble, the research company, are a company partner of the MRS. All of its employees abide by the MRS code of conduct and as such all of their research is in line with their ethical standards.

Customer research on Strategic Investment Choices
January 2023

Background	
Qualitative research • To understand customer opinions about the 4 strategic areas: how much and how fast should HD be investing to reach the proposed outcome? • To evaluate and prioritise options within each strategic investment area • To provide detailed insight that will be used both in the design of the quantitative survey – and to help interpret the quantitative data **Quantitative research** • To quantify support for varying levels of investment for each of the four strategic investment areas in the context of their potential impact on annual bills • To establish the support for each investment and the pace customers want to see it implemented • To measure acceptability of the cost of the total plan • To understand why customers have made the choices – and the impact of affordability on their choices	
Key Findings	**Research Methodology**

The cost of living crisis and economic concern are shaping customers' views • The majority (2/3rds) think they will be worse off in a year. • The biggest future concern is gas availability and price – but environmental issues such as climate change, habitat loss and pollution are also concerns for the majority. • Affording water bills is a real concern for 4 in 5 households. Indeed, this is a bigger issue in consumers' minds than water-related issues such as flooding, drought, and failing infrastructure. **Customers appear happy with Hafren Dyfrdwy even though perceptions are vague** • Service experiences tend to be good, but many don't have much of a reference point. • Most think bills are affordable, with about 1 in 6 struggling with affordability (this is very similar for water-only and water & waste customers). • Any negativity tends to relate to more generic industry-wide issues, primarily pollution from sewer outflows. **We are seeing very high bill sensitivity** *Customers were introduced to 3 out of the 4 costed investments in rotation (with flooding & river pollution investments always seen in wastewater areas), then also shown other statutory and remaining discretionary bill impacts* • The cost of living context means that the **statutory bill increases alone** are unacceptable to 44% of water & waste customers and 30% of water-only customers. • A third (32%) of water & waste and 48% of water-only customers accept the bill increases for **the statutory investments plus the 4 proposed discretionary investments** • Just 1 in 5 customers (water & waste) and 2 in 5 (water-only) accept **all** of HD's planned investments **Water resilience** • A mixed picture in terms of preferred spend/pace of investment • The majority want to see between 11%-24% of households better protected over the next 5 years • Experience of supply problems is a driver for wanting faster and wider improvement **Flooding and river pollution** • Seen as both urgent and important in principle - with positive approval of using nature-based solutions above traditional concrete asset investment. • However two thirds of customers want to see investments kept at or below £25 (6.9% for NHH) even if this means compromising on the speed of reducing flood risk, and the environmental benefits. **Biodiversity**	Qualitative fieldwork - **4 deliberative events** (60 participants in total) covering both the north and south of the HD region Quantitative fieldwork - t**hree components** (reaching total of 712 customers): • Fieldwork: 13 Dec 2022 – 10 Jan 2023 • Online survey of **547 HH customers, spread across the region.** 10,000 customers invited to take part by Hafren Dyfrdwy (5,000 in English, 5,000 dual language and 7 in Welsh) (5.5% response rate) • Targeted F2F survey to reach **113 vulnerable/ digitally disengaged households** in Wrexham (urban) and Llangollen (rural) • Supported with an online survey to reach **52 NHH customers** (46% Wrexham and 54% outside Wrexham) • 2,452 customers invited (2% response rate) After initial screening and qualification questions, customers were asked their views about: • Hafren Dyfrdwy overall • Their attitudes to the environment generally

• Strongest support for the highest investment level which comes with wider benefits for people and communities. • Seen as an important priority, hence some are disappointed by the low levels of investment planned. **Lead free Wales** • In the main, customers opt for lower and slower investment focusing on vulnerable & schools rather than total refurbishment by 2050. • Not everyone thinks it is their role to pay for an issue that does not affect them personally.	Customers saw **three of the four** investment plans in full (flooding, lead, biodiversity, resilience). Limited to three to avoid fatigue and encourage active engagement with the plans. • Water-only customers saw all the investment plans relevant to them • Water and sewerage customers saw three randomly allocated plans
ICE Commentary	
The ICE had involvement in the design and read out of this piece of research, and attended one of the four fieldwork events. This was a significant piece of research covering a considerable number of customers across the qualitative and quantitative phases. The deliberative events were balanced across the HD region encompassing Wrexham, Llangollen and mid-Wales. The quantitative phase mirrored this for HH and NHH customers across the region. Digitally excluded and vulnerable customers were provided for in a face to face survey. The research findings were shared with the company and me in full and Blue Marble, the research company, are a company partner of the MRS. All of its employees abide by the MRS code of conduct and as such all of their research is in line with their ethical standards.	

Customer research on Common and Bespoke Performance Commitments
April 2023

Background
• Explore customer views on short-term and long-term priorities for Hafren Dyfrdwy, and how external factors such as the environment and bill affordability factor into the priorities identified • Understand customer opinions towards common performance commitments, and explore customer understanding of and reaction to issues related to being a small water company • Understand customer reactions to HD's proposed bespoke performance commitments

Key findings	Research methodology
Customers were broadly supportive of Hafren Dyfrdwy proposing a per incident collar for supply interruptions, and a deadband for sewer flooding incidents. When informed about the specific challenges Hafren Dyfrdwy faces in its performance commitments for supply interruptions and sewer flooding incidents, the majority of customers were sympathetic towards the reasoning. However, a minority - especially younger customers - felt they weren't able to provide a definitive answer (largely due to outstanding questions and lack of full understanding about the matters being discussed). Additionally, a small minority were opposed on the grounds of thinking that Hafren Dyfrdwy should have to work within the framework set out by Ofwat. Discussions revealed a general lack of (deep) knowledge about what Hafren Dyfrdwy do beyond the provision of water and sending bills. In addition, for some customers, there was a background of feeling uncertain about the wider water industry and its operating model. Customers raised a number of questions and queries throughout the sessions, suggesting that for some, the complexity of the subject matter made it difficult to form concrete and confident opinions. Despite this, the majority (largely) trust Hafren Dyfrdwy to 'do the right thing' both for itself as a business and, by extension, for its customers. There was sufficient customer support to suggest that Hafren Dyfrdwy would be justified in suggesting alternatives to the supply interruption and sewer flooding PCs. However, to ensure continued support in future, there is a need for younger customer groups in particular to feel more informed about Hafren Dyfrdwy's goals and objectives and how these are monitored by Ofwat. Hafren Dyfrdwy should continue to communicate with its customers across a variety of channels, and ensure that its business planning and performance data are as visible and accessible as possible. Customers' priorities for their water provider broadly matched with the priorities as set out in the common performance commitments. While customers were able to identify broad and high-level priorities (and commitments), it should continue to be Hafren Dyfrdwy's responsibility (alongside Ofwat) to identify detailed priorities and set applicable and appropriate commitments alongside these. Outside of the common performance commitments, Hafren Dyfrdwy's proposed bespoke performance commitments in education and awareness of support services were in-line with customer expectations. However, for the awareness of support services commitment, Hafren Dyfrdwy should consider whether there might be alternative measures that would be more meaningful to customers.	Qualitative research methods encompassed deliberative focus groups with household customers, and video depth interviews with non-household customers. Groups lasted 1.5 hours in north Wales and 2 hours in mid-Wales to account for additional time needed to cover internal and external sewer flooding for water and sewerage customers. Depth interviews lasted between 50 minutes and an hour. 56 household and 9 non-household customers consulted in total.

ICE Commentary	
The ICE had involvement in the design and read out of this piece of research, and again, attended one of the four fieldwork events. Age, geographical location, gender and SEG were all key considerations of the HH split. NHH depth interviews were with a range of different NHH customer types representative of the kinds of business found across the region. The research findings were shared with the company and me in full and DJS, the research company, is a company partner of the MRS. All of its employees abide by the MRS code of conduct and as such all of their research is in line with their ethical standards.	

Here2Help Scheme Research
April 2023

Background	
Hafren Dyfrdwy wanted to conduct research to: • Assess the acceptability of different cross-subsidy price- points using a Gabor Granger methodology • Understand what factors would make customers more willing to contribute more to fund Here2Help • Understand why certain individuals are unwilling to contribute any more to fund Here2Help • Understand customer perceptions of Hafren Dyfrdwy's affordability support schemes and how they feel these can be further improved and better promoted • Understand what customers think the top level Here2Help discount should be • Assess the acceptability of cross-subsidies generally and the acceptability of cross-subsidies in the water industry • For context, to understand customers' attitudes around altruism and helping others	
Key Findings	**Research Methodology**
Half of customers (52%) find an increase up to £1.25 per month (**£15 per year**) extra for water- only (North Wales) customers and £2.08 per month (**£25 per year**) extra for water and waste (Mid Wales) customers, to be acceptable. There are similarities in terms of subgroup differences between the two areas. A common trend across water-only (North Wales) and water and waste (Mid Wales) customers is that **acceptability is highest amongst low income customers**, suggesting that perhaps these customers state price increases are acceptable as they may directly benefit from them.	The approach used predominantly an online quantitative approach with **a representative sample of 440 of customers**. HD opted to send out email invitations to a random selection of customers inviting them to participate in the research.

Customers generally feel the Community Fund is a good way of helping organisations and charities and the Here2Help Scheme is a good way of helping customers most in need. However, there is concern amongst customers that there is a need for greater oversight of eligibility criteria in terms of who qualifies for support. Similarly, customers commonly associate the Here2Help Scheme with positive descriptive words e.g., **excellent, fantastic, supportive** etc. and in terms of Hafren Dyfrdwy's contribution to the scheme, half of customers **(50%)** feel the contribution is **about right**. However, there are conflicting views about Hafren Dyfrdwy's contribution amongst customers e.g., Customers who have a disability (or live with someone who has a disability) are significantly more likely to feel as though Hafren Dyfrdwy's contribution is **too low**, whereas customers from the socioeconomic groups **ABC1** are significantly more likely to feel the contribution is **too high.** The majority of customers (72%) couldn't suggest further ways of helping customers and the same proportion didn't know how else Hafren Dyfrdwy could let customers know about the ways in which it can help customers struggling to pay their bill.	HD also opted for a number of structured face-to-face interviews to be carried out in order to capture the views and options of digitally excluded customers which sits at c.7% of the adult Welsh population according to Audit Wales. Additionally, customers also had the option to complete the survey in Welsh if they wished, with 19 taking up the option. 43 respondents were currently on the Here2Help scheme.

ICE Commentary
There is specific guidance from Welsh Government on cross-subsidy research which was followed in this piece of work, and additional advice was also sought from CCW. The ICE had involvement in the read out of this piece of quantitative research, Age, geographical location, gender and SEG were all key considerations of the customer split. Email invitations for an online survey were complemented by face to face interviews for those digitally excluded. The research findings were shared with the company and me in full and DJS, the research company, is a company partner of the MRS. All of its employees abide by the MRS code of conduct and as such all of their research is in line with their ethical standards.

PR24 Affordability Strategy Research
April 2023

Background
To fully understand all the issues around affordability, water debt, and existing Hafren Dyfrdwy affordability schemes - and explore ways in which Hafren Dyfrdwy could meaningfully address customers' needs in this area, particularly those already in, or at risk of, vulnerable circumstances.

Key findings	Research Methodology
• **Cost of living is becoming an urgent issue** for many Hafren Dyfrdwy customers. Some customers, who were already on low incomes, find themselves in very difficult situations as their outgoings increase beyond income. Customers on previously comfortable incomes are also feeling stretched, and are worried their future looks different to what they had planned. • **Cutting back on luxuries and essentials is standard** for most customers, whether this is energy or water usage, changing food shopping habits or going without entirely. Families are particularly struggling with outgoings as they try to maintain a decent standard of living for their children. • **Falling into financial difficulty can happen easily** and speeds up the more factors combine, like health issues, job loss, lack of support network, digital exclusion. Customers described the physical and mental toll that facing debt takes; it is stressful degrading, isolating, and without hope. • **Water bills are not the main worry**, but that isn't to say that Hafren Dyfrdwy don't have a major role to play. Affordability is a holistic problem, as it's the entire package of bills that's an issue rather than any singular bill. Therefore, any solution must be holistic too, so that as many of a customer's affordability issues get dealt with at the same time. • **Hafren Dyfrdwy's schemes are fit for purpose** in the eyes of recipients and non-recipients. They were seen as generous, flexible and covering a range of circumstances. The main suggestion for improvement was simply raising further awareness. • **Pride and dignity is strong** in Powys and Wrexham, as customers do not want to ask or beg for help. Support with bills should avoid stigmatising language like 'vulnerable' and 'struggling', and make the offer extremely clear so they don't have to dig around. This way, customers can simply accept the offer, rather than having to identify themselves as 'struggling'. • **Local and personal is the way forward** when it comes to raising awareness in Powys and Wrexham. Customers shared that this was the right approach for them because of their strong communities (especially Welsh-speaking and rural areas) and relative lack of digital engagement. Any digital or traditional marketing should be supplementary to the primary 'local' approach.	• A mixed qualitative methodology was selected, with depth interviews chosen to explore more sensitive issues, such as severe and long-term debt. • Recruitment for audiences 1 and 2 was completed by specialist local recruiters. • Audience 3 focus groups were recruited by telephone from the database of scheme recipients. • All participants were invited to take part in Welsh and English, including email invitations. In total, 2 depth interviews were conducted in Welsh language. • Several focus group sessions were observed by Hafren Dyfrdwy colleagues and members of the Expert Challenge Panel. • All fieldwork was audio recorded and thematically analysed. • Total 32 participants across Wrexham and Mid Wales

ICE Commentary

The ICE had involvement in the design and read out of this piece of research, and attended one of the three focus groups.

Age, geographical location, gender and SEG were all key considerations of the customer split. As this piece of research had a specific focus on affordability, financially vulnerable customers were further split into a number of segments to really understand the issues faced by those in severe

debt/long term struggling, just about manging/newly struggling, recipients of the Here2Help scheme and recipients of other schemes such as Water Direct. The research findings were shared with the company and me in full and QaResearch, the research company, is a company partner of the MRS. All of its employees abide by the MRS code of conduct and as such all of their research is in line with their ethical standards.

PR24 Affordability Research – Expert Interview Depths
April 2023

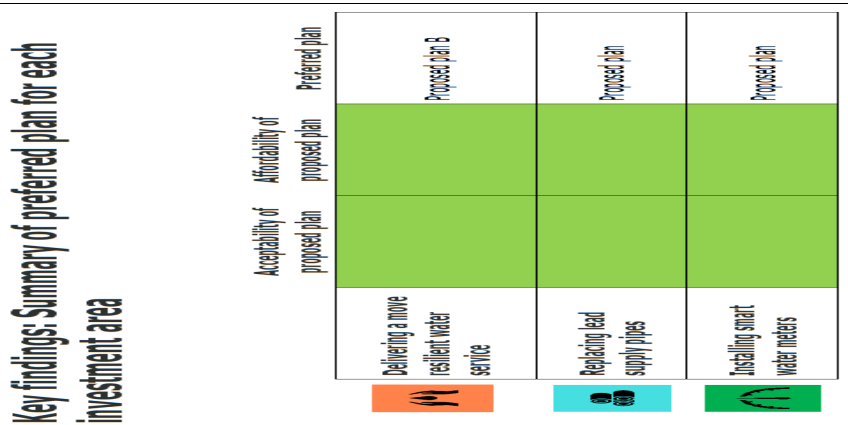
Background	
The aim of the project was to complement the HD affordability strategy research conducted by Qa Research (spring 2023) Specifically, the aim was to understand: • The profile of people currently struggling with household bills • The affordability challenges faced by these customers and the reasons for these • The potential barriers to seeking support from Hafren Dyfrdwy • Perceptions of Hafren Dyfrdwy's affordability schemes • Suggested improvements to the schemes and ways in which Hafren Dyfrdwy could promote them better.	
Key findings	**Research Methodology**
• There are more people than ever before coming forward for help with their finances. There's a broader range of people seeking support, including more working families and retired people. • People are struggling the most with their larger bills: rent, energy, food and fuel. Those struggling with these costs will also likely be struggling to afford their water bill. • Many are unaware that help, especially a bill reduction, is available from their water company. In particular, people tend to assume affordability schemes are only for those on benefits • Interviewees had positive views of HD's affordability schemes, particularly the Here2Help discount. They feel they are really helping those in most need. The generosity of the H2H discount was praised in particular. The helpfulness and responsiveness of the company was also praised. • However all felt the schemes need wider promotion, so that everyone who's eligible can get support. They also suggested that we promote water meters to those likely to pay less on metered billing – and challenge the misconception that metered billing is more expensive. • They also suggested that we should make it clear that customers don't need to be on benefits to access Here2Help. • Interviewees agreed that it's a good idea to auto-enrol low income customers onto Here2Help. • Interviewees feel that the best way to get messages across to customers is via a mix of social media (including	Three in depth, qualitative interviews were conducted with representatives of a housing association, a Citizens Advice office and a community interest company. • All of the interviewees regularly give advice to Hafren Dyfrdwy (HD) customers who are struggling financially. • Interviews were conducted in-house by Hafren Dyfrdwy's customer insight team during March 2023. • Interviews lasted 30 – 40 minutes; they took place via Microsoft Teams video call.

short videos) and face-to-face in the community. • Interviewees were very positive about their organisation's links with HD, and would welcome further partnership working, particularly direct referrals between organisations.	
ICE Commentary	
This piece of targeted work was undertaken in-house by the Hafren Dyfrdwy customer insight team and the ICE had involvement in the read out of this piece of research.	

Acceptability and Affordability Research - Qualitative
May - June 2023

Background	
To understand customers' views of Hafren Dyfrdwy's proposed plan. 2. To ascertain the affordability and acceptability of this plan (and potential alternatives). *Research followed Ofwat and CCW's newly published guidance on conducting affordability and acceptability research.*	
Key Findings	**Research Methodology**
While the cost-of-living crisis is putting pressure on all customers' finances, water bills are not the main cause of concern. With the exception of some financially vulnerable customers, water bills are generally considered by most to be more affordable than other expenses such as energy, fuel and food. **Customers have positive perceptions of Hafren Dyfrdwy, primarily driven by the view that they provide a good core water service at a reasonable price.** However, customers don't know much about HD, in particular the implications of the service splitting from Severn Trent (i.e. the impact on the service customers receive). There are also mixed reports from individuals who have had direct interactions with HD. **Learning about Hafren Dyfrdwy generally drives further positivity towards the company**, particularly when learning about independent regulation, performance targets, the small workforce and the support schemes on offer. **However, customers do have questions about Hafren Dyfrdwy's performance on lead pipes,** feeling not enough has been done on this, **as well as the system of outcome delivery incentives (ODIs)** which can feel unintuitive and disingenuous to customers. Lack of awareness of the support schemes offered by HD further undermines positivity. **Looking to the future and Hafren Dyfrdwy's targets for 2025-30, these are broadly seen as acceptable and focused on the right areas that align with customers' own priorities.** Customers particularly like that the plan focuses on reliability, affordability, maintaining and improving infrastructure, and sustainability. **However, they want Hafren Dyfrdwy to show more ambition in its targets and go further, particularly on water supply interruption targets that have been missed in recent years.** They also want to see HD engaging proactively	Pre-task plenary reading **Deliberative workshops:** • 1x 3-hour household (HH) workshop in Wrexham (water only and future customers) • 1x 3.5-hour HH workshop in Welshpool (water and wastewater and future customers) • 2x 3-hour non-household (NHH) workshops in Wrexham and Welshpool **In-depth interviews (IDIs):** • 4x 1-hour online interviews with HH financially vulnerable water only customers • 4x 75-minute online interviews with HH financially vulnerable water and waste

with customers and providing more clarity in terms of what the proposed targets will actually deliver in relation to pollution incidents and water quality. **There is overall support for Hafren Dyfrdwy's long-term strategic priorities and 2050 ambitions, however customers still want to see HD go further in terms of their ambition.** They also want to know more about the incremental goals that will result in these longer-term targets being met, as well as education about why these are important both for HD and themselves as customers. **Customers assess business plans by balancing three key factors which ladder up to affordability and acceptability.** These are: the perceived importance of the investment areas, an assessment of the fairness of the plans and value for money. **The *proposed* plan is preferred by HD customers.** However, while customers almost universally find the proposed plan to be acceptable, views of its affordability are mixed. **While the *least cost* plan is also broadly seen to be acceptable, it is not seen to go far enough and is only preferred by a small number of customers in the research.** Those who do prefer are led primarily by the lower cost, but do still tend to think it does enough in terms of the targets it meets. **HD can maximise support for its business plans by focusing on presenting their plans through the lens of what is important to customers, pre-empting concerns about fairness of location-specific investments, and emphasizing and demonstrating value for money in its communications.** **Financially vulnerable customers think HD's support scheme proposals are acceptable and like the focus on supporting all customers who are struggling.** However, they emphasise the importance of increasing awareness of what's available for customers to ensure all can access them if needed.	8x 75-minute online interviews with NHH customers (10+ employees • **A follow up task to ascertain final customer views on acceptability and affordability based on personalised bill impact charts for 2025-30.**



ICE Commentary

Ofwat and CCW provided comprehensive guidance on the content and form of this AAT research including where ICGs (or ICE) should have involvement. The ICE therefore had full involvement in the design and read out of this piece of research as per the guidance, and again, attended two of the four fieldwork events across Wrexham and mid-Wales with both HH and NHH customers. Where activity differed from the guidance – such as the piloting of the questionnaire – the ICE was comfortable with this approach given that it had been piloted by Severn Trent.

Age (including future customers), geographical location (rural/urban/suburban), ethnicity, gender and SEG were all key considerations of the HH split, as well as metered/unmetered customers ad financial vulnerability. NHH depth interviews were with a range of different NHH customer types representative of the kinds of business found across the region.

Small group sizes enabled conversation and explanation of a complex area and a considerable amount of information beign shared and asked to respond to. The four events were lengthy however and the ICE would suggest to Ofwat and CCW that they relook at the significant nature of the ask for customers in any subsequent exercise for the next PR round.

The research findings were shared with the company and me in full and Thinks, abide by the MRS code of conduct and as such all of their research is in line with their ethical standards.

Acceptability and Affordability Research - Quantitative
July - September 2023

Background
Robust piece of quantitative research looking at over 500 customers (household and non-household) views on affordability and acceptability.

Research followed Ofwat and CCW's newly published guidance on conducting affordability and acceptability research.	
Key Findings	**Research Methodology**
Provisional data only at time of writing – summary report received from Hafren Dyfrdwy, full report from Thinks to follow.	*Provisional data only at time of writing*

Annex 2D: Sia partners assurance report

2nd October 2023

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WONDERFUL ON TAP

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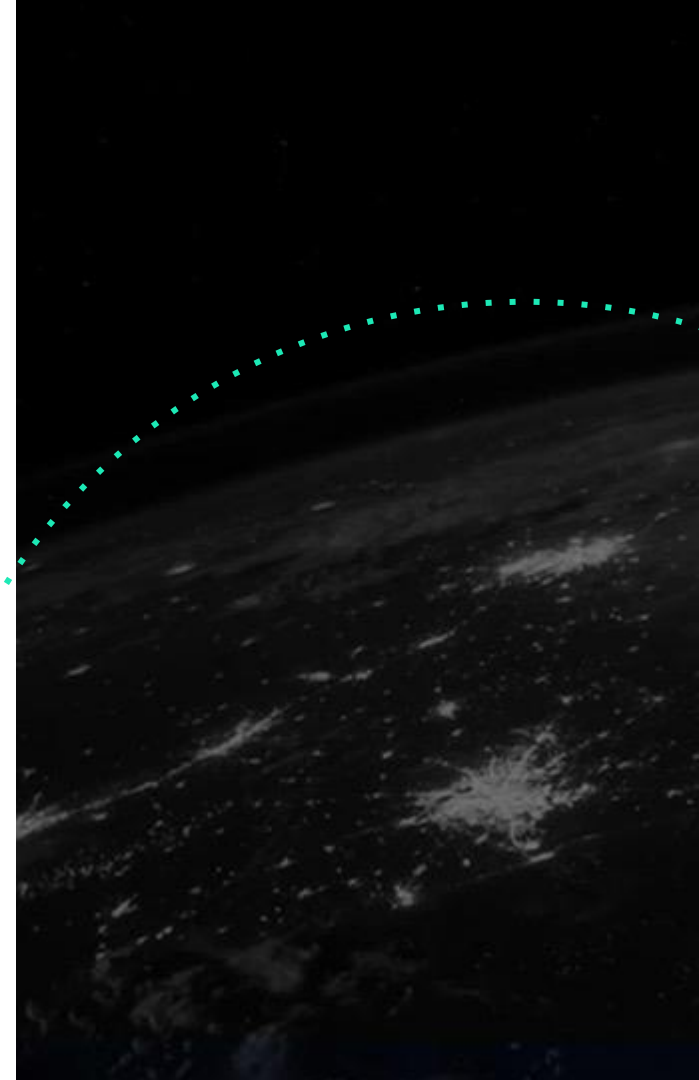
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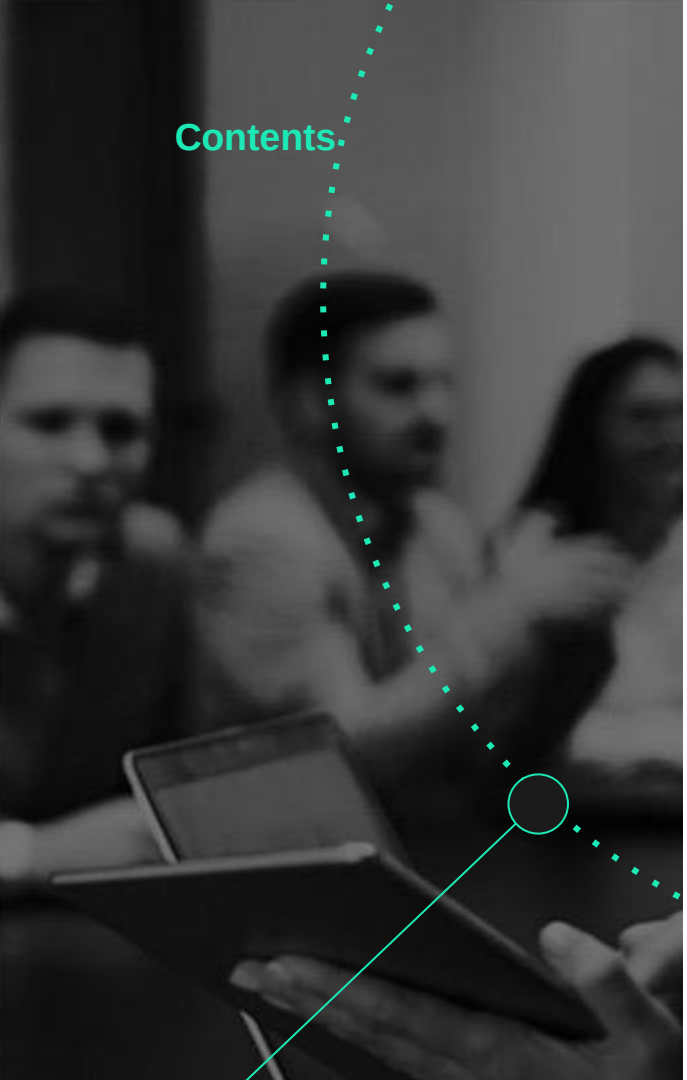
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September 2023

PR24 Engagement Assurance: Final Report

Review of Hafren Dyfrdwy's PR24 engagement programme (including affordability and acceptability testing) and line of sight.





Contents

a. Executive Summary

b. Part 1: Assurance of overall engagement programme quality
   a. Part 1a: Programme level review
   b. Part 1b: Evidence robustness assessment by topic area
   c. Part 1c: Quality of research
   d. Part 1c: Affordability and Acceptability testing

c. Part 2: Assurance of the use of customer engagement evidence
   a. Part 2a: Triangulation
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d. Appendices
   a. Appendix A: Part 1 - Assurance of overall engagement programme quality
   b. Appendix B: Assurance of Affordability and Acceptability testing
   c. Appendix C: Part 2 - Assurance of the use of customer engagement evidence



Executive summary

PR24 customer engagement assurance

Ofwat have set out guidance on the standards they expect from companies regarding high-quality research for PR24 in their final methodology published in December 2022. The regulator expects companies to provide assurance that their customer engagement programme is of high quality and that customers' views have been appropriately taken into account when developing the PR24 business plan and long-term delivery strategies.

To support Hafren Dyfrdwy (HD) with this requirement and demonstrate that its approach meets Ofwat's standards, Sia Partners has carried out an independent assurance of the quality of its PR24 customer engagement programme across two areas:



Part 1

Assurance of overall engagement programme quality



Part 2

Assurance of the use of customer engagement evidence

Phased approach to assurance

Sia Partners has undertaken an iterative approach to the assurance, with the first Phase delivered in early 2023.

Phase 1	Phase 2	Phase 3
Gap analysis Assessment of Hafren Dyfrdwy's PR24 engagement approach (incl. strategy, governance and processes) against Ofwat's requirements and best practice **Assurance framework design** Confirmed design of engagement quality and engagement use assurance framework, adopting an iterative approach over three phases **Part 1: Assurance of engagement quality** Assessment of Hafren Dyfrdwy's PR24 customer engagement evidence using a three-tiered approach: a. High-level review of insight across Hafren Dyfrdwy's key PR24 engagement questions b. Robustness of insights per topic area / strategic priority c. Assessment of key sources against Ofwat standards for high quality research	For the second assurance review we have built upon the work in Phase 1 to update the Part 1: Quality assessment and incorporated a new element (Part 2); assuring the Use of evidence **Part 1: Assurance of engagement quality** • Updated Phase 1 assessment, incorporating the latest insight sources and data from HD . • Carried out a deep dive assurance review on qualitative affordability and acceptability testing materials **Part 2: Assurance of engagement use** • Triangulation: Review evidence that the business has implemented a triangulation of customer engagement, applying a framework aligned to CCW guidance and best practice • Line of sight: Assess whether the engagement evidence provided in each key area of the plan is an accurate representation of the research and whether it has been appropriately used by HD.	For the third assurance review, we have built upon work in Phase 2 to update **both Part 1 and Part 2**, based on evidence included and submitted as part of the final PR24 submission This has included a review of any additional research, such as quantitative affordability and acceptability testing and review of line of sight documentation for the final PR24 business plan The final report has combined the reviews / reports over each phase, including an assessment of how the business has responded to recommendations in previous assurance phases **Our final report and assurance statement will be shared with Hafren Dyfrdwy's Board and submitted to Ofwat with the final PR24 business plan**
Jan to Mar 2023	***August 2023***	***Aug to Sep 2023***

Assurance outcome

Following our review of Hafren Dyfrdwy's customer engagement approach and evidence for its PR24 business plan and Long-Term Delivery Strategy, it is Sia Partners' view that the engagement programme has been well-designed, of a consistently high standard and provides demonstrable evidence that Ofwat's standards for high quality research and use of engagement have been met and has used to inform the Business Plan. Our key findings are summarised below:

Part 1: Assurance of overall engagement programme quality

a. **Engagement programme:** Hafren Dyfrdwy have designed and delivered a strong PR24 engagement programme proportionate to its size and its five key customer insight questions are all well answered by the research delivered. There is clear evidence of research covering customer priorities, affordability and long term needs of customers and communities.

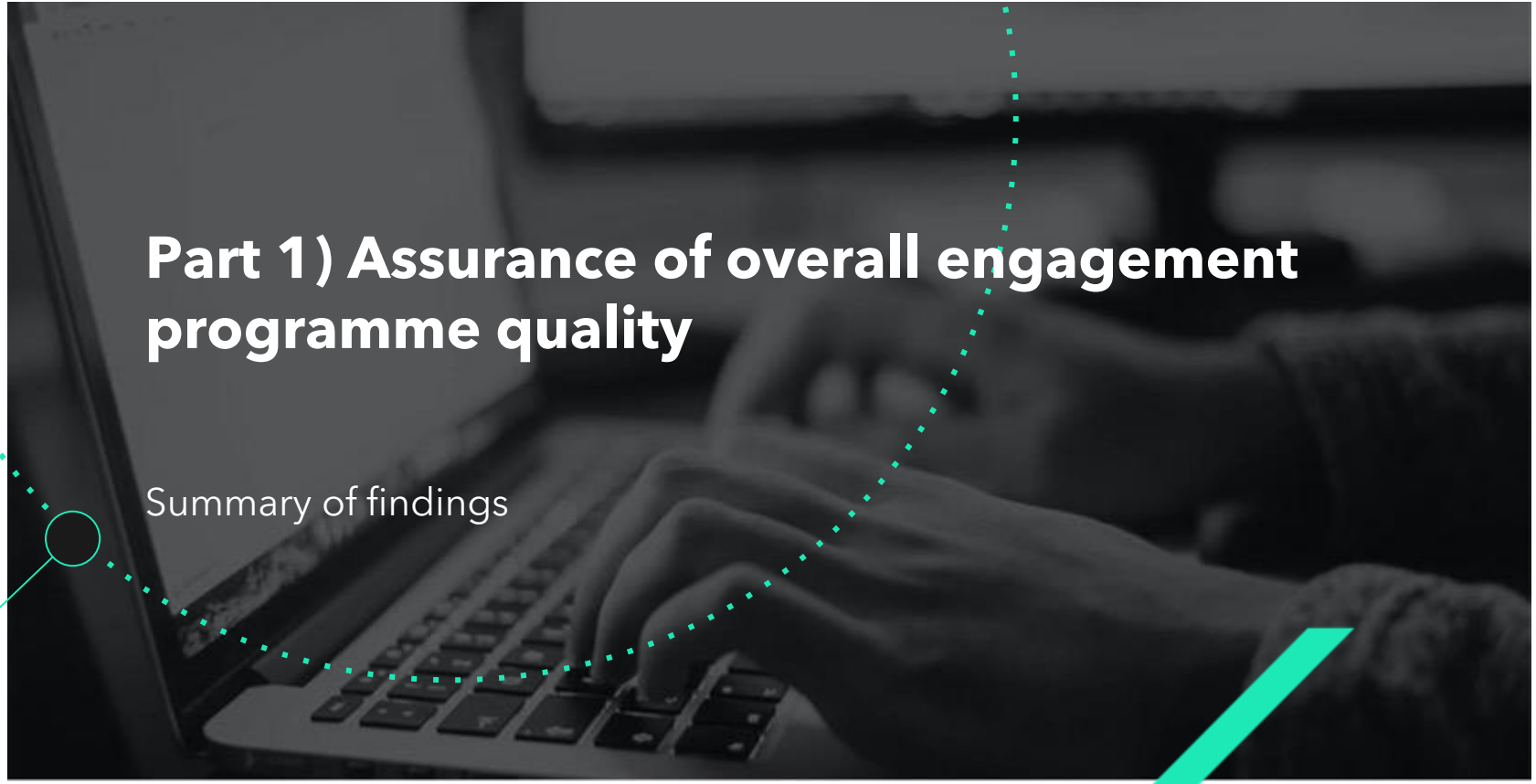
b. **Evidence robustness:** Our assessment of evidence robustness found that of the ten key topics covered, all have sufficient coverage to inform the PR24 business plan. As noted in our report, we have considered Hafren Dyfrdwy's size when undertaking our assessment and have been pragmatic in our assessment of the depth and breadth of engagement. As a result, we consider the level of engagement coverage across all topic areas to be sufficient for both the PR24 business plan and long-term delivery strategy.

c. **Research quality:** Of the six research sources assessed, we have found that all have met Ofwat's standards for high quality research across the relevant criteria. Following recommendations for improvement in Phase 1, clear evidence was provided by Hafren Dyfrdwy to demonstrate that the research was useful & contextualised, neutrally designed, fit for purpose, inclusive and ethical. There was also evidence that the programme was continual, independently assured and that the research findings were shared in full with others.

Part 2: Assurance of the use of customer engagement evidence

a. **Triangulation:** Our review has found that Hafren Dyfrdwy's approach to triangulation meets CCW's recommendations for best practice. The overall approach is explained clearly through worked examples as outlined in the Chapter 2: Customer insight and challenge.

b. **Line of sight:** Sia Partners' assessment of Hafren Dyfrdwy's line of sight found clear evidence on how customer views have been built into the business plan across several phases of engagement, and as a result, maintain strong evidence supporting the need and solutions for the investment areas in the PR24 business plan.



Part 1) Assurance of overall engagement programme quality

Summary of findings

How we reviewed Hafren Dyfrdwy's engagement evidence for Part 1

Sia Partners has utilised the three-tiered approach used to review Hafren Dyfrdwy's engagement evidence first carried out in early 2023, with the objective of providing a view of coverage across the PR24 programme including: a) key engagement questions; b) strategic priority areas; c) individual insight source level.

a) High-level review of insight across Hafren Dyfrdwy's key PR24 engagement questions



Output a)

RAG score across Hafren Dyfrdwy's five engagement programme questions based on the evidence coverage (undertaken and planned)

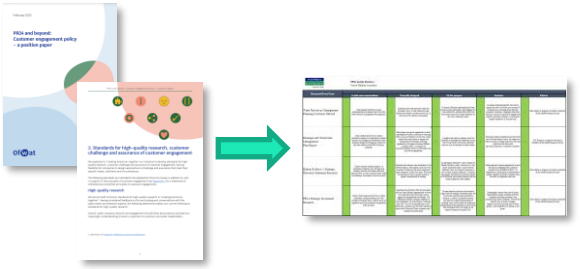
b) Robustness of insights per topic area / strategic priority



Output b)

Robustness RAG assessment and comments showing evidence coverage across business plan topics and recommendations for improvement

c) Assessment of key sources against Ofwat requirements for high quality research



Output c)

RAG scores for each piece of research against Ofwat's criteria for high quality engagement and recommendations for improvement

**A further deep dive assurance review on qualitative affordability and acceptability testing materials was also undertaken.*

PROGRAMME LEVEL REVIEW

Summary of findings / a) Insight coverage across the engagement programme's key questions

Summary of findings

- Hafren Dyfrdwy have planned and conducted a well-considered PR24 engagement programme. Its five key customer insight questions (aligned to Ofwat's core areas of engagement) are well covered by delivered or planned engagement.
- In our final assessment in September 2023, we have continued to take into consideration Hafren Dyfrdwy's specific circumstances and its focus on a pragmatic and proportionate approach to engagement planning and delivery for PR24. With this in mind, we found that all five of PR24 engagement programme questions are well-covered by the current evidence base or will be accounted for in planned engagement and associated evidence that will be gathered ahead of the final PR24 submission.
    - There is sufficient high quality engagement evidence covering customer needs and priorities (Q1) and long-term investment areas (Q3), and now Ofwat has provided ODI rates from a top-down approach (Q4).
    - The areas with previously moderate coverage (Q2, Q5) are now evidenced well with the additional engagement sources in Phase 2, as well as the Acceptability and Affordability Testing (AAT) which Hafren Dyfrdwy has also undertaken. Sia Partners has also provided assurance this testing meets Ofwat's prescribed guidance for AAT.
- It should be noted, this top-down review is based solely upon the eight key engagement sources from Hafren Dyfrdwy's PR24 engagement programme shared with Sia Partners as of September 2023.

See assurance methodology on slide 13

Hafren Dyfrdwy's five engagement programme questions	Phase 1	Phase 2 & 3
Q1. What are our customers' needs and priorities?		
Q2. How can we ensure that our service is affordable and accessible for everyone?		
Q3. How, where should we invest to meet customers' and communities' long-term needs?		
Q4. What value do customer place on service improvements?		
Q5. Is our plan acceptable and affordable to customers?		

Summary of findings / b) Evidence robustness assessment

ROBUSTNESS PER TOPIC

Summary of findings

- In Sia Partners' final assessment of relative robustness of evidence underpinning key topics in September 2023, we found 9 areas with 'Good' coverage and 1 with 'Moderate' coverage:
    - Once again, we took into consideration Hafren Dyfrdwy's small size and subsequent proportionality implications and found that the evidence base across most strategic priorities is appropriately robust to inform development of its PR24 business plan. As acknowledged in Phase 1 of our review, Hafren Dyfrdwy has utilised the centralised research from Ofwat and CCW, whilst undertaking targeted engagement pieces to supplement where possible.
    - The key strategic priority areas that have been improved are *'Deliver a high quality, affordable service and support our most vulnerable customers'*. Previously, supporting vulnerable customers and affordability were not covered to an adequate level relative to its importance at PR24. However, the recent Affordability research has contributed to sufficient coverage of the topics, as expected.
- It is important to note that Sia Partners' assessment of the evidence base per topic is based solely on the eight sources shared by September 2023.

	Strategic priority	Topic	Phase 1	Phase 2 & 3
Water	Increase our abilities to source and deliver water to guarantee future water supplies	Future water supplies	88%	**88%**
		Supply reliability	84%	**85%**
		Water quality	86%	**87%**
	Help our customers to be more water conscious to ensure water is used wisely	Demand management	78%	**79%**
Waste	Improve the resilience of our network to lower the risk of flooding and pollution	Waste network resilience	87%	**89%**
Environment	Adopt more sustainable practices to protect and enhance our environment	Sustainable practices	82%	**83%**
Customer Service	Deliver a high quality, affordable service and support our most vulnerable customers	High quality service	87%	**89%**
		Affordability	79%	**83%**
		Support for vulnerable customers	71%	**83%**
Communities	Work with our communities to make a positive social difference	Community Impact	80%	**82%**
	Invest in our high performing culture to maintain a safe, inclusive and fair workplace*	*Not assessed as part of this review		

See assurance methodology on slide 17

Summary of findings / c) Quality of insight sources

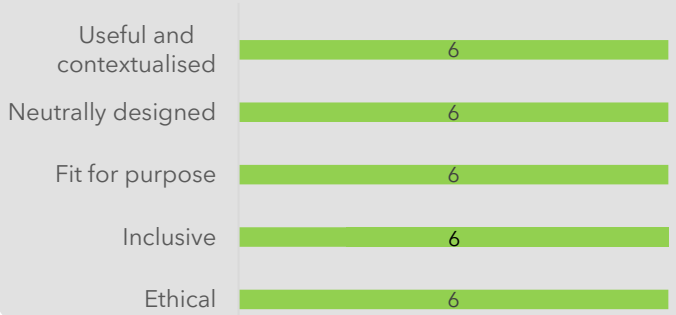
INSIGHT SOURCE QUALITY

See assurance methodology on slide 23

Summary of findings

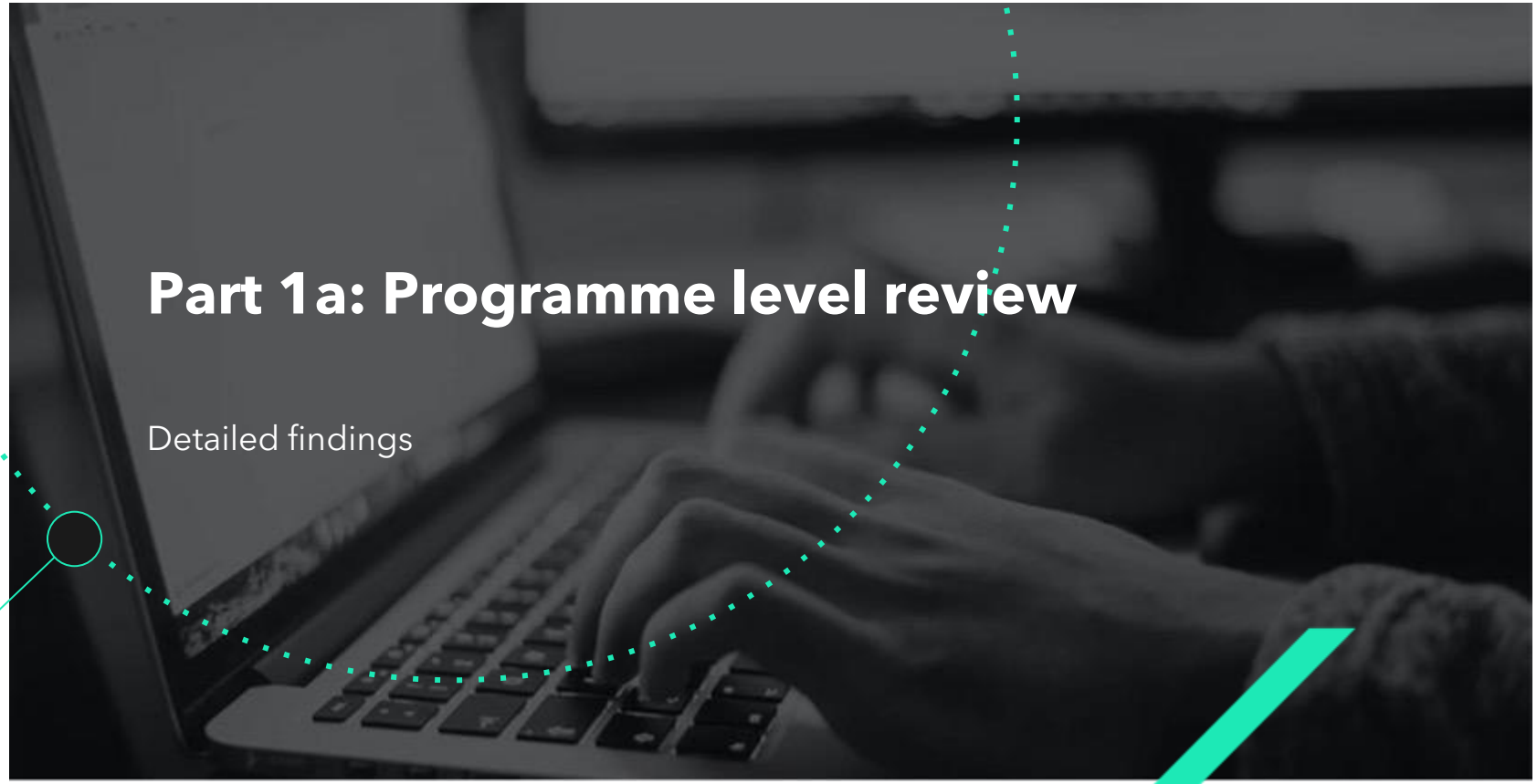
- At the engagement source level, Sia Partners found that Hafren Dyfrdwy's customer engagement meets Ofwat's standards for high quality research across the relevant criterion.
- 4 out of the 6 documents provided upfront declarations on how the research is aligned to Ofwat standards **(2 sources were not included as part of part c) review, see slide 28 for further detail**). Whilst these statements were included in our review, our focus remained predominantly on the content of research reports, to ensure the statements are clearly evidenced and hold true.
- It was also suggested in Phase 1 that Hafren Dyfrdwy should consider outlining how the research has been tailored for the Welsh context where appropriate and the additional sources reviewed in Phase 2 are exemplary of this, by offering Welsh language options.
- With regards to the programme-wide criteria, Hafren Dyfrdwy's PR24 engagement programme sufficiently meets Ofwat's standards. In addition to targeted PR24 research, continual engagement has been demonstrated, such as the HH and NHH trackers and there are forums in place to share research materials and findings with the PR24 Welsh Forum where appropriate. Sia Partners are undertaking independent assurance of Hafren Dyfrdwy's PR24 engagement programme, and further scrutiny and challenge will be provided by its Independent Challenge Expert (ICE).

Count of insight source RAG scores across Ofwat quality categories (based on 6 sources in September 2023)



Programme-wide (as of September 2023)

Continual	Shared in full with others	Independently assured

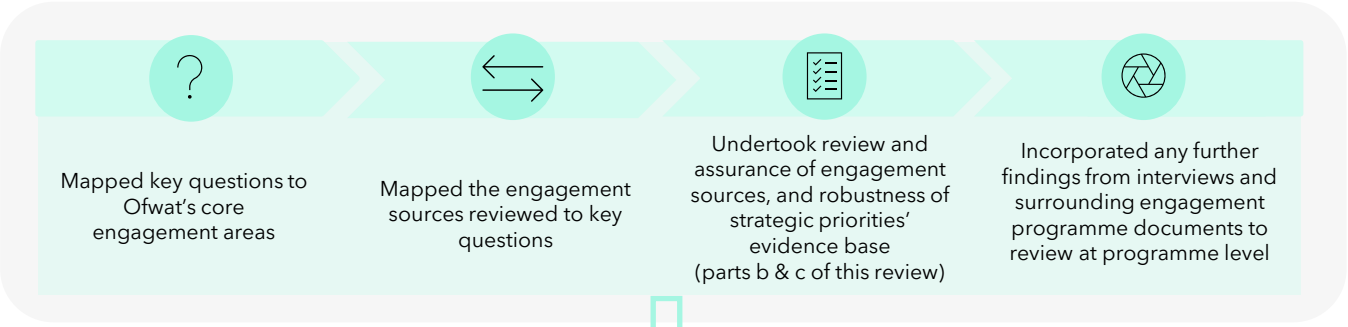


Part 1a: Programme level review

Detailed findings

Methodology / Insight coverage across engagement programme's key questions

Sia Partners has conducted a high level review of the insight coverage evidencing the 5 key questions which are aligned to Hafren Dyfrdwy's PR24 engagement programme. We undertook the following steps to determine a RAG score for each question:



	Key question coverage RAG
	Substantial breadth & depth of existing (or planned) insight coverage surrounding key question. Ofwat's requirements have been met.
	Considerable existing evidence base with some gaps remaining (including planned engagement). Minor gaps remaining to fully meet Ofwat's requirements.
	Significant gaps remain in current evidence base surrounding key question, with no further engagement planned. Significant improvement required to meet Ofwat's requirements.

Insight coverage across the engagement programme's key questions (1/2)

Hafren Dyfrdwy's PR24 engagement programme is aligned to five key questions identified as part of its insight strategy. Sia Partners has undertaken a high-level review of the delivered and planned evidence base for each question to provide a RAG coverage.

Customer insight question	Phase 1	Phase 2 & 3	Evidence undertaken	Comments and recommendations
Q1. What are our customers' needs and priorities?			DCWW "ALL Wales" Informing PR24 research, **Strategic Direction Statement Research, HH & NHH trackers, WRMP, DWMP, Strategic Investment Research** **Common & Bespoke PCs**	Customer priorities have been assessed throughout the engagement documents Sia Partners has reviewed, from the high-level Strategic Direction research to BAU trackers. When considering Hafren Dyfrdwy's size, this level of insight on customers' priorities is appropriate. Hafren Dyfrdwy have also made use of the Welsh Water-led 'Informing PR24 (DCWW research in Wales)' to further understand customer needs and priorities. This research was excluded from our assessment as the research was led by Welsh Water. In the customer engagement appendix, Hafren Dyfrdwy has now created a triangulated view of customer priorities which Sia Partners reviewed as part of our assessment of the *use* of customer engagement informing business planning.
Q2. How can we ensure that our service is affordable and accessible for everyone?			**HH & NHH trackers** **Affordability strategy research, PR24 Affordability and Acceptability testing**	Hafren Dyfrdwy have engaged with a range of customers segments, including vulnerable customers, explicitly on this topic in their Affordability Strategy engagement and Acceptability and Affordability Testing, covering a range of current schemes available and potential improvements, as well as further suggestions.

Bold text indicates engagement sources reviewed within this phase of assurance

Insight coverage across the engagement programme's key questions (2/2)

Customer insight question	Phase 1	Phase 2 & 3	Evidence	Comments and recommendations
Q3. How, where and in what should we invest to meet customers' and communities' long-term needs?			**Strategic Direction Statement Research, HH & NHH trackers, WRMP, DWMP, Strategic Investment Choices Research**	As mentioned in Phase 1, Hafren Dyfrdwy retains a unique set of circumstances which necessitates a reduced approach to engagement specifically on LTDS compared with other water companies. Hafren Dyfrdwy have focused on using wider engagement to inform development of the LTDS. For example, the BAU trackers with HH and NHH customers identify and track wider concerns and priorities, whilst the WRMP, DWMP and Strategic Investment Choices research analyses customers views on a range of Hafren Dyfrdwy's potential investments.
Q4. What value do customer place on service improvements?			Planned use of CCW / Ofwat ODI rate research **Bespoke & Common PC research**	ODI rates are now determined through a top-down approach.
Q5. Is our plan acceptable and affordable to customers?			**PR24 Acceptability and Affordability testing using standardised Ofwat / CCW approach**	Sia Partners has undertaken assurance on Hafren Dyfrdwy's Affordability and Acceptability Testing across household, non-household, future and vulnerable customers. Hafren Dyfrdwy's approach and materials follows the standardised approach provided by Ofwat and CCW '*Guidance for water companies: testing customers' views of the acceptability and affordability of PR24 business plans*'*, as well as the surrounding documents.

*https://www.ofwat.gov.uk/wp-content/uploads/2022/12/Guidance_forwater_companies_testing_customers_views_of_the_acceptability_and_affordability_of_PR24_business_plans.pdf

Bold text indicates engagement sources reviewed within this phase of assurance



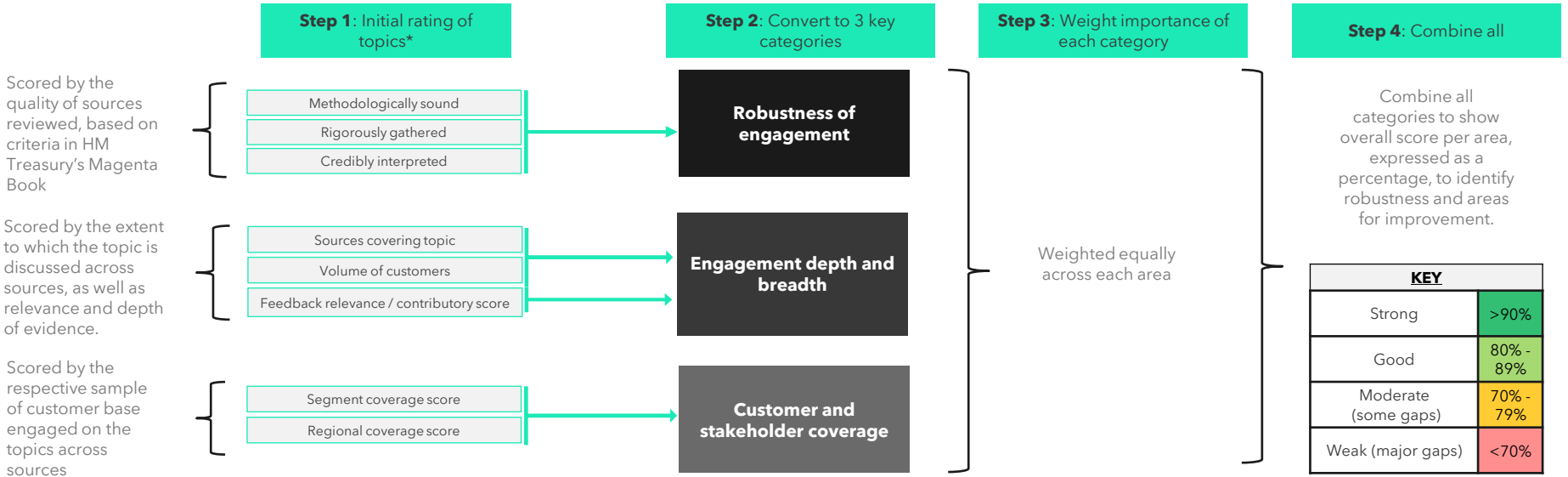
Part 1b: Evidence robustness assessment by topic area

Detailed findings

ROBUSTNESS PER TOPIC

Methodology / Evidence robustness assessment

Sia Partners have reviewed 8 key sources as part the first phase of assurance of Hafren Dyfrdwy's engagement for PR24 (see slide 49 in Appendix A for source list). We applied the framework below to determine a combined robustness score for each source, which we then mapped and aggregated across key topics (see slide 50 in Appendix A for topic list)



*Please see detailed scoring methodology for each category on Appendix A (slide 51)

KEY	
Strong	>90%
Good	80% - 89%
Moderate (some gaps)	70% - 79%
Weak (major gaps)	<70%

ROBUSTNESS PER TOPIC

Summary of robustness scores across topics

Area	Topic	Breadth & Depth	Coverage	Robustness	Phase 1	Phase 2 & 3
Increase our abilities to source and deliver water to guarantee future water supplies	Future water supplies	2.6	2.5	2.9	88%	88%
	Supply reliability	2.3	2.6	2.9	84%	85%
	Water quality	2.4	2.5	2.9	86%	87%
Help our customers to be more water conscious to ensure water is used wisely	Water efficiency / Demand management	2.0	2.3	2.8	78%	79%
Improve the resilience of our network to lower the risk of flooding and pollution	Waste network resilience	2.7	2.5	2.9	87%	89%
Adopt more sustainable practices to protect and enhance our environment	Sustainable practices	2.3	2.4	2.9	82%	83%
Deliver a high quality, affordable service and support our most vulnerable customers	High quality service	2.4	2.6	2.9	87%	89%
	Affordability	2.0	2.5	2.9	79%	83%
	Support for vulnerable customers	2.3	2.4	2.8	71%	83%
Work with our communities to make a positive social difference	Community Impact	1.9	2.5	2.9	80%	82%
Invest in our high performing culture to maintain a safe, inclusive and fair workplace*						

*Not assessed as part of this review

Robustness review (1/3)

Strategic Priority	Topic	Phase 1	Phase 2 & 3	Status	Comments and recommendations
Increase our abilities to source and deliver water to guarantee future water supplies	Future water supplies	88%	88%	Good	Whilst reviewing this topic, we took into consideration Hafren Dyfrdwy's specific circumstances with regards to its lack of future water resourcing issues. As such, this area may inherently require less customer insight to evidence business decisions. Considering this, the topic is logically well-covered within the WRMP & Strategic Investment Choices research, as well as at a higher level in the Strategic Direction Statement research and the Common and Bespoke PC's report. We note further engagement has been undertaken through the WRMP with expert stakeholders, which has not been assessed as part of our review.
	Supply reliability	84%	85%	Good	This topic is well covered within the Strategic Direction Statement and Bespoke PC research, non-household trackers amongst others, which all serve as sound and robust research. This level of insight therefore is sufficient.
	Water quality	86%	87%	Good	This topic is well covered across the Strategic Direction Statement, Bespoke PC research, WRMP research and non-household tracker engagement, covering a range of customer segments.
Help our customers to be more water conscious to ensure water is used wisely	Water efficiency / Demand management	78%	79%	Moderate	This topic is considered within WRMP research and at a higher level in the engagement on Hafren Dyfrdwy's Strategic Direction Statement and Bespoke PC report. There is relatively less evidence surrounding this topic when compared to others, but – as outlined in Phase 1- this is mostly as it is not part of an investment area, meaning the evidence coverage is appropriate and sufficient.

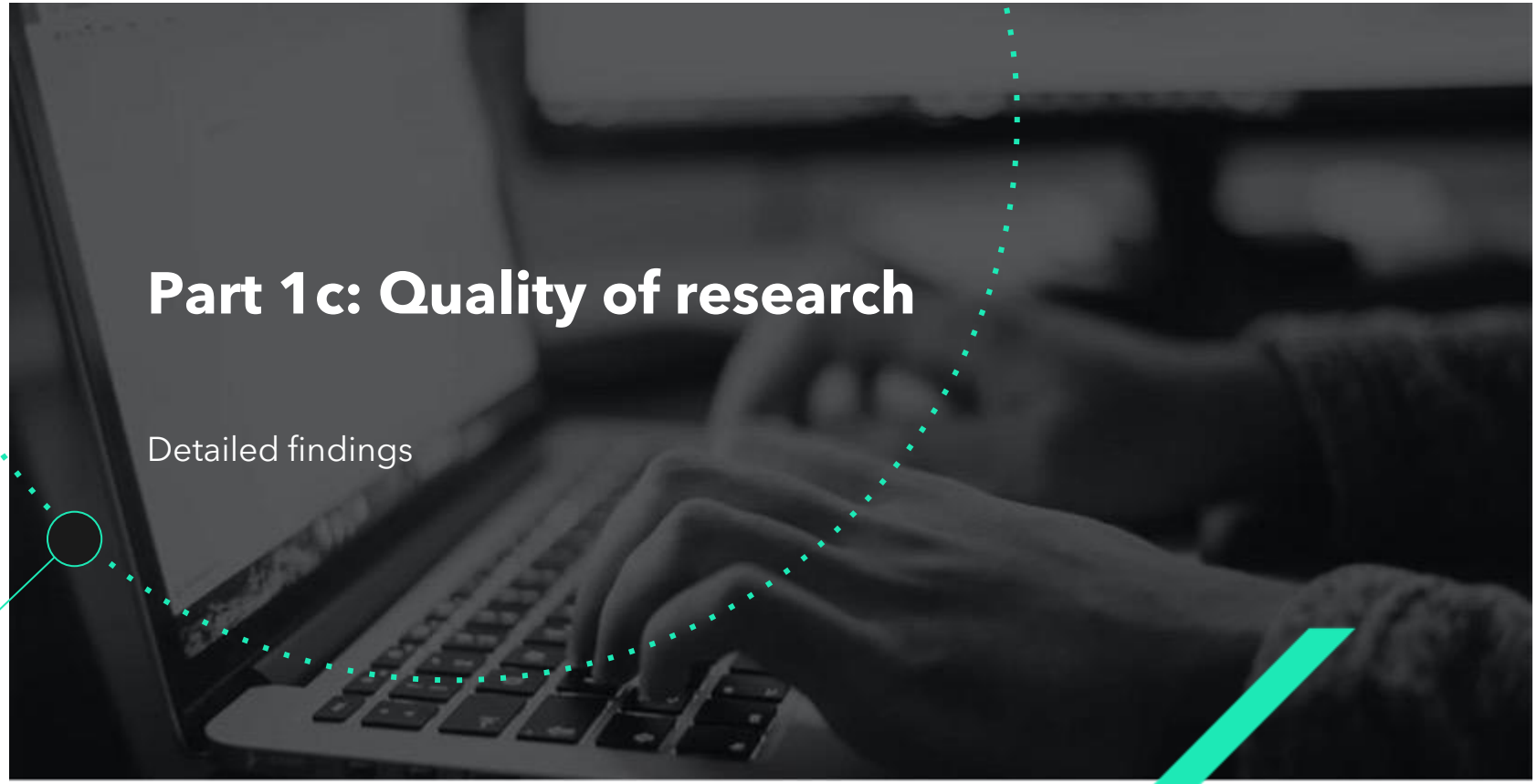
Robustness review (2/3)

Strategic Priority	Topic	Phase 1	Phase 2 & 3	Status	Comments and recommendations
Improve the resilience of our network to lower the risk of flooding and pollution	Waste network resilience	87%	89%	Good	Discussions and information around sewer flooding was a key focus of direct engagement with households and non-household groups in the Bespoke PC report, which has driven up the score. This topic is also well-covered across the DWMP research and Strategic Investment Choices research, as well as within the non-households tracker. As a result, Hafren Dyfrdwy have engaged with a considerable audience surrounding this area, and maintain a sufficient level of evidence.
Adopt more sustainable practices to protect and enhance our environment	Sustainable practices	82%	83%	Good	Sustainable practices are considered across a range of engagement sources, including DWMP and Strategic Direction Statement. This topic in particular retains a gap in terms of engagement with non-household customers. However, we note non-household customers may retain a more transactional perspective on their relationship with Hafren Dyfrdwy, and as a result, may prioritise this area less in comparison to household customers, due to a likely greater focus on cost and quality of service.

Robustness review (3/3)

ROBUSTNESS PER TOPIC

Strategic Priority	Topic	Phase 1	Phase 2 & 3	Status	Comments and recommendations
Deliver a high quality, affordable service and support our most vulnerable customers	High quality service	87%	89%	Good	The majority of this insight stems from trackers, which is as expected, and generally provides a good high-level view on Hafren Dyfrdwy's current service. This can be complemented by insights from the Affordability strategy research. This topic can likely be informed from further areas such as complaints data which has not been incorporated into this review.
	Affordability	79%	83%	Good	This score has increased from Phase 1 due to the strong coverage of affordability directly in the Affordability Strategy Research piece which focused on vulnerable customers. The topic is also more heavily discussed within trackers, whilst measured bill impacts have been explored for the investment areas.
	Support for vulnerable customers	71%	83%	Good	Strong coverage of vulnerable customer support is provided in the additional sources which has strengthened this score to 'Good' in Phase 2. This is predominantly due to the Affordability Strategy Research, as well as the Bespoke PC piece also discusses the topic with both household and non household customers, meaning a wide range of customer segments are covered.
Work with our communities to make a positive social difference	Community Impact	80%	82%	Good	A good understanding of brand perception and trustworthiness is gained through the household and non-household trackers. The importance of wider benefits to the community particularly with regards to nature-based investments and biodiversity were discussed throughout the documents including research on the Strategic Direction Statement, quantitative and qualitative research on Strategic Investment and Bespoke PC report. However, we acknowledge this topic may have less strategic importance for the PR24 business plan.
Invest in our high performing culture to maintain a safe, inclusive and fair workplace	This is an internal engagement area and as such, has not been included in our review				



Part 1c: Quality of research

Detailed findings

INSIGHT SOURCE QUALITY

Methodology / Quality of insight sources

Ofwat's PR24 customer engagement guidance clearly sets out the expectations for PR24 customer research. Water company research and engagement should follow best practice and lead to a meaningful understanding of what is important to customers and wider stakeholders

To achieve this, Ofwat set out 8 standards:

- Useful & Contextualised
- Neutrally designed
- Fit for purpose
- Inclusive
- Ethical
- Continual
- Shared in full with others
- Independently assured

Based on these standards, Sia Partners has developed an assurance framework to assess Hafren Dyfrdwy's PR24 customer engagement programme. Within the framework, we recognise 5 of the 8 criteria as applicable at individual source level, whilst 3 apply more broadly to the PR24 engagement programme as a whole.

Per source					
Score	**Useful & Contextualised**	**Neutrally designed**	**Fit for purpose**	**Inclusive**	**Ethical**
1	Ambition or objectives of research are not clear and potentially irrelevant	Clearly biased questions/stimuli, inherent biases not acknowledged or questions/stimulus not provided	Unclear how methodology or sample is aligned to research objectives	Clear and obvious lack of range of audiences	Unclear or unknown whether research is conducted in line with widely recognised ethical standard
2	Research links to PR24 programme priorities but not clearly demonstrated	Questions or stimulus are generally without bias, or select questions / stimulus provided	Research methodology and sample is appropriate for the objectives of research	Research may include a considerable range of audiences, but is not detailed or presented clearly in findings	N/A
3	Demonstrated clearly why research has taken place and its ambition links clearly to PR24 programme	Comprehensive list of questions and stimulus materials are neutral in design and any unavoidable bias if inherent is acknowledged in research findings	Research methodology and sample size is appropriate and demonstrably well-justified for the objectives of research	Research clearly includes a range of audiences, representing the regional customer base, and reports variances by audience where possible	Research is conducted in line with the ethical standard of a widely recognised research body

Programme wide			
Score	**Continual**	**Shared in full with others**	**Independently assured**
1	No regular engagement undertaken	No research findings shared / or planned to be shared	No independent assurance
2	N/A	Select research findings shared (or planned to be shared) with a select audience	N/A
3	Regular engagement undertaken throughout PR24 and business as usual, in addition to specific engagement on certain topics	Appropriate research findings published early to as wide an audience as possible, including methodology & stimulus materials	Independent assurance undertaken

INSIGHT SOURCE QUALITY

Summary of quality scores across sources

Document Title	Useful & Contextualised	Neutrally designed	Fit for purpose	Inclusive	Ethical
Water Resources Management Planning (WRMP) Customer Debrief	3	3	3	3	3
Drainage and Wastewater Management (WRMP) Plan Report	3	3	3	3	3
Hafren Dyfrdwy's Strategic Direction Statement Research	3	3	3	3	3
PR24 Strategic Investment Research	3	3	3	3	3
Common and Bespoke PCs: Report	3	3	3	3	3
PR24 Affordability Strategy research: Full Report	3	3	3	3	3

INSIGHT SOURCE QUALITY

Quality of insight sources (1/3)

Document Title	Useful & Contextualised	Neutrally designed	Fit for purpose	Inclusive	Ethical
Water Resources Management Planning Customer Debrief	Clear research objectives to gain understanding of customer views on initial Water Resource Management Plan proposals.	Questions have been provided within the document, and it is clear these have been ordered and worded in order to avoid bias, as well as the way options are presented.	To ensure sufficient understanding of water resource plans, participants were engaged in a 1-hour interactive webinar after which they were asked to provide in-depth feedback via the 3-day community panel.	An online sampling approach was used to capture the views of a wide cross-section of customer base, including future and non- household customers. Telephone interviews were also utilised to specifically engage with digitally-excluded customers. A participant sample breakdown is also provided.	Blue Marble is aligned to the ethical standards of the Market Research Society
Drainage and Wastewater Management Plan Report	Clear research objectives to conduct deliberative research to understand customer opinions on drainage and wastewater issues, presented alongside background context on how this relates to wider PR24 business planning.	Participants were given opportunity to share unprompted solutions in addition to selecting from a set list of options to avoid bias. Select quotes have been chosen to support the interpretation of findings (including agreement or divergence between different customer types). A summary of questions/materials shown to participants was included as appropriate.	2-staged event where customers were first informed on drainage and wastewater issues, then invited back to share their informed views on a set of solutions to address these.	Participant sample breakdown provided with mix of socioeconomic status, life stages and water use types. In-depth interviews were also conducted with future and physically/financially vulnerable customers.	DJS Research is aligned to the ethical standards of the Market Research Society

INSIGHT SOURCE QUALITY

Quality of insight sources (2/3)

Document Title	Useful & Contextualised	Neutrally designed	Fit for purpose	Inclusive	Ethical
Hafren Dyfrdwy's Strategic Direction Statement Research	Clearly outlined research purpose to understand customer views on high level strategic direction of business plans and ambition level, as well as specific areas where discretionary investment could be included.	Questions are provided within the document, and it is clear these have been ordered and worded in order to avoid bias. Both questions and answers were moderated by the research agency. Participants could only view responses of others on the online community upon completion of their own tasks so their own view could not be swayed by input of others. Specific quotes also provided to support the interpretation of findings.	All participants attended a 1-hour webinar on Hafren Dyfrdwy's plans, followed by 3-day online community panel to provide their informed views on a range of questions as well as react to others' responses. Customers who already participated in a previous project on WRMP and were already familiar with the research approach were targeted to enable informed response and views.	Online approach appropriately used to reach the typically geographically-dispersed customer base of Hafren Dyfrdwy. Digitally-excluded customers were included via telephone interviews. Whilst no demographic breakdown is provided, as this project was a follow-on from WRMP research, this sample is based on the same customers pool.	Blue Marble is aligned to the ethical standards of the Market Research Society
PR24 Strategic Investment Research	Clearly stated research objectives to clearly understand customer opinions on 4 key investment areas, quantify levels of support for each and to measure acceptability of the full plan.	Questions are provided within the document and are clearly phrased appropriately to avoid bias. Data and quotes have been used to support the interpretation of findings. The differences between customer subgroups is also highlighted. To avoid fatigue, customers only saw 3 out of 4 investment plans in full. Water-only customers saw all plans relevant to them whilst Water and Waste customers saw 3 randomly allocated plans	To meet research objectives and evidence support for the strategic investment areas, the use of both qualitative and quantitative research is suitable. Qualitative research provided an in-depth understanding of customer views, which aided the design and interpretation of the quantitative survey which then established levels of support in the context of impacts on annual bills.	Demographic quotas were used to ensure representative sample of Hafren Dyfrdwy customers including household, non household and future customers. Face-to-face research was included to engage digitally-excluded and other hard to reach groups. A full breakdown of sample is also given.	Blue Marble is aligned to the ethical standards of the Market Research Society

INSIGHT SOURCE QUALITY

Quality of insight sources (3/3)

Document Title	Useful & Contextualised	Neutrally designed	Fit for purpose	Inclusive	Ethical
Common and Bespoke Performance Commitments: Report	Clearly stated research objectives to explore customer views on priorities for Hafren Dyfrdwy, opinions on common performance commitments and reactions to HD's proposed bespoke performance commitments.	Structure to the discussions and engagement is clear and customers were asked about their initial perceptions pre-stimulus to negate bias in discussions. Stimulus is provided within the report and is neutral in design.	The qualitative approach of focus groups and video depth interviews is appropriate to facilitate customer views, opinions and reactions.	Participants consisted of a range of ages, genders and SEG across locations in both water-only and dual service regions. Participants recruited to be broadly representative of the Hafren Dyfrdwy customer base Prospective participants were asked about remote and language preferences and whether they would prefer a Welsh language interview.	DJS is aligned to the ethical standards of the Market Research Society
PR24 Affordability Strategy Research: Full Report	Clearly stated research objectives and questions to understand issues around affordability and explore ways to address customers' needs.	Good context on cost of living provided to support the general affordability conversation. A range of quotes have been provided to support the interpretation of findings with reference to the questions asked.	The participant sample included customers with different types of financial vulnerabilities to ensure a range of views on affordability were considered. A mixed qualitative methodology including depth interviews enabled sensitive topics to be covered, such severe and long-term debt.	As a targeted piece of engagement for vulnerable customers, the engagement focuses on such customers and covers a range of types of vulnerability and scheme recipients. A demographic breakdown is provided, and it is clear a range of customers were engaged. The engagement also covers service areas containing both water-only and dual customers for further inclusivity. Interviews were offered in both English and Welsh language.	Qa Research is aligned to the ethical standards of the Market Research Society

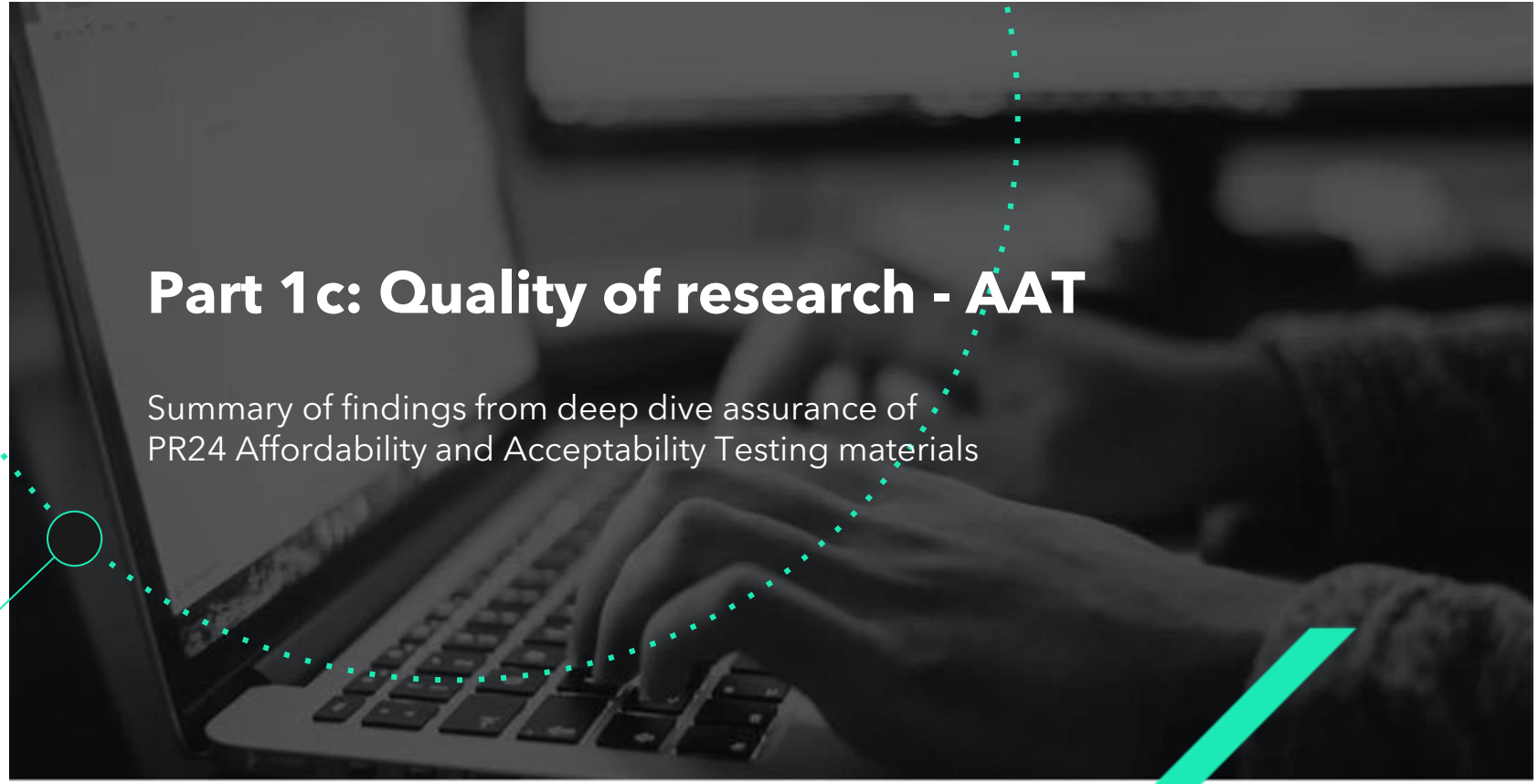
INSIGHT SOURCE QUALITY

PR24 Engagement Programme-wide criteria

Hafren Dyfrdwy's PR24 research programme has been assessed against the remaining criteria of Ofwat's standards for high quality research at the programme wide level:

Continual	Shared in full with others	Independently assured
To compliment the specific PR24 research undertaken to inform the business plan submission, there is clear evidence that Hafren Dyfrdwy's engagement programme includes a range of continual BAU insights gathering from customers. Moreover, they have demonstrated that the PR24 research has built upon key learnings and previous research from PR19.	Ofwat expects companies to demonstrate that research findings have been shared to as wide an audience as possible, including customers. As a part of the PR24 Welsh Forum, Hafren Dyfrdwy been regularly sharing materials and research findings with Welsh Water. With regards to sharing with customers and a wider audience, Hafren Dyfrdwy has published key relevant research documents on their website. We consider this additional step sufficient to fully meet this criteria, demonstrating transparency not just in terms of the results and conclusions of engagement, but also the methodology and materials used to carry out the research.	Hafren Dyfrdwy have commissioned Sia Partners to independently assure its customer engagement research against Ofwat's standards and best practice for high quality research. In Phase 1 & 2 (February & July 2023), we have reviewed the **quality** of customer research against Ofwat's minimum standards. In Phase 3 (August & September 2023), Sia Partners assessed the **use** of customer engagement to inform decision-making within the PR24 business plan, including the investment areas. Our assessment is provided on slides 32- 47.

INSIGHT SOURCE QUALITY



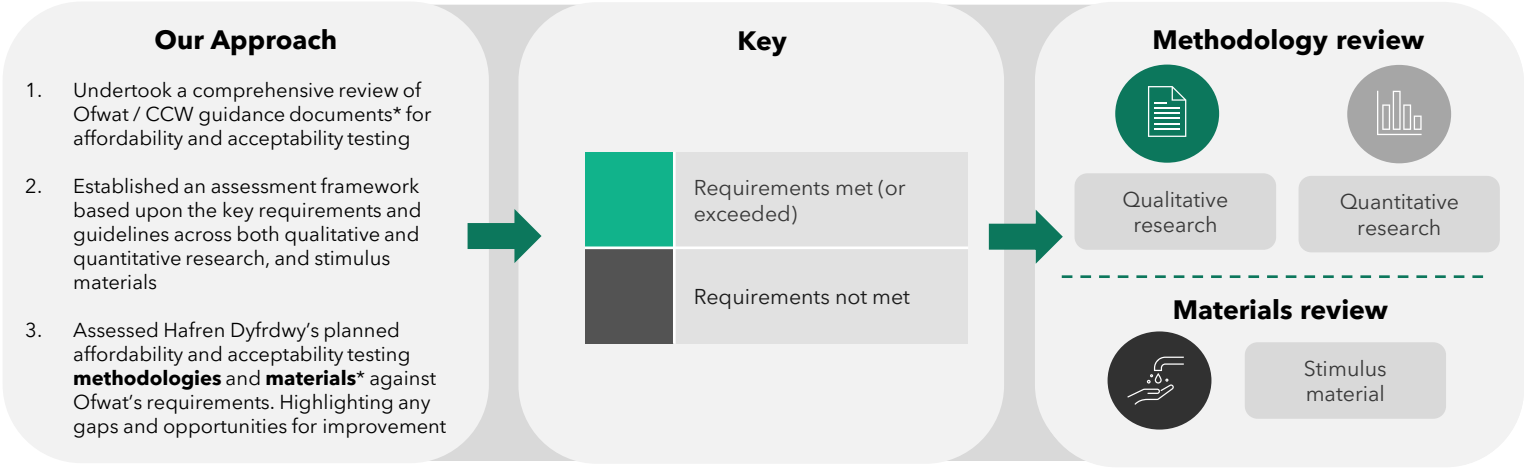
Part 1c: Quality of research - AAT

Summary of findings from deep dive assurance of PR24 Affordability and Acceptability Testing materials

Requirements and approach

In the summer of 2023, Hafren Dyfrdwy undertook acceptability and affordability testing (AAT) of its PR24 plan with both water-only and dual customers, for which Ofwat & CCWater (CCW) have provided prescriptive guidance for companies and their research partners to follow. As part of this process, Ofwat recommend '*each water company use its customer challenge and assurance arrangements as a platform for presenting their proposed approaches to the research, to show they have followed this guidance, including responding to any challenges that have been raised*'.

In order to support Hafren Dyfrdwy with this requirement, Sia Partners has undertaken an independent quality assurance review of Hafren Dyfrdwy's acceptability and affordability approach and materials for its business plan. This has included the review of Hafren Dyfrdwy's approach and materials, according to the methodology below:



*Full list of documents reviewed provided on slide 54

Key findings

Summary of findings:

- In Sia Partners' review of Hafren Dyfrdwy's affordability and acceptability testing qualitative approaches with both its water-only and dual customers delivered by Thinks Insight & Strategy and its quantitative approach by Explain Research we found **both approaches to fully meet Ofwat / CCW guidance** for affordability and acceptability testing across all criteria including method, time required, sample size & demographics, recruitment.

- In addition, the **pre-task and stimulus materials for both AATs reviewed to follow the prescribed structure and its content meets Ofwat guidelines.** All graphs and tables provided meet the requirements for showing comparable information.



Detailed findings from our review of the qualitative and quantitative methodology and materials can be found in Appendix B



Part 2: Assurance of the use of customer engagement evidence

Summary of findings

Executive Summary

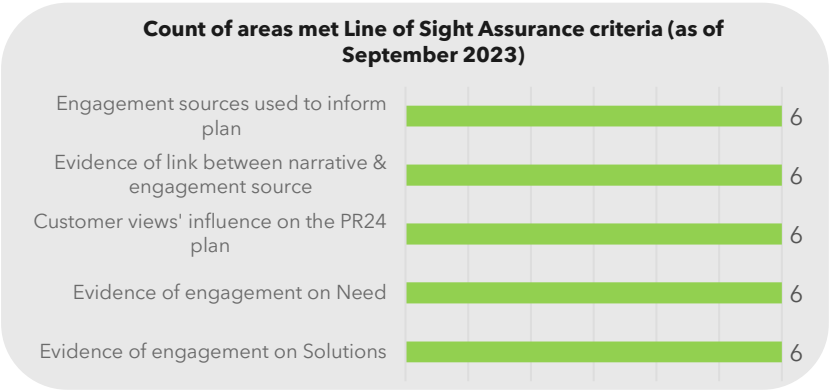
Summary of findings

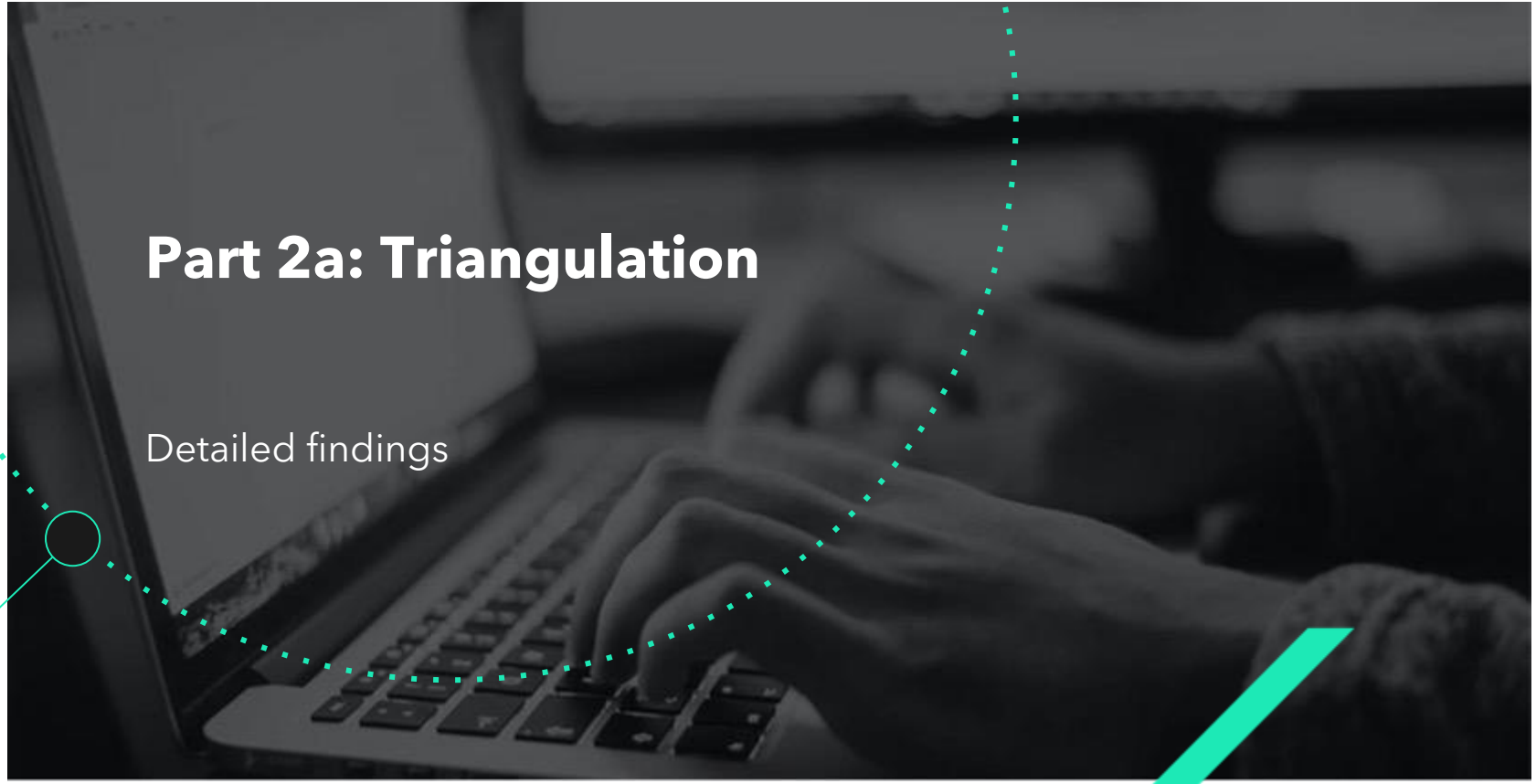
- Our review found that Hafren Dyfrdwy's **approach to triangulation as set out in Chapter 2: Customer Insight and Challenge meets CCW's recommendations for best practice**.
- The phased approach to triangulation is set out through the narrative and diagram covering steps 1-4, and complemented by the relative weighting and conclusion tables in the relevant line of sight appendices. This ensures transparency over how Hafren Dyfrdwy have made decisions based on a triangulated and synthesised customer evidence.
- Regarding line of sight, the narrative around the five key areas of the plan and Affordability strategy **is clearly derived from the sources specified and is well-articulated**. It evidently presents how customer views on the topic have been built on across the phases of engagement, and as a result, maintains **strong evidence supporting the need and solution** for investment cases.
- In addition, there is **clear evidence of customer influence on Hafren Dyfrdwy's PR24 business plan**. The headlines for how customers have shaped the plan is clearly outlined in the upfront Figure 1, and then further detailed in line of chapter appendices for the relevant key areas of the plan. The use of these '*What we have heard from customers and stakeholders, How this has shaped our plan*' allows for clear line of sight to be drawn between customer insight and AMP8 proposals.

See methodology on slide 35

CCW Criteria for Triangulation	RAG
Engagement and triangulation should be an ongoing process	
Triangulation should make use of a wide range of inputs, and these should not be solely engagement insight	
Triangulation should be informed by a transparent and consistent weighting framework	
Balanced decisions should be at the core of triangulation	
Validation of findings should make use of a wide range of datasets	
Companies should seek independent assurance of their process and outcomes.	

See methodology on slide 41





Part 2a: Triangulation

Detailed findings

Methodology / Triangulation

Sia Partners has conducted a review of the triangulation approach used by Hafren Dyfrdwy for the PR24 engagement programme using the criteria for triangulation set out by the CCW. We assessed Hafren Dyfrdwy's approach below against the criteria using a RAG system:

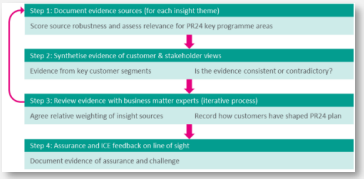
CCW Recommended Criteria
Engagement and triangulation should be an ongoing process
Triangulation should make use of a wide range of inputs, and these should not be solely engagement insight
Triangulation should be informed by a transparent and consistent weighting framework
Balanced decisions should be at the core of triangulation
Validation of findings should make use of a wide range of datasets
Companies should seek independent assurance of their process and outcomes.

Hafren Dyfrdwy's approach for triangulation taken from Chapter 2

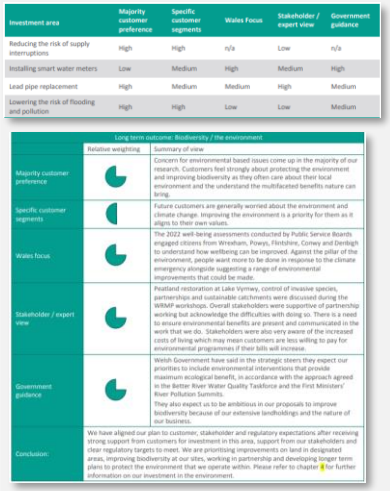


	Triangulation Approach RAG Key
	Clearly meets the requirements
	Satisfies the criteria with some room for improvement
	Does not sufficiently meet criteria and should look to be adapted

Detailed Findings / Triangulation (1/3)

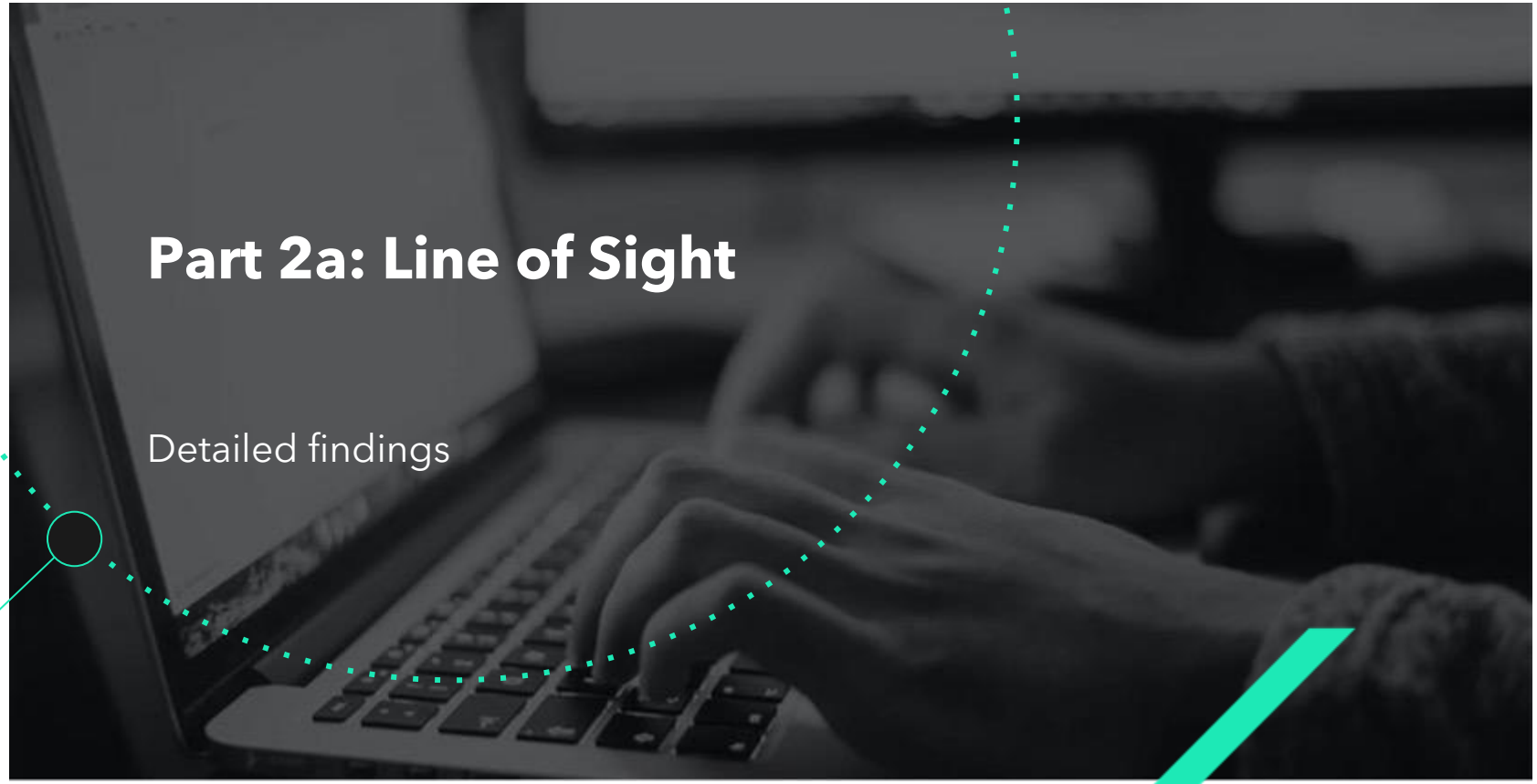
Area	RAG	Comments and recommendations
Engagement and triangulation should be an ongoing process		Hafren Dyfrdwy's approach to engagement is presented in the diagram upfront in Chapter 2 (as shown to the right) and illustrates how the customer engagement plan has been phased and continually refined. This is further supported by Figure 1.2.2 summary of customer research table which clearly sets out the phases of the engagement plan, type of research, objectives and number engaged for every event. Hafren Dyfrdwy underline the iterative nature of triangulation process in Figure 5.1.2, which shows the repeated process of documenting evidence sources for each insight theme, synthesising customer and stakeholder views and then review evidence with business matter expected, including agreeing the relative weighting of source and recording how this shapes the PR24 plan.  
Triangulation should make use of a wide range of inputs, and these should not be solely engagement insight		Hafren Dyfrdwy demonstrates the use of both BAU data and external inputs outside of engagement insight to strengthen their triangulation. They make use of third-party research, from bodies such as Welsh Government, Ofwat and CCWater. As an example, scientific research was used to inform a target to remove lead pipes from schools, despite there being no governmental statutory remit for this.

Detailed Findings / Triangulation (2/3)

Area	RAG	Comments and recommendations
Triangulation should be informed by a transparent and consistent weighting framework		Hafren Dyfrdwy have noted that there is a general consensus among customers and stakeholders across most areas, hence they undertake weighting in only areas with conflicting or grey insights. This weighting framework has been used for areas of the plan where there are conflicting views to aid decision making. This framework considers the extent to which 'majority customer preference', 'specific customer segments', 'stakeholder / expert view' , 'Wales and 'Government guidance' are a consideration. The accompanying text in this section provides an overview of the reasoning behind the weighting applied across 4 areas: reducing the risk of supply interruptions, installing smart meters, lead pipe replacement and lowering the risk of flooding and pollution. This detail is provided in the relevant section in Appendix A for these areas, in addition to a summary of views for each segment. As a result, Hafren Dyfrdwy provide a highly transparent view over their weighting of views, in addition to explanation over how this framework was reached across the areas. 
Balanced decisions should be at the core of triangulation		As detailed above, Hafren Dyfrdwy have considered the views of the key stakeholders across topics in order to reach a balanced decision. In addition, they have analysed views of specific customer segments, e.g. future customers, vulnerable customers (financially, health, wellbeing, communications), metered and unmetered customers, and those who will be disproportionately impacted by the decision (positively and negatively)

Detailed Findings / Triangulation (3/3)

Area	RAG	Comments and recommendations
☑ Validation of findings should make use of a wide range of datasets		Hafren Dyfrdwy have used a range of qualitative and quantitative research within the engagement programme, including a range of methodologies utilised such as online survey tools, quantitative modelling, deliberative workshops and forums, online communities, depth interviews and so on. This range of methodologies can be identified through the table of engagement provided.
🔍 Companies should seek independent assurance of their process and outcomes.		Hafren Dyfrdwy have used both their Independent Challenge Expert (ICE) and Sia Partners to independently assure their triangulation process and outcomes, as well as use of engagement to inform PR24 business plan. 



Part 2a: Line of Sight

Detailed findings

Demonstrating line of sight

Through its extensive engagement programme, Hafren Dyfrdwy have identified its customers' PR24 investment priorities and as a result, are proposing a number of key areas of the plan. We have therefore assessed Hafren Dyfrdwy's line of sight from customer insight to five key areas of the plan, where customer have a meaningful say on the need for investment or solution type (**in addition to its Affordability strategy**) as mapped below:

Outcome	Strategic Priorities	Key areas of the plan
Increase our abilities to source and deliver water to guarantee future water supplies	Future water supplies	Ensuring water is always there
	Supply reliability	A reliable water service
	Water quality	Replacing lead supply pipes
Help our customers to be more water conscious to ensure water is used wisely	Demand management	
Improve the resilience of our network to lower the risk of pollution	Waste network resilience	Lowering the risk of flooding and pollution
Adopt more sustainable practices to protect and enhance our environment	Sustainable practices	Protecting and enhancement the environment
Deliver a high quality, affordable service and support our most vulnerable customers	High quality service	
	Affordability	
	Support for vulnerable customers	
Work with communities to make a positive social difference	Community Impact	
Invest in our high performing culture to maintain a safe, inclusive and fair workplace		

Across the 5 key areas of the plan, we will assess the **1. synthesis of engagement**, including the link between engagement sources and the narrative given in the document, as well as **2. the evidence of use** of customer views to influence the plan. Finally, as per Ofwat requirements for enhancement spend, we will assess the **3. evidence of customer testing of the Need and Solution**

Methodology / Line of Sight

Based on Ofwat's requirements, Sia Partners has assessed Hafren Dyfrdwy's use of customer engagement in their line of sight appendices covering the 5 key areas of the plan and Affordability strategy. Our review of the line of sight appendices used the following criteria:

Area	Criteria	Question(s)
1. Synthesis of engagement	Engagement sources	Is there a range of sources from which the insight narrative is built?
	Evidence of link between narrative & engagement source	Is the insight narrative provided by Hafren Dyfrdwy an accurate representation of the engagement evidence in the respective sources?
2. Demonstrating use	Evidence of customer views' influence on the PR24 plan	Is it clear that customer priorities and views have informed and shaped the proposal? If the proposals go against customer views, is there a clear rationale why?
3. Evidence views on strategic investment*	Evidence of engagement on Need	Is there evidence of customer support for the Need for this investment?
	Evidence of engagement on Solutions	Where appropriate, have potential solutions been tested?

*For Investment areas only

Across these criteria, we have used the below approach:

	Line of Sight approach RAG Key
	Clearly meets the requirements
	Satisfies the criteria with some room for improvement
	Does not sufficiently meet criteria and should look to be adapted

Detailed findings / Ensuring water is always there

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • NHH Tracker • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Insight and Challenge, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	Hafren has stated that they do not expect any future supply demand deficit in the short term. Therefore, the engagement undertaken in the development of the PR24 business plan has been focussed on other areas within guarantee future water supplies which customers can influence the plan, such a leakage and smart metering rollout. The table and surrounding detailed insight clearly outlines that reducing leakage is a high priority for customers leading to Hafren Dyfrdwy's leakage reduction plans of ~10%. It is also evident that customers have also shaped Hafren Dyfrdwy's plans for smart metering. Due to their mixed views on smart meters, Hafren focuses on how this will benefit customers, especially in relation to leakage, which customers see as a high priority.	There is clear evidence of the Need surrounding leakage reduction from Hafren Dyfrdwy's customers. The engagement identified that their customers feel substantially emotive and negative about leakage and want to see this area prioritised. Regarding smart metering, the evidence shows customers initially have mixed support surrounding smart meters, but once educated on the benefits they bring, they feel more positive.	Across the detailed insight, it is evident that engagement with customers on solutions has been undertaken, and that customers have been sufficiently informed to make informed choices. The detailed insight shows the majority of customers, when tested with costs, want to see leaks reduced irrespective of the costs due to the long-term savings and environmental benefits. Regarding smart metering, in the Acceptability and Affordability testing, customers strongly believed that smart meters should be targeted to those who would benefit the most and those who want them.

Detailed findings / A reliable water service

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • NHH Tracker • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Insight and Challenge, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	From the engagement, it is evidence that customers place a high priority on a reliable water source, and this is clearly reflected in Hafren Dyfrdwy's proposals to invest in asset health and day-to-day resilience to reduce the length of supply interruptions.	The engagement clearly shows that reducing the risk of supply interruptions is a high priority from customers, however this can feel less tangible or relevant if they have not faced a supply interruption personally. Even if this is the case, those unaffected still highlight concern for those who are in vulnerable circumstances. This is a particularly tangible concern for non-household customers who link supply interruptions to a loss of business and cannot imagine their businesses without a regular supply of water.	There is evidence of engagement on the solution as Hafren Dyfrdwy have tested customer preferences on level and pace of investment. The detailed insight shows that the majority of customers want to see investment in this area but are split in terms of how much to invest and on the fairness. There is no clear preference in terms of the pace of the investment. Those who have been impacted by supply interruptions personally are more likely to want the highest level of resilience, and those who are financially stretched are more likely to choose a lower level due to the lower cost.

Detailed findings / Lead supply pipe replacement

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • NHH-Tracker • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Insight and Challenge, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	Due to deliverability limitations and high relative weighting of expert views, Hafren Dyfrdwy are aligning to the Welsh Gov Lead Free Wales 2050, and aim to protect a minimum of 545 (up to 2000) properties, which includes schools.	There is clear evidence of engagement of Need within this area. Customers have stated that lead supply pipe replacement is an area of the PR24 plan in which they value significantly and are particularly supportive of schools being prioritised. However, once further information and cost is provided, nearly half of customers agree it's important to keep bills as low as possible than invest in lead supply replacement.	It is evident from the detailed insight that engagement on customers views on pace, scale and responsibility has been undertaken, although to a lesser extent than other areas, e.g. customers are supportive of schools being prioritised.

Detailed findings / Protect and improve environment

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Insight and Challenge, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	There is evidence of Hafren Dyfrdwy incorporating customer views into the PR24 plan. As an example, Hafren Dyfrdwy plan to create further units of biodiversity through its works at Lake Vyrnwy in response to customer insight that protecting the environment is a high priority for customers.	Across the engagement sources, it is evident that protecting the environment is a high priority for customers and that they support investment in both improvement in biodiversity and reducing storm overflow activations. Customers, unprompted, describe how much they like spending time outdoors and how much they value the environment. Driven by awareness from the media, customers have shown concern about overflows, and the impact on rivers. Therefore, customers have stated that they would like Hafren Dyfrdwy to invest in this area to reduce activations.	Customers' views on different solutions have been discussed in the engagements. Specifically, Customers views on level of investment surrounding biodiversity show that over a two thirds of customers want Hafren Dyfrdwy to go beyond investing on low cost 'quick win' biodiversity improvements, such as investing with more tree and hedgerow planting and working with other organisation to give the public access to biodiversity projects on publics lands.

Detailed findings / Lowering the risk of flooding and pollution

1. Synthesis of engagement		2. Demonstrating use	3. Evidence views on strategic investment	
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan	Evidence of engagement on Need	Evidence of engagement on Solutions
A wide range of sources across all phases of engagement have been used to inform this view: • Strategic direction research • Household trackers • NHH-Tracker • Strategic investment choices – including ambition elements of LTDS • Specific customer groups • PR24 Affordability and Acceptability Testing • Third party research – • Overall understanding of priority	In addition to the review of Hafren Dyfrdwy's Chapter 2: Customer Insight and Challenge, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	Insight from engagement on the DWMP shows that customers feel that investing in the sewerage system is important and urgent, but there is less support once customers are presented with costs. Due to low willingness to support a costly investment, Hafren Dyfrdwy are proposing the statutory waste plan and will further assess any major upgrades to identify the optimal solution.	Throughout engagement, it is evident that customers are concerned about climate change and the impact on the environment. When tested, customers want to see Hafren Dyfrdwy invest to reduce the risk of sewer flooding and pollution. However, when paired with costs, preferences over the size and pace of investment are mixed and there is less support.	Engagement over customer preferences on solutions to lower the risk of flooding and pollution are unambiguous. Testing over size and pace of investment has been undertaken, in addition to type of solutions utilised. Customers prefer investment in long term sustainable options but accept short term solutions for immediate or urgent situations. Customers might be willing to invest more now to prevent problems in the future, if this delivers wider environmental and long-term benefits Prioritisation exercises undertaken enable customers to rank the potential drainage solutions, who cited sustainable drainage, sewer separation and sewer repairs highest.

Detailed findings / Affordability Strategy

1. Synthesis of engagement		2. Demonstrating use
Engagement sources used to inform plan	Evidence of link between narrative & engagement source	Customer views' influence on the PR24 plan
A wide range of sources across all phases of engagement have been used to inform this view: • Household customer satisfaction tracker surveys • Qualitative affordability research • Social tariff cross subsidy research • Interviews with affordability experts	In addition to the review of Hafren Dyfrdwy's Affordability Strategy and Affordability research chapter, Sia Partners has reviewed the majority of the original engagement source documents. Direct quotes and graphics from engagement documents have also been utilised throughout the narrative. Hence, there is clear evidence that the engagement sources have guided the narrative.	In its Affordability Strategy and accompanying Affordability research chapter, it is evident that Hafren Dyfrdwy has taken a range of customer engagement and data into consideration when developing the Affordability Strategy. As an example, across the engagement, there is clear increased need for financial support due to cost of living crisis. Accordingly, Hafren Dyfrdwy have engaged with its customers about the affordability schemes that they currently pursue or plan to purse. This insight shows that bill discounts to those struggling make a substantial difference and as a result, Hafren Dyfrdwy are targeting an increase of 8.2% share of customers supported by social tariffs, up from 3.7% last year.



Appendix A

Part 1: Assurance of overall engagement programme quality

List of documents reviewed

Document Title	Research Agency	Date	Included in assessment
Water Resources Management Planning Customer Debrief	Blue Marble	Jun-22	a, b, c
Drainage and Wastewater Management Plan Report	Djs Research	Apr-21	a, b, c
Hafren Dyfrdwy's Strategic Direction Statement Research	Blue Marble	Jul-22	a, b, c
PR24 Strategic Investment Choices Research	Blue Marble	Jan-23	a, b, c
Non-household customer tracker report	Djs Research	Sep-22	a, b only
Customer Satisfaction Survey (2021-2022) tracker report	Beaufort Research	Nov-22	a, b only
Common and Bespoke Performance Commitments: Report	Djs Research	Apr-23	a, b, c
PR24 Affordability Strategy Research: Full Report	Qa Research	Undated	a, b, c

Topics for Assurance

Based on Hafren Dyfrdwy's strategic priorities and topics identified, Sia Partners has assessed the level of coverage against the below 10 categories.

Area	Strategic priority	Topic
Water	Increase our abilities to source and deliver water to guarantee future water supplies	Future water supplies
		Supply reliability
		Water quality
	Help our customers to be more water conscious to ensure water is used wisely	Water efficiency / Demand management
Waste	Improve the resilience of our network to lower the risk of flooding and pollution	Waste network resilience
Environment	Adopt more sustainable practices to protect and enhance our environment	Sustainable practices
Customer Service	Deliver a high quality, affordable service and support our most vulnerable customers	High quality service
		Affordability
		Support for vulnerable customers
Communities	Work with our communities to make a positive social difference	Community Impact
	Invest in our high performing culture to maintain a safe, inclusive and fair workplace	Not assessed under this assurance

Methodology for robustness scoring per topic

Criteria for engagement robustness score

Score	Insight source scoring		
	Methodologically sound	**Rigorously gathered**	**Credibly interpreted**
1	Limited or no methodology, unplanned with no aim or objective.	Limited discussion of data collection technique, who collected the data, or the procedure for recording differing opinions.	Lack of credible interpretation with potential for bias. Limited or no discussion of feedback points in the conclusion.
2	Some aims of engagement, but limited discussion of sampling, knowledge levels and stakeholder backgrounds.	Some discussion of data collection and the methods. Limited depth of feedback and range of opinions.	Some link and discussion of the engagement details in the event report, including some differing views.
3	Clear aims, sound sampling methodology and consideration of barriers to inclusion.	Thorough discussion of data collection procedures, noted a range of perspectives and extensive detail of feedback.	Engagement work interpreted accurately and fairly with detailed outline of all perspectives and issues discussed.

Criteria for engagement breadth & depth

Score	Sources covering topic	Volume of customers / stakeholders*	Contributory score
1	Topic is covered in a low number of events	The number of customers / stakeholders engaged is significantly low based on chosen methods of engagement	Vague, high-level feedback with only a tangential relevance to the topic in question.
2	Topic is covered in several events but not always directly	Insufficient number of participants for the chosen engagement methods	Feedback not necessarily fully aligned to the topic and only provides a limited insight and thus moderately useful.
3	Topic is well covered across several events	Sufficient number of participants for the chosen engagement methods	Specific, clear and relevant information with clear link to the topic discussed. High value added.

Criteria for coverage score

Score	Segment coverage	Regional coverage
1	Single or narrow range of customer groups have been engaged with and have provided their views on this topic	No breakdown provided of the number of customers or stakeholders engaged across each of Hafren Dyfrdwy's regions to demonstrate a representative sample
2	Most of the relevant customer groups have been engaged with and have provided their views on this topic	Breakdown provided of number of customers or stakeholders from Hafren Dyfrdwy's region, but a representative sample has not been achieved
3	All relevant customer groups have been engaged with and have provided their views on this topic	Clear breakdown of the number and views of customers or stakeholders engaged across each of Hafren Dyfrdwy's regions, with a representative sample being achieved

*Score is dependent on whether the number of participants is suitable for the type of engagement undertake e.g. a high-level online survey with fewer than 50 participants would score a 1, whereas in-depth focus groups or panels with 50 participants would score a 3 here.

INSIGHT SOURCE QUALITY

Ofwat's PR24 engagement standards

A summary of Ofwat's principles of engagement and minimum standards for high-quality research, customer challenge and assurance of customer engagement

High quality engagement

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

To achieve this, water company research should be:

- Useful and contextualised
- Neutrally designed
- Fit for purpose
- Inclusive
- Continual
- Independently assured
- Shared in full with others
- Ethical

Customer challenge

Customers/representatives must be able to challenge ongoing performance, business plans and long-term delivery strategies…and provide feedback on what issues matter to them, views on company activities, and comment on how well plans reflect their needs, priorities and preferences.

Ofwat expect evidence of customer challenge to demonstrate the following:

- Independence
- Board accountability
- Ongoing
- Informed
- Transparent
- Representative
- Comprehensive
- Timely

Assurance of customer engagement

Ofwat expect company boards to provide assurance of the quality of customer engagement and that customers' views have been taken account of in business plans and long-term delivery strategies.

Ofwat expect evidence of the assurance of the quality and use of customer engagement in business plans and long-term delivery strategies to be:

- Independent
- Transparent
- Expert
- Comprehensive
- Board ownership

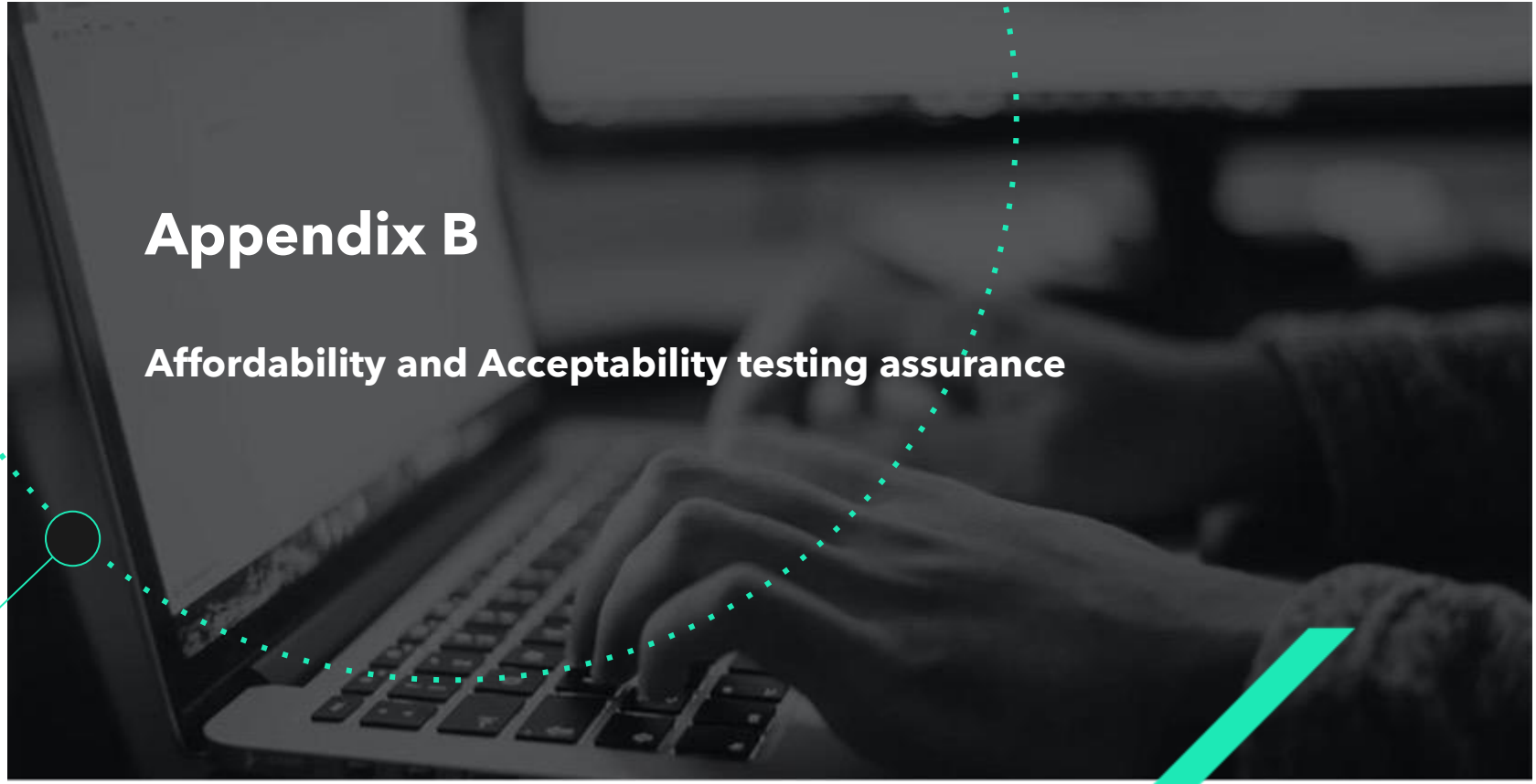
Principles of customer engagement

Ofwat expect companies to put current and future customers at the heart of the way that they run their businesses. Ofwat still consider 'customers' as being the end users, that is residential and business users of water and wastewater services

The following principles provide clarity on high-level expectations of what good quality engagement looks like both to inform the price review and ongoing business decisions:

- **Principle 1:** the right outcomes at the right prices, at the right time
- **Principle 2:** two-way and ongoing engagement: listening and talking
- **Principle 3:** meaningful and high-quality engagement
- **Principle 4:** customize and provide context
- **Principle 5:** use of multiple sources of customer data
- **Principle 6:** understand current and future customers
- **Principle 7:** consistency and comparability
- **Principle 8:** protecting customers' interests

Ofwat PR24 Final Methodology: *https://www.ofwat.gov.uk/publication/creating-tomorrow-together-our-final-methodology-for-pr24/*
Ofwat PR24 Customer Engagement position paper: https://www.ofwat.gov.uk/wp-content/uploads/2022/02/PR24-customer-engagement-policy.pdf

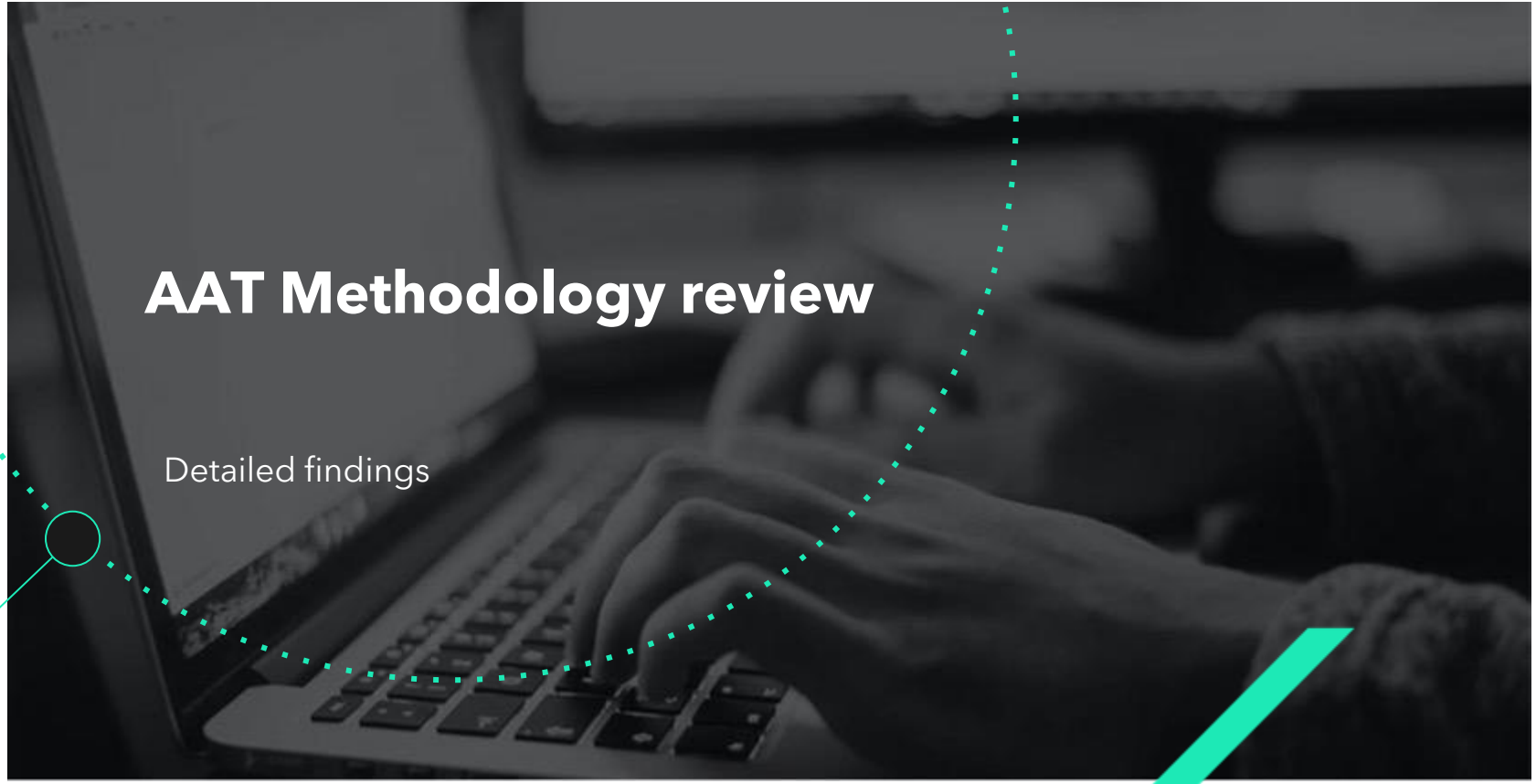


Appendix B

Affordability and Acceptability testing assurance

List of documents reviewed in Acceptability and Affordability Testing Assurance

Document Name
Welshpool HH pre task slides
Welshpool HH workshop slides
Welshpool NHH IDI slides
Welshpool NHH workshop slides
Wrexham HH IDI slides
Wrexham HH pre task slides
Wrexham HH workshop slides
Wrexham NHH IDI slides
Wrexham NHH workshop slides



AAT Methodology review

Detailed findings

Qualitative research for household customer (bill-payers and future bill payers)

Criteria	Ofwat requirements or guidelines	Water and sewerage customers	Water-only customers	Guidance met
Approach	Deliberative discussion (either online or face-to-face), with pre and post tasks	Deliberative discussion with pre and post tasks		✓
Time required	3+ hours	3.5 hours	3 hours	✓
Sample size	48	44 household customers including 11x health vulnerable and 3x on Here2Help scheme Overall quota is met through exceeding NHH quota		✓
Sample demographics	• Should include good sample of those eligible for and/or on the Priority Services Register, eligible for and/or on financial support tariffs, and people with other health vulnerability. • Should include low-income households and households which are just about managing	Included, as above		✓
Recruitment	Either: • Complete use of customer database or; • Combination of company customer lists backed up by traditional recruitment methods where needed	Recruitment method was a mix of: • contacting customers via email / letter (from a random extract from the customer database surrounding each location), inviting them to complete a screening Microsoft Forms if they were interested and able to take part in the research, with subsequent screening by Thinks (to ensure we had a suitable mix of participants) • free find to top up this recruitment.		✓

Qualitative research for household customer (financially vulnerable bill-payers)

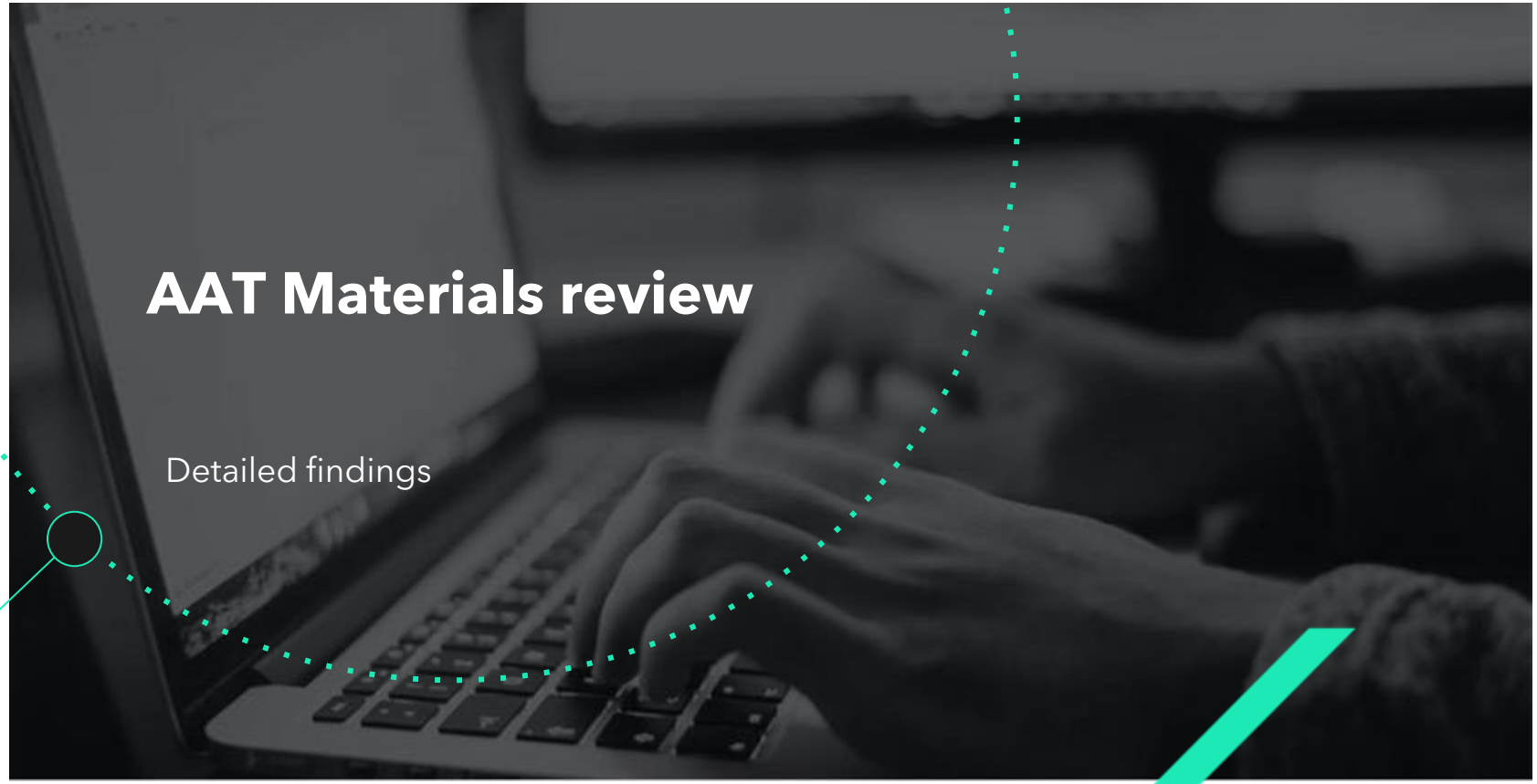
Criteria	Ofwat requirements or guidelines	Water and sewerage customers	Water-only customers	Guidance met
Approach	In-depth interviews or paired in-depth interviews or triad in-depth interviews (which can be assisted)	In-depth interviews		✓
Time required	1 hour	1.5 hours	75 mins	✓
Sample size	8 Low-income customers	8 financial vulnerable customers		✓
Sample demographics	• Should include good sample of those eligible for and/or on the Priority Services Register, eligible for and/or on financial support tariffs, and people with other health vulnerability. • Should include low income households and households which are just about managing	Included, as above		✓
Recruitment	Either: • Complete use of customer database or; • Combination of company customer lists backed up by traditional recruitment methods where need	Recruitment method was a mix of: • contacting customers via email / letter (from a random extract from the customer database surrounding each location), inviting them to complete a screening Microsoft Forms if they were interested and able to take part in the research, with subsequent screening by Thinks (to ensure we had a suitable mix of participants) • free find to top up this recruitment. Hafren Dyfrdwy also provided Thinks with an extract of Here to Help customer list for targeted recruitment of those on social tariff.		✓

Qualitative research for non-household customers

Customer type	Criteria	Ofwat requirements or guidelines	Water and sewerage customers	Water-only customers	Guidance met
Micro-organisations with less than 10 employees	Approach	Deliberative discussion (either online or face-to-face)	Deliberative discussion		✓
	Time required	3+ hours	3 hours	2.5 hours	✓
	Sample size	8	23		✓
	Sample Firmographic	No prescribed range	No detail provided		✓
	Recruitment	• Customer lists such as Dunn and Bradstreet	Hafren Dyfrdwy provided Thinks with an extract of their NHH customers		✓
Small to large organisations with 10 or more employees	Approach	In-depth interviews or paired in-depth interviews of triad in-depth interviews (either online or face-to-face)	In-depth interviews		✓
	Time required	1 hour	75 mins	75 mins	✓
	Sample size	4	8		✓
	Sample Firmographic	No prescribed range	No detail provided		✓
	Recruitment	As above	As above		✓

Quantitative research for household and non-household customers

Customer type	Criteria	Ofwat requirements or guidelines	Hafren Dyfrdwy approach	RAG Score + Action
Household customers	**Sample size**	500 household customers	520 household customers	✓
	Recruitment	• Proportional to geographical area • Areas of higher deprivation should be proportionally higher than population to ensure representation	• Random sample of customers extracted from billing database • Hafren Dyfrdwy utilised ACORN data (comprising of a combination of geographical, demographic, behaviour characteristics and customer data) to ensure oversampling in areas of higher deprivation (the breakdown of which provided to Sia Partners in supporting document)	✓
Non-household customers	**Sample size**	50 non-household customers	50 non-household customers	✓
	Recruitment	No prescribed mode	• Business customer panel	✓



AAT Materials review

Detailed findings

Stimulus material – household customers (1/3)

It should be noted the materials used for water-only customers and dual service customers were identical in structure and format, other than the water-only AAT excluded any sewerage plans.

Section Ref	Section content	Ofwat guidelines	Hafren Dyfrdwy material	Guideline met
Pre-task A	**Map of water companies in England and Wales**	The aim of presenting this to participants is to make them aware: • about how many companies there are in the water sector • that some provide water services only (WoCs) and some provide water and wastewater services (WaSCs) that some households will have two separate suppliers (i.e. a WoC and a WaSC) • where their company/companies fit into this, e.g. if they provide one or both services	• Map clearly presenting water and sewerage companies across England and Wales • Clear explanation of Hafren Dyfrdwy as providing water and sewerage services in Mid Wales and water only in North Wales	✓
Pre-task B	**A map of the areas served by the commissioning water company**	The aim of presenting this to participants is to make them aware: • of the scale of a water company's services; the map should include the number of household water/wastewater connections and/or the size and diversity of the population (household and non-household) served in the water company area	• Map of service area, demarcated with type of customers (Water-only and dual customers) • Number of customers provided	✓
Pre-task C	**An explanation of the role of research with customer in PR24**	Prescribed wording	• Prescribed wording used	✓
Pre-task D	**A high-level explanation of what the water company does**	This prescribed content aims to make participants aware of: • the various services provided by their water company • the framework within which these services are provided, such as environmental and other statutory requirements	• Diagram explaining Hafren Dyfrdwy's operations in water and waste	✓

Stimulus material – household customers (2/3)

Section Ref	Section content	Ofwat guidelines	Hafren Dyfrdwy material	Guideline met
Pre-task E	**An explanation of how the water company performance is monitored**	Prescribed wording and content	• Prescribed content used • Explanation around penalties and rewards • How Hafren Dyfrdwy performed in 2021/22 in penalties and rewards	✓
Pre-task F	**Comparative company performance on key performance commitments**	Prescribed wording and formatting (in accompanying '*Showing comparable information*' document) on 6 specific PCs	• Prescribed wording and formatting used on 3/6 prescribed PCs • Further additional information provided to aid customers understanding	✓
Pre-task G	**An explanation about what customer's water bills pay for**	• Prescribed breakdown of business costs/finances based on what £1 of the average water and sewerage bill covers • Optional breakdown of how money currently spent of water and wastewater services splits out across different service aspects	• Breakdown of £1 of average water and sewerage bill, clearly explaining split across service aspects: energy, paying taxes, rates and license, people and materials, maintaining equipment, building new assets, interest on borrowing, performance incentives	✓
Pre-task H	**An engaging summary of the company's proposed business plan**	It should show the proposed business plan performance levels for the common performance commitments set out in Section F. Where the discretionary proposals are in addition to a statutory 'must do' requirement, it should be as clear as possible where the dividing line between the two is. It will also include up to six proposed service enhancements that are the biggest drivers of changes in bills and where there is flexibility in when and/or how they are delivered so that the bill impact can be spread in different ways from 2030 – 2050. The enhancements included in this summary will be subject to deliberation about phasing and inter-generational fairness.	• Plan on a page covers key headlines of AMP8 plan, the performance targets of 3/6 prescribed common PCs and an overview of 3/5 key investment areas set out • Statutory vs discretionary elements are explained clearly across investment areas • Bill phasing explained for all plans tested and clear explanation about impact of inflation	✓

Stimulus material – household customers (3/3)

Section Ref	Section Name	Ofwat guidelines	Hafren Dyfrdwy material	RAG Score + Action
5	**Focus on long-term picture to 2050**	• Introduce the longer-term strategic direction and explore views on what the company is aiming for, including challenges, longer-term services, and direction of travel for bills. • Introduce the concept of phasing – that the timing and delivery of some of the things in water company plans can be phased in different ways – to return to this later.	• Introduction to Hafren Dyfrdwy's Strategic Direction Statement and long-term priorities to 2050 and identified challenges ahead	✓
7	**Focus on shorter-term picture (proposed business plan)**	• It should identify what is statutory (must do) and what is discretionary and any grey areas on this. • It should present the proposed bill change based on the average household bill but explain that people will see a personal bill prediction later on for them to respond to • It should present the phasing of enhancements (prescribed content for visual stimulus)	• Clear split over statutory and discretionary and the explanation behind this • Bill impact provided per scheme • Phasing of bill impacts, including inflation and explanation behind inflation	✓
8	**Shorter-term picture (least cost 'must-do')**	• Present business plan based on statutory elements to meet statutory requirements • Should present the proposed bill change based on the average household bill but explain that people will see a least cost personal bill prediction	• As above	✓

Stimulus material – non-household customers (1/3)

Section Ref	Section content	Ofwat guidelines	Hafren Dyfrdwy material	Guidance met
Pre-task A	**Map of water companies in England and Wales**	The aim of presenting this to participants is to make them aware: • about how many companies there are in the water sector • that some provide water services only (WoCs) and some provide water and wastewater services (WaSCs) that some households will have two separate suppliers (i.e. a WoC and a WaSC) • where their company/companies fit into this, e.g. if they provide one or both services	• Map clearly presenting water and sewerage companies across England and Wales • Clear explanation of Hafren Dyfrdwy as a WaSC and WoC in different regions	✓
Pre-task B	**A map of the areas served by the commissioning water company**	The aim of presenting this to participants is to make them aware: • of the scale of a water company's services; the map should include the number of household water/wastewater connections and/or the size and diversity of the population (household and non-household) served in the water company area	• Map of service area, demarcated with type of customers (Water-only and dual customers) • Number of customers provided	✓
Pre-task C	**An explanation of the role of research with customer in PR24**	Prescribed wording	• Prescribed wording used	✓
Pre-task D	**A high-level explanation of what the water company does**	This prescribed content aims to make participants aware of: • the various services provided by their wholesale water/wastewater company • the framework within which these services are provided, such as environmental and other statutory requirements	• Diagram explaining Hafren Dyfrdwy's operations in water and waste	✓

Stimulus material – non-household customers (2/3)

Section Ref	Section content	Ofwat guidelines	Hafren Dyfrdwy material	Guidance met
Pre-task E	**An explanation of how the water company performance is monitored**	Prescribed wording and content	• Prescribed content used • Explanation around penalties and rewards • How Hafren Dyfrdwy performed in 2021/22 in penalties and rewards	✓
Pre-task F	**Comparative company performance on key performance commitments**	Prescribed wording and formatting (in accompanying '*Showing comparable information*' document) on 6 specific PCs	• Prescribed wording and formatting used on 3/6 prescribed PCs • Further additional information provided to aid customers understanding	✓
Pre-task G	**An explanation about what customer's water bills pay for**	• Prescribed breakdown of business costs/finances based on what £1 of the average water and sewerage bill covers • Optional breakdown of how money currently spent of water and wastewater services splits out across different service aspects	• Breakdown of £1 of average water and sewerage bill, clearly explaining split across service aspects: energy, paying taxes, rates and license, people and materials, maintaining equipment, building new assets, interest on borrowing, performance incentives	✓
Pre-task H	**An engaging summary of the company's proposed business plan**	It should show the proposed business plan performance levels for the common performance commitments set out in Section F. Where the discretionary proposals are in addition to a statutory 'must do' requirement, it should be as clear as possible where the dividing line between the two is. It will also include up to six proposed service enhancements that are the biggest drivers of changes in bills and where there is flexibility in when and/or how they are delivered so that the bill impact can be spread in different ways from 2030 – 2050. The enhancements included in this summary will be subject to deliberation about phasing and inter-generational fairness.	• Plan on a page covers key headlines of AMP8 plan, the performance targets of 3/6 prescribed common PCs and an overview of 3/5 key investment areas set out • Statutory vs discretionary elements are explained clearly across investment areas • Bill phasing explained for all plans tested and clear explanation about impact of inflation	✓

Stimulus material – non-household customers (3/3)

Section Ref	Section Name	Ofwat guidelines	Hafren Dyfrdwy material	Guidance met
5	**Focus on long-term picture to 2050**	• Introduce the longer-term strategic direction and explore views on what the company is aiming for, including challenges, longer-term services, and direction of travel for bills. • Introduce the concept of phasing – that the timing and delivery of some of the things in water company plans can be phased in different ways – to return to this later.	• Introduction to Hafren Dyfrdwy's Strategic Direction Statement and long-term priorities to 2050 and identified challenges ahead	✓
7	**Focus on shorter-term picture (proposed business plan)**	• It should identify what is statutory (must do) and what is discretionary and any grey areas on this. • It should present the proposed bill change based on the average household bill but explain that people will see a personal bill prediction later on for them to respond to • It should present the phasing of enhancements (prescribed content for visual stimulus)	• Clear split over statutory and discretionary and the explanation behind this • Bill impact provided per scheme • Phasing of bill impacts, including inflation and explanation behind inflation	✓
8	**Shorter-term picture (least cost 'must-do')**	• Present business plan based on statutory elements to meet statutory requirements • Should present the proposed bill change based on the average household bill but explain that people will see a least cost personal bill prediction	• As above	✓

STIMULUS MATERIAL

Stimulus material – financially vulnerable customers (1/3)

Section Ref	Section content	Ofwat guidelines	Hafren Dyfrdwy material	Guidance met
Pre-task A	**A map of the areas served by the commissioning water company**	The aim of presenting this to participants is to make them aware: •of the scale of a water company's services; the map should include the number of household water/wastewater connections and/or the size and diversity of the population (household and non-household) served in the water company area	• Map provided clearly illustrates the water companies across England and Wales, as well as which Hafren Dyfrdwy is.	✓
Pre-task B	**An explanation of the role of research with customer in PR24**	Prescribed wording	• Map of Hafren Dyfrdwy's service area and provision of number of customers clearly illustrates the extent of the company's services	✓
Pre-task C	**A high-level explanation of what the water company does**	This prescribed content aims to make participants aware of: • the various services provided by their water/wastewater company • the framework within which these services are provided, such as environmental and other statutory requirements	• Prescribed wording used	✓
Pre-task D	**An explanation of how the water company performance is monitored**	Prescribed wording and content	• Clear definition of Hafren Dyfrdwy's key core service as well as regulatory and financial context	✓

ST Classification: UNMARKED

Stimulus material – financially vulnerable customers (2/3)

Section Ref	Section content	Ofwat guidelines	Hafren Dyfrdwy material	Guidance met
Pre-task E	**Comparative company performance on aspects of Priority Services, social tariffs**	As relevant to the proposal for services for vulnerable customers, for example, awareness or uptake, as relevant to the proposal; if comparative company performance data is not available, the company should provide the relevant company service context which has informed the development of the business plan proposal	• Prescribed wording and content on penalties, rewards and recent performance on prescribed 3/6 common PCs as in household customer AAT guidance	✓
Pre-task F	**Business plan proposal for service aimed at people with health and financial vulnerabilities**	No prescribed guidance	• Includes outline to general water company support, overview of 8 schemes which will continue to be offered in 2025-2030 to those struggling to pay their bill, ways in which Hafren Dyfrdwy promotes affordability support, recent announcements and PSR services	✓
Pre-task G	**An explanation about what customer's water bills pay for**	• Prescribed breakdown of business costs/finances based on what £1 of the average HH bill covers • Visual breakdown of how money currently spent of water and wastewater services splits out across different service aspects	• Prescribed breakdown of £1 of water and sewerage bill pays for – energy, taxes, rates and licenses, people and materials, maintaining equipment, building new assets, interest on borrowing, return to equity investors, performance incentives	✓
Pre-task H	**An engaging summary of the company's proposed business plan**	It should show the proposed business plan performance levels for the common performance commitments set out in Section F. Where the discretionary proposals are in addition to a statutory 'must do' requirement, it should be as clear as possible where the dividing line between the two is. It will also include up to six proposed service enhancements that are the biggest drivers of changes in bills and where there is flexibility in when and/or how they are delivered so that the bill impact can be spread in different ways from 2030 – 2050. The enhancements included in this summary will be subject to deliberation about phasing and inter-generational fairness.	• Plan on a page covers key headlines of AMP8 plan, the performance targets of 3/6 prescribed common PCs and an overview of 3/5 key investment areas set out • Statutory vs discretionary elements are explained clearly across investment areas • Bill phasing explained for all plans tested and clear explanation about impact of inflation	✓

STIMULUS MATERIAL

Stimulus material – financially vulnerable customers (3/3)

Section Ref	Section Name	Ofwat guidelines	Hafren Dyfrdwy material	Guidance met
7	**Focus on proposals in the proposed business plan for services aimed at people with health and financial vulnera bilities**	No prescribed guidance	• 4 new proposals for affordability support in 2025-2030 (Here2Help expansion, help or support for every customer who's struggling regardless of income, single application process, DebtSupport: Payment Matching) • Overview of new online eligibility checker tool	✓
8	**Shorter-term picture (propos ed business plan)**	• Present business plan based on statutory elements to meet statutory requirements • Should present the proposed bill change based on the average household bill but explain that people will see a least cost personal bill prediction	• Clearly defined context, cost, description, impact and bill impact for each investment area	✓

STIMULUS MATERIAL

Quantitative AAT Questionnaire

Customer type	Ofwat requirements or guidelines	Hafren Dyfrdwy material	Guidance met
All	• Prescribed survey questions (respectively for household and non-household)	• Prescribed questions followed with some changes made following challenge from ICE and CCW. • Survey (and all correspondence) available in both English and Welsh, in addition to options for more accessible ways to take part, including face-to-face, telephone, paper version of survey and language translation)	✓
	• Stimulus material introducing summary of proposed business plan, including past performance against a list of PCs (prescribed and optional) and bill impact for 2025-2030	• Stimulus material covering prescribed and optional PCs adheres to '*Showing comparable information*' document • Further information provided via information buttons	✓
	• Question on acceptability of company plan	• Prescribed question on acceptability followed	✓
	• Prescribed question at end about phasing of investment looking beyond 2025-230 period	• Prescribed question on phasing followed	✓



Appendix C

Part 2: Assurance of the use of customer engagement evidence

List of documents

Document Title	Date
Hafren Dyfrdwy Customer Insights Chapter v3	Sep-23
HD Affordability and Acceptability – Annex A – Affordability Research	-
HD Affordability and Acceptability Chapter	-

Annex 2E: Acceptability and affordability qualitative research

2nd October 2023

RHAGOROL O'R TAP
WONDERFUL ON TAP

HAFREN DYFRDWY
severn dee

Private & Confidential



Acceptability & Affordability testing (qualitative research)

July 2023

Final report

HAFREN DYFRDWY severn dee

Thinks Insight & Strategy

1. Background & method

Contents

01 Background & method

02 Key findings & recommendations

03 The context in which these plans are landing shocked by

04 Customer priorities for Hafren Dyfrdwy

05 Views on the acceptability and affordability of business plans

06 Deep dive on business plans

07 Support schemes

Thinks Insight & Strategy

Research background & objectives

As part of the PR24 price review process, all water companies are required to conduct affordability and acceptability testing of their business plans with customers. Customer insight is essential to input into these plans, in order to understand what investments they would like to see made.

Hafren Dyfrdwy (HD) commissioned Thinks Insight & Strategy to conduct this research, with the following objectives:

1. To understand customers' views of Hafren Dyfrdwy's proposed plan.
2. To ascertain the affordability and acceptability of this plan (and potential alternatives).

Research followed Ofwat and CCW's newly published guidance on conducting affordability and acceptability research.



Methodology

In summer 2023, a deliberative approach took customers on a journey to understand the company's plans:

PRE-TASK	**Plenary reading and corresponding questions to introduce the research, understand the context and begin to discuss some of the key topics of research.**	Fri 19 May – Tues 13 June
FIELDWORK	**Deliberative workshops:** • 1x 3-hour household (HH) workshop in Wrexham (water only and future customers) • 1x 3.5-hour HH workshop in Welshpool (water and wastewater and future customers) • 2x 3-hour non-household (NHH) workshops in Wrexham and Welshpool	Wed 24 May – Thurs 8 June
	In-depth interviews (IDIs): • 4x 1-hour online interviews with HH financially vulnerable water only customers • 4x 75-minute online interviews with HH financially vulnerable water and waste customers • 8x 75-minute online interviews with NHH customers (10+ employees)	Wed 31 May – Tues 13 June
POST-TASK	**A follow up task to ascertain final customer views on acceptability and affordability based on personalised bill impact charts for 2025-30.**	Wed 24 May – Tues 13 June

Recruitment and sample

In line with Ofwat & CCW research guidance, we contacted potential participants via Hafren Dyfrdwy's customer database via email or letter. Any gaps in the sample were then filled via free find recruitment undertaken by Thinks.

19 were recruited through Hafren Dyfrdwy's customer database (including 1x postal)* and
54 were recruited through free find market research recruiter**.

A total of 67 participants took part in the research including 1 x HH customer in Welsh language

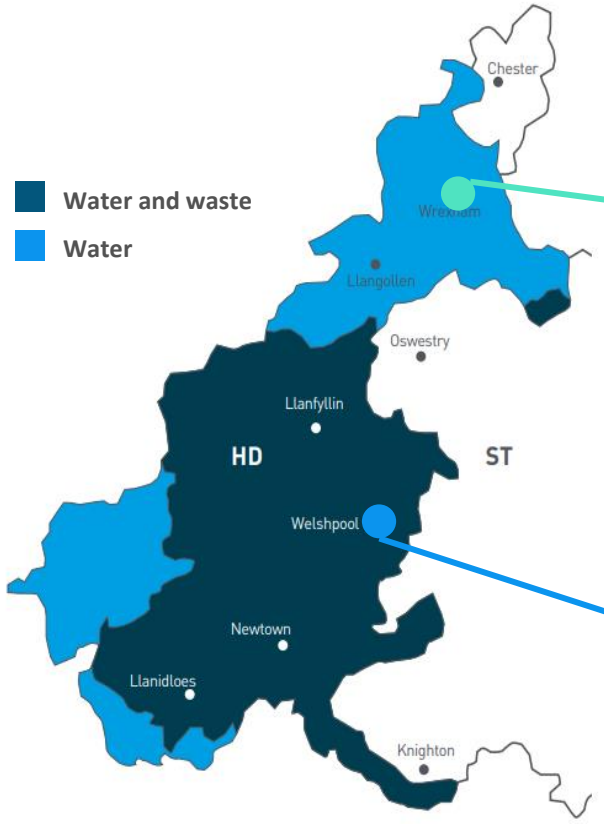
44x household (HH) customers including 8 x financially vulnerable (FV) customers and 11 x health vulnerabilities and 3 x on Here2Help scheme					
Age	**Gender**	**Socioeconomic grade (SEG)**	**Ethnicity**	**Rurality**	**Metered/ unmetered**
8x 16-24 (future customers) 13x 25-34 6x 35-44 5x 45-54 7x 55-64 5x 65+	15x men 28x women 1x prefer not to say	10x AB 24x C1 & C2 10x DE	43x White 1x Mixed	21x Rural 10x Urban 13x Suburban	18x metered 12x unmetered 14x unsure (including 8 x future customers)

23x non-household (NHH) customers
Business size
15x less than 10 employees 7x 10-50 1x 51-250 Mixed in terms of reliance on water, bill size etc.

For HH customers 900 emails and 75 postal contacts per location were made and for NHH customers 300 emails and 25 postal contacts per location were made for recruitment
***This includes all those recruited, including those who did not end up participating*

Recruitment and sample

Participants were geographically spread across the region.
An indication of where participants came from is mapped below.
Note we have taken the closest village or town for the most rural participants to protect their anonymity.



<u>Wrexham</u>
HH workshop: 8x Wrexham, 2x Overton, 1x each in Bangor-on-Dee, Fron Isaf, Johnstown, Langolen, Penley, Ponciau, Rhosymedre, Ruabon, Worthenbury
HH financial vulnerable customer interviews: 2x Wrexham, 1x each in Acrefair, Llangollen, Overton, Penley, Pentre Maelor
NHH workshop: 3x Wrexham, 2x Overton, 1x Bangor-on-Dee, 1x Rossett
NHH interviews: 1x Wrexham, 1x Overton, 1x Penley

Welshpool
HH workshop: 4x Montgomery, 4x Welshpool, 2x Llanfair Caereinion, 2x Newtown, 1x each in Ardleen, Cyfronydd, Forden, Llangyniew, Meifod
HH financial vulnerable customer interviews: 1x Newtown
NHH workshop: 4x Welshpool, 1x each in Meifod, Montgomery, Newtown, Sarn
NHH interviews: 3x Montgomery, 1x Berriew,1x Newtown

Fieldwork

We conducted all workshops in person. Interview participants were given the option for in person or online, with all opting for online.

Observers

HD's Independent Challenge Expert, Kate Eden, observed the HH workshops in Wrexham and Welshpool. There were one or more observers from HD's research team and HD's Board at all workshops.

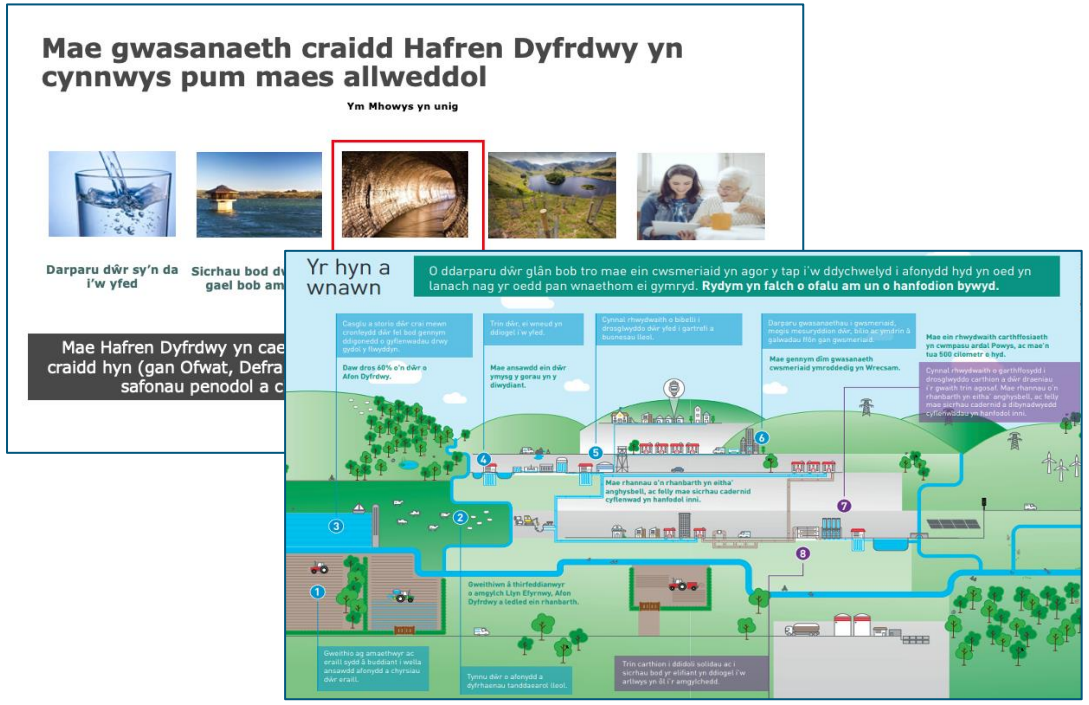
Design

Research materials were designed iteratively, and we worked closely with Hafren Dyfrdwy to ensure the design of discussion guides and stimulus reflected the priorities of the research.

HD's Independent Challenge Expert (ICE) fed into the development of the research materials, and lessons learnt from cognitive testing for the Severn Trent strand of this research were also taken into account.

To comply with the CCW guidance and The Welsh Language Measure (2011) (which states that the Welsh language must be treated no less favourably than English), we:

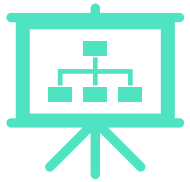
- Asked prospective participants about their preferred language at recruitment stage, providing all recruitment materials in dual language.
- Provided Welsh versions of all research materials – including the pre-task, workshop slides, and post-task – to any participant who requested them.
- Provided a Welsh-speaking moderator for all fieldwork sessions (workshops, depth interviews) for any participants who preferred to converse in Welsh.
- One HH customer participated in the process in Welsh in the Welshpool HH workshop.



Analysis approach



Moderators took detailed notes throughout workshops and depth interviews, as well as audio recordings to refer back to and fill in detail where needed.



We brought these notes together in a 'grid' to conduct thematic analysis, a type of analysis that looks for themes and patterns in data.



We compared our analysis of the different sub-groups for key differences.



We supplemented and sense checked our findings together in an analysis brainstorm.

This research met Ofwat's standards for high quality research

Research principle	Grading	Further information
Useful and contextualised		Research had a clear purpose of informing Hafren Dyfrdwy's future business plans.
Neutrally designed		Thinks (independent research experts) designed the research guides and stimulus to be neutral and free from bias. We gathered input from the Independent Challenge Expert (ICE) to further check this. The sample included a range of customers. Participants were encouraged to give their open and honest perspectives. We reassured participants throughout that no decisions had been made yet on which plan would be used and Hafren Dyfrdwy were open to hearing their views.
Fit for purpose		A deliberative approach which provided participants with information on key topics and allowed them to engage in a more meaningful way.
Inclusive		The sample for the research included a wide variety of Hafren Dyfrdwy customers including future customers and financially vulnerable. Research materials and the research itself were designed to be inclusive and accessible for the sample, including being available in Welsh.
Continual	N/A	To be determined by Hafren Dyfrdwy.
Independently assured		Materials and methodology will be shared with Sia Partners for independent assurance
Shared in full with others	N/A	To be determined by Hafren Dyfrdwy.
Ethical		All research conducted by Thinks is in line with the Market Research Society Code of Conduct.

Minor alterations to the guidance

This research followed the Affordability and Acceptability guidance for testing created by Ofwat and CCW. However, some small alterations were made to enhance these guidelines. This included:

A digital narration recording of the pre-task material.	We used this to help participants engage with and digest the information within the pre-task. It was felt to be of particular benefit for those who face literacy issues.
Cognitive testing of research materials both in house and with customers (with ST materials).	This enabled us to identify any issues with the materials, mainly relating to comprehension and clarity. We transferred learnings across to the HD materials.
Removing the pre-task from in-depth interviews, covering content and questions within the interviews.	This change was made to help maximise participation in the research (by decreasing the 'ask' of participants). This was felt to be necessary as the longer length of interviews meant recruitment was a little more difficult than with shorter interviews.
Moving questions on financial context to the start of the interview for NHH interviews.	This change was made to help with the flow of the guide. We found the financial context to be more pertinent for NHH customers, so we opted to lead with these in NHH interviews.
Additional questions on the recruitment and research process within the post-task.	This was to enable us to gather feedback for future research, and to potentially refine the research as it went on. As the feedback was all positive, we proceeded with no changes.

Overwhelmingly customers found the recruitment and research process well organised and informative

- Customers felt that the **small group sizes** allowed everyone to contribute to the conversation. They felt **encouraged to share their opinions** by the moderators.
- They felt that the **information provided was easy to understand**. The **pre task was particularly valued** as it enabled customers to read through at their own pace and feel more prepared for the session.
- Customers felt that the recruitment and fieldwork **process was well organised and friendly.**

"It was great with lots of information, was great that we worked in small groups rather than one big room and the lady conducting it on our table was excellent."

HH customer, Welshpool

- In some instances, customers **struggled to hear each other** due to the design of the room or tables being too close together. They suggest a bigger room with better acoustics or separate rooms for each table.
- Customers said that **some of the information felt selective**.* They suggest more comparisons with other water companies and more information on company profits and shareholders.
- Others felt that on some occasions, their **questions were not answered** in sufficient detail and wanted to know more.

"It was difficult to hear other people on my research table, perhaps next time, separate rooms could be used."

HH customer, Welshpool

[From post-task survey] Q. Overall, how did you find the recruitment and research process for this workshop? Please note anything positive, or anything that you think could be improved for next time.
(HH n=33, NHH n=22) Note that financially vulnerable customers were not asked this question
*The information provided was determined by the guidance issued by Ofwat and CCW

Reading this report

- **This report outlines findings from the qualitative phase of the acceptability and affordability testing research.**
  - The next stage is a quantitative phase informed by the qualitative data.

- Charts are used in this report to represent quantitative-style data collected from qualitative research participants in the pre- and post-tasks.
  - **Caution is advised** when interpreting this data due to small sample sizes, (particularly subgroups within the HH and NHH samples for example water only/water and sewerage customers, future customers etc); figures are indicative only and should not be considered representative of the broader customer population.
  - Base sizes vary due to some participants not completing all questions in the pre- and/or post-tasks.

2. Key findings & recommendations

Key findings: Background & context

While the cost-of-living crisis is putting pressure on all customers' finances, water bills are not the main cause of concern. With the exception of some financially vulnerable customers, water bills are generally considered by most to be more affordable than other expenses such as energy, fuel and food.

Customers have positive perceptions of Hafren Dyfrdwy, primarily driven by the view that they provide a good core water service at a reasonable price. However, customers don't know much about HD, in particular the implications of the service splitting from Severn Trent or Dee Valley Water (i.e. the impact on the service customers receive). There are also mixed reports from individuals who have had direct interactions with HD.

Learning about Hafren Dyfrdwy generally drives further positivity towards the company, particularly when learning about independent regulation, performance targets, the small workforce and the support schemes on offer.

However, customers do have questions about Hafren Dyfrdwy's performance on lead pipes, feeling not enough has been done on this, **as well as the system of outcome delivery incentives (ODIs)** which can feel unintuitive and disingenuous to customers. Lack of awareness of the support schemes offered by HD further undermines positivity.

Key findings: Background & context

Looking to the future and Hafren Dyfrdwy's targets for 2025-30, these are broadly seen as acceptable and focused on the right areas that align with customers' own priorities. Customers particularly like that the plan focuses on reliability, affordability, maintaining and improving infrastructure, and sustainability.

However, they want Hafren Dyfrdwy to show more ambition in its targets and go further, particularly on water supply interruption targets that have been missed in recent years. They also want to see HD engaging proactively with customers and providing more clarity in terms of what the proposed targets will actually deliver in relation to pollution incidents and water quality.

There is overall support for Hafren Dyfrdwy's long-term strategic priorities and 2050 ambitions, however customers still want to see HD go further in terms of their ambition. They also want to know more about the incremental goals that will result in these longer-term targets being met, as well as education about why these are important both for HD and themselves as customers.

Key findings: Responses to the business plans

Customers assess business plans by balancing three key factors which ladder up to affordability and acceptability. These are: the perceived importance of the investment areas, an assessment of the fairness of the plans and value for money.

The *proposed* plan is preferred by Hafren Dyfrdwy customers. However, while customers almost universally find the proposed plan to be acceptable, views of its affordability are mixed.

While the *least cost* plan is also broadly seen to be acceptable, it is not seen to go far enough and is only preferred by a small number of customers in the research. Those who do prefer it are led primarily by the lower cost, but do still tend to think it does enough in terms of what it delivers.

Hafren Dyfrdwy can maximise support for its business plans by focusing on presenting their plans through the lens of what is important to customers, pre-empting concerns about fairness of location-specific investments, and emphasizing and demonstrating value for money in its communications.

Financially vulnerable customers think Hafren Dyfrdwy's support scheme proposals are acceptable and like the focus on supporting all customers who are struggling. However, they emphasise the importance of increasing awareness of what's available for customers to ensure all can access them if needed.

Key findings: Summary of preferred plan for each investment area

	Acceptability of proposed plan	Affordability of proposed plan	Preferred plan
Delivering a move resilient water service			Proposed plan B
Replacing lead supply pipes			Proposed plan
Installing smart water meters			Proposed plan

3. The context in which these plans are landing

Cost of living crisis

All customers are feeling added pressure on their finances, even those who are financially 'comfortable'

Financial pressure is driven by increasing costs as well as the uncertainty of future price increases

- Both **HH and NHH customers** are finding it difficult to plan ahead or assess their financial position as costs continue to rise.
- **Financially vulnerable customers** are struggling to make ends meet. Even those who can keep on top of their bills say they don't have any money left at the end of the month, while others are struggling with debt.

Beyond individual concerns, customers also worry for others who are struggling with rising costs

- **NHH customers** are finding it difficult to balance their own profitability with what is affordable for their customers.
- **Future customers** are not directly impacted but worry about their parents as well as their own future circumstances. Their priorities currently focus on cost, more so than other issues, such as the environment.

"There's no extra money coming in, just more going out. I'm recalculating where I spend money, finding cheaper alternatives to food, fruit, etc. It's not nice but here we are."
Financially vulnerable customer

"I work in Tesco and customers are coming in and commenting about how everything is going up and how the Clubcard discount price is what the normal price used to be."
Future customer, Welshpool

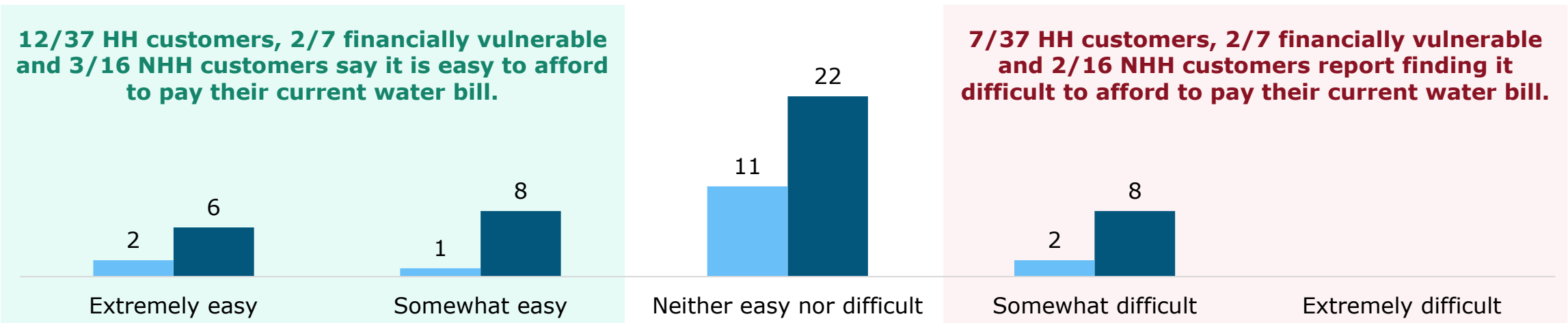
"We're pricing [beauty] treatments as we should be to cover our costs and wages, but this is not what customers expect. And we are caught between needing to be affordable for customers but also profitable as a business."
NHH customer, Welshpool

Despite this, current water bills are of comparatively less concern than other bills and expenses

Water bills are generally seen as low and consistent compared to other expenses such as energy, fuel and food.

However, while some **financially vulnerable customers** agree that their water bill is affordable, others find it "daunting" and increasingly difficult to pay.

[From pre-task] How easy or difficult is it for you / your organisation to afford to pay your current water/water and sewerage bill?
(Showing number of customers who selected each)



[HH pre-task survey] Q. How easy or difficult is it for you to afford to pay your current water/ water and sewerage bill? HH customers (n= 37); financially vulnerable customers (n=7)
[NHH pre-task survey] Q. How easy of difficult is it for your organisation to afford to pay your current water/ water and sewerage bill? (n=16) Note business customers participating in depth interviews did not complete a pre task

Thinks Insight & Strategy

Views of Hafren Dyfrdwy

Customers have positive perceptions of Hafren Dyfrdwy overall despite having limited knowledge

In the pre-task, 28/37 of HH customers give Hafren Dyfrdwy a positive score (7-10), with 9/37 of HH customers giving them a negative score (0-3).

Most customers do not deeply engage with Hafren Dyfrdwy but view this as a positive, as it means the service is working for them.

Workshop discussions reflect the results of the HH pre task, with both HH and NHH customer perceptions of Hafren Dyfrdwy being largely positive overall:

Positive views — *Neutral views* — *Negative views*

HD is broadly felt to provide a good core service at a reasonable price.

- This includes delivering a reliable supply, with few having had any issues.
- Water bills are also felt to be cheaper than others.

HH customers are positive about direct interactions with HD.

- These individuals have experienced quick resolution of issues, clear communication and friendly staff.

HH and NHH customers have limited knowledge of exactly how HD are performing, or what they should expect from their water company.

Rationale for Hafren Dyfrdwy splitting from Severn Trent feels unclear.

- HH and NHH customers are unsure what this means for them and their service in the future (despite receiving information at the time of launch).

Future customers feel they don't know HD well enough to take a strong view.

- They feel that HD's performance on environmental, sustainability, and costs is important, but are not currently aware of details of this.

Some (around a third) of NHH customers can be negative about their direct interactions with HD.

- These individuals report slow responses and recurring problems with leaks and billing, particularly among larger landowners in Wrexham.

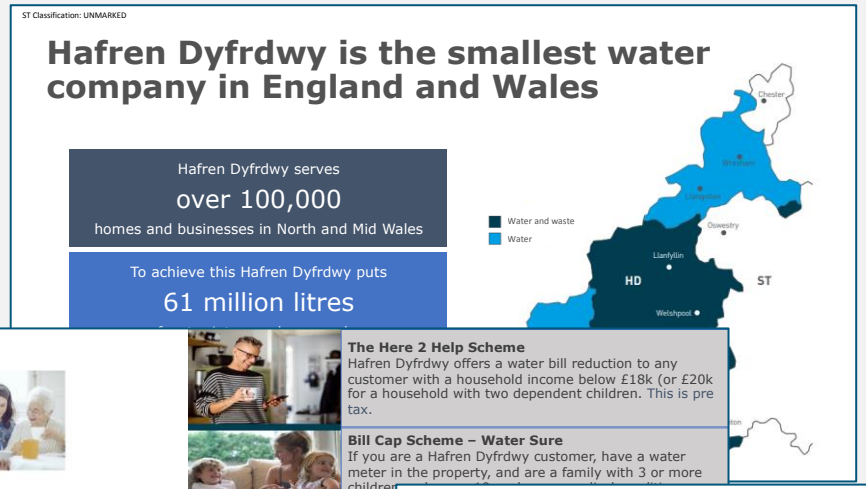
A few HH customers feel negatively towards HD.

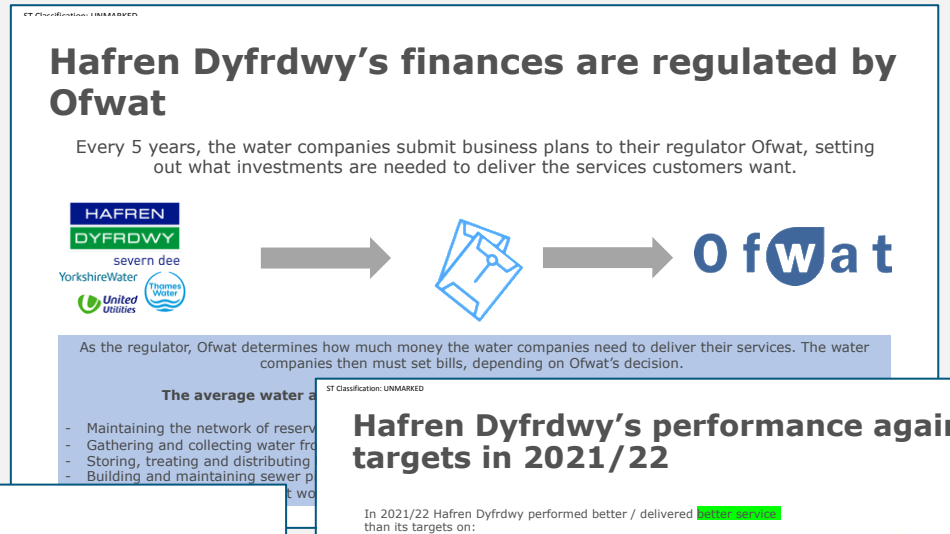
- They report delays to road fixes and breaks in supply, as well as being critical of Hafren Dyfrdwy's unmet targets.

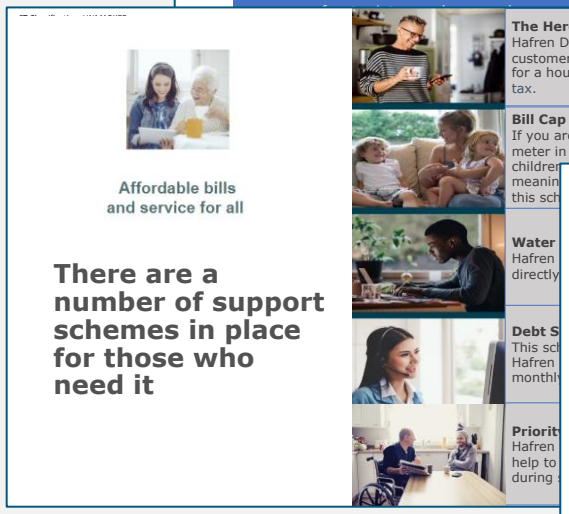
*Question only asked of HH customers

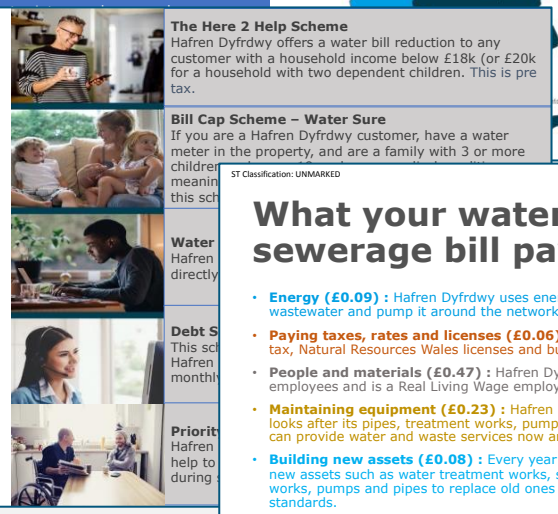
[HH pre-task survey] Q. The information has probably given you an impression of the water company operating in your area to supply water and to manage the removal of wastewater. If 0 is 'very unimpressed' and 10 is ' very impressed', how are you feeling about Hafren Dyfrdwy? Please write a sentence or two explaining your view.? (n= 37)

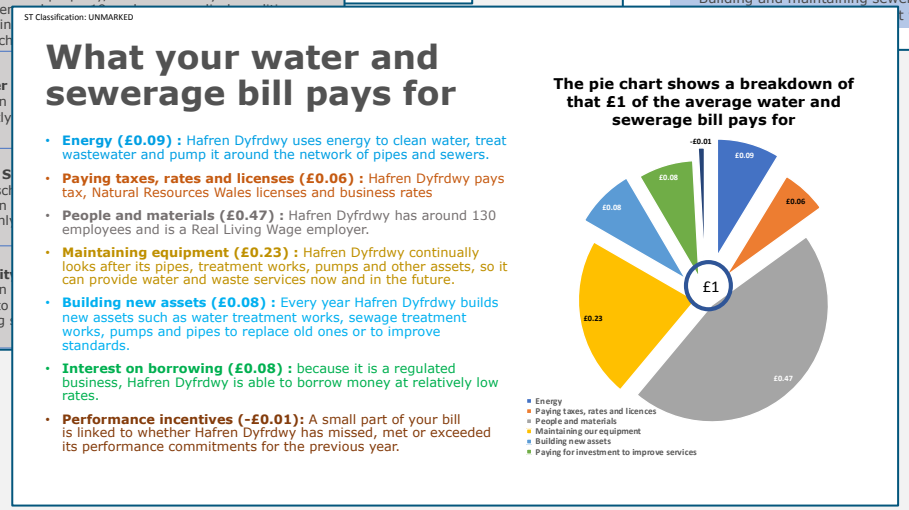
Customers were shown information on Hafren Dyfrdwy's business operations and performance commitments













Full materials in the Appendix

Thinks Insight & Strategy

Learning about regulation, workforce and support schemes drive positivity towards Hafren Dyfrdwy

Positive views of Hafren Dyfrdwy are driven by information on…

✓ Independent regulator and performance targets

- Prior awareness of regulation by Ofwat, 5-year financial plans and performance targets is low.
- Learning that there is regulatory oversight and accountability in the industry is reassuring for customers.

"Lots of new information, I didn't know about the target system or that the financials are regulated by Ofwat. It's good, if only other utilities did this!"
HH Customer, Wrexham

✓ High performance of small workforce

- Customers are surprised to learn how small HD's direct workforce is.
- They are impressed with HD's performance in light of this, particularly its visibility, customer service and coverage.

"It really surprised me that they only have 130 employees. You see a lot of vans out and about, so that feels low for the amount of visibility they have."
HH Customer, Welshpool

✓ Support schemes offered

- All customers are positive about the number and variety of support schemes.

✕ However, many also feel there isn't enough awareness of these and that HD should do more to promote them. **This undermines some of the positivity customers felt.**

"I work in the care sector. None of my clients would know there is so much help available."
HH Customer, Welshpool

In contrast, learning about financial ODIs and lead pipes raise questions about HD's performance

Information that **raises questions** about Hafren Dyfrdwy and their performance includes…

Lead pipes

- Customers are surprised to learn that there are still lead pipes in the network.
- While it was explained that HD does not own supply pipes, they want to see HD prioritise this in the future.

"There are still lots of lead pipes which affects water quality. I didn't think this existed anymore."
NHH customer, Wrexham

ODIs - penalties and rewards

- The idea that HD could charge customers more for exceeding their targets can feel unintuitive.
- There is some scepticism about HD being set targets that are not ambitious enough.

"On penalties and rewards, they get a financial incentive for doing well and that's their main motivation. It's important for them to do well but with the cost-of-living, nobody wants more bills. I really dislike the uncertainty of not knowing my bill."
HH customer, Wrexham

4. Customer priorities for Hafren Dyfrdwy

Customers were shown Hafren Dyfrdwy's proposed business plan for 2025-2030

Headlines of the proposed plan

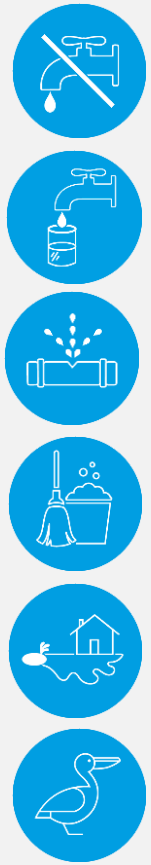
Investing in your future

- **Reliability** – making sure you don't have to worry about clean- or waste-water
- **Sustainability** – protecting and improving nature where we can
- **Affordability** – you can rely on us to help you with your bill when you need it

Whilst meeting your needs today

- Supporting our customers through the **cost-of -living challenge**
- Delivering in the areas **most important to you**
- Serving you and our communities in the right way so you can **trust** us to do the right thing

2030 performance targets



Continue to deliver the 2025 water supply interruption targets

20% reduction in the number of water quality contacts

10% reduction in the amount of water lost through leaks

No more than 3 incidents of sewage flooding in properties

No more than 35 incidents of sewage flooding in gardens and outbuildings

No more than 5 pollution incidents in rivers

Key investment areas



Protect customers against the risk of water supply interruptions



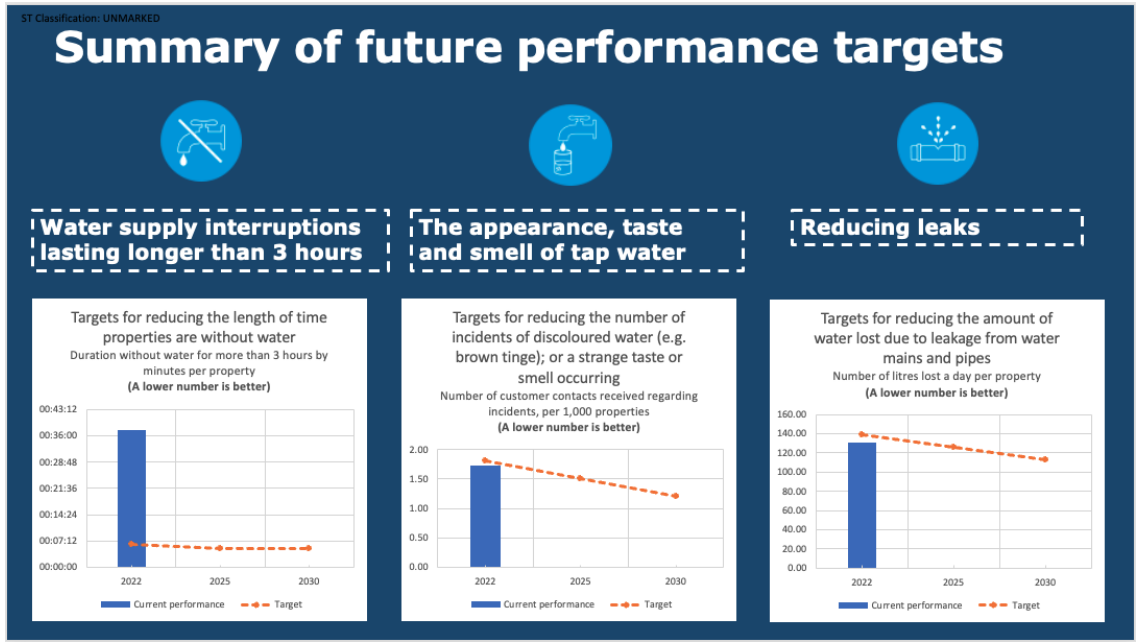
Replacing lead water supply pipes, working towards Lead Free Wales by 2050

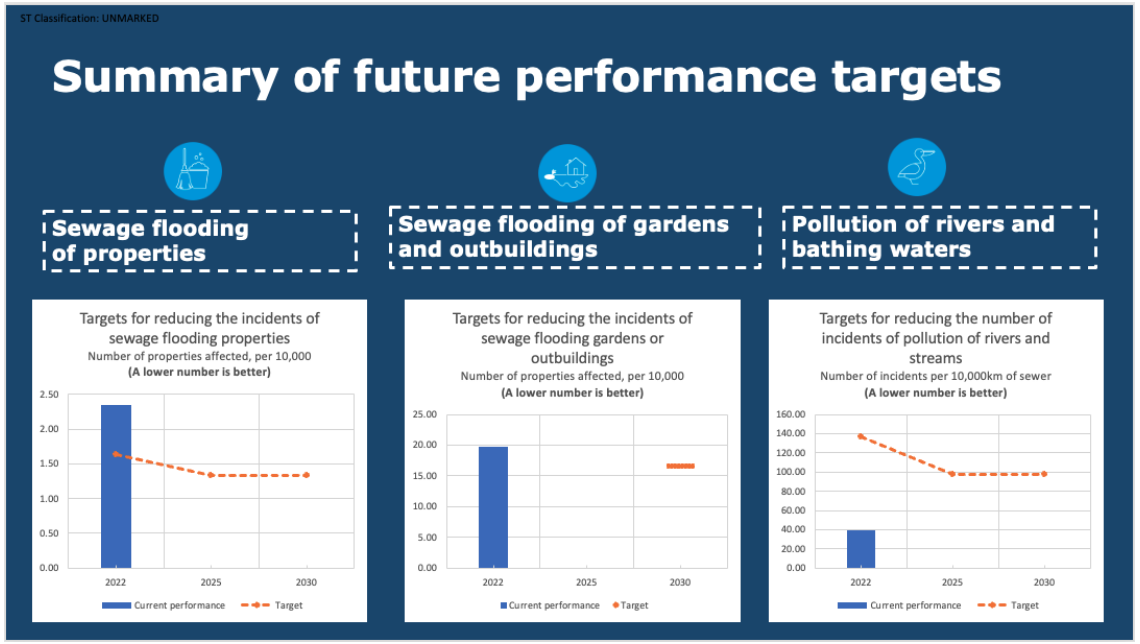


Installing smart water meters to help identify and fix leaks quicker

Thinks Insight & Strategy

Customers were also shown Hafren Dyfrdwy's proposed commitment targets up to 2030





Thinks Insight & Strategy

Hafren Dyfrdwy's plans for 2025-30 are acceptable as they are seen to focus on the right areas

Customers **value** that the plan includes…

- **Future-proofing** water supply to ensure **reliable supply** in the future.
- **A focus on affordability**, with customers finding it reassuring to know that this was a priority for HD when planning their investments.
- **Maintaining and improving infrastructure** including **reducing leaks** and **replacing lead pipes**.
- **Focusing on sustainability**. In particular, **future customers** and other customers that care about the environment are pleasantly surprised to see HD focussing on not just protecting but also improving the environment as this aligns with their own priorities.

"For business, price and not having interruptions are key. It needs to be reliable, affordable and clean."
NHH customer, Welshpool

"I'm surprised they want to make themselves more sustainable, I didn't think big companies cared."
HH Customer, Wrexham

However, customers would like to see Hafren Dyfrdwy's 2025-30 targets go even further

While broadly positive about the targets, customers feel they are **missing**…

More ambition in their targets, feeling that they are not stretching enough. In particular, some customers don't like that HD will 'continue to deliver the 2025 water supply interruption targets', feeling that these missed targets should be caught up and built on further by 2030.

"I thought they would already be doing these things, it doesn't feel like it's going above and beyond."
HH customer, Wrexham

Proactive communication and engagement with customers on positive initiatives including support schemes, water meters, and how they can reduce their usage.

Clarity in terms of what the proposed targets will actually deliver.

- The definition of a 'pollution incident' is felt to be unclear, making it difficult for customers to assess the target of 'no more than 5 pollution incidents in rivers'.
- Some note that 'water quality contacts' is different to 'water quality', and question whether a focus on contacts is sufficient or if an additional target on water quality should be included.

"What's defined as a pollution incident? 5 doesn't sound like much. But if you add factories and farmers polluting rivers, if they all had 5 then that's a lot."
HH Customer, Welshpool

Customers were presented with information on future challenges and Hafren Dyfrdwy's strategic priorities and ambitions for 2050

ST Classification: UNMARKED

Planning for the long term

Hafren Dyfrdwy has a published a **Strategic Direction statement** which sets out its long-term priorities to 2050 and beyond.

This is based on the company's view of future trends and the long term challenges ahead, and the areas of importance to customers, regulators, Welsh Government and wider society.

The challenges ahead include:

- The way the climate is impacting the water cycle – through reduced water availability and increased risk of pollution and flooding.
- Demographic changes that influence how customers use water.
- Changing attitudes towards the environment.
- More policy interventions to combat climate change



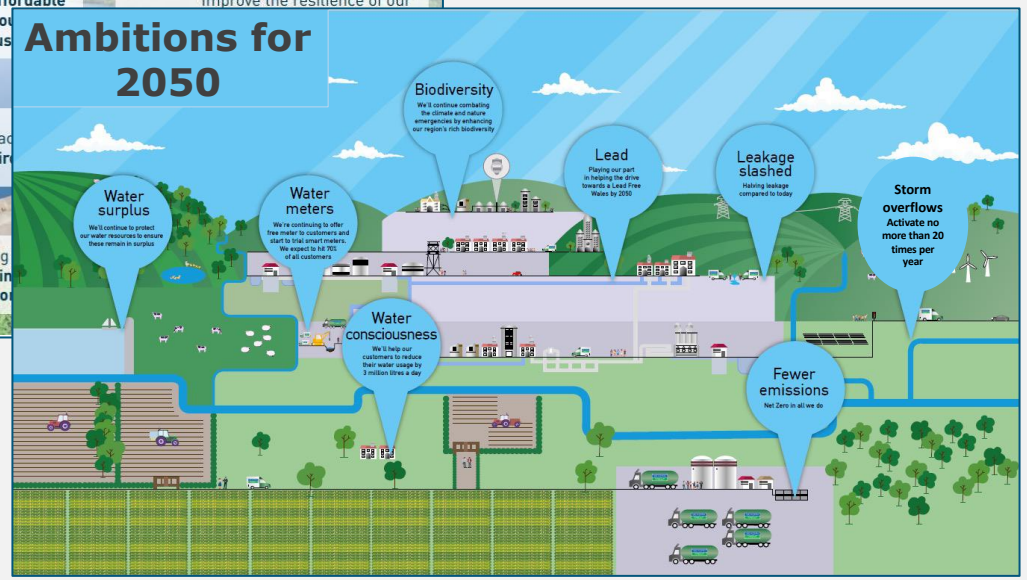




ST Classification: UNMARKED

Hafren Dyfrdwy has the following strategic priorities for the long term





Full materials in the Appendix

Thinks Insight & Strategy

The challenges identified by HD are seen as important but not particularly significant to the region

Despite being recognised as societally important, there are **mixed views as to what extent some of the challenges mentioned** – in particular **demographic changes** and **climate change – should be a focus for HD.** This is due to them being seen as…

Too difficult to plan for

Challenges such as climate and demographic change are considered outside of HD's control. Further, customers believe it is 'impossible' to predict the scale of these changes in the future. As such, they worry that predictions will not be reliable.

"It's good that they're aware of these but they can't control them, they can only manage them. I don't know how they would do that."

HH customer, Welshpool

Not relevant to the region

Customers feel that issues relating to high demand are not a significant threat in Wales due to the region not being considered as water stressed. Further, parts of Wales served by HD tend to have low population density and high rurality, so customers imagine demographic changes should be manageable.

"Given how much water we have in Wales, couldn't Hafren Dyfrdwy share water with other places in England with the extra water we have here?"

HH customer, Wrexham

There is overall support for HD's long-term strategic priorities and 2050 ambitions

Customers like the focus on…

✓ **Maintaining existing service levels**

✓ **Guaranteeing future water supplies**

✓ **Proposed action on lead piping**

✓ **Environmental initiatives**
(particularly among **future customers**)

Customers have mixed views on…

Smart meters
They are seen as customer friendly among those who already have water meters. Some are unconvinced, noting they are unlikely to be suitable for low income and/or large families if bills go up as a result of their use*.

"Between metered and unmetered there is a big difference in cost. Water is a big cost for the business. Why are some properties metered and some not?"
NHH customer, Welshpool

"I'm not sure about water meters as it might send bills higher in some households."
HH customer, Wrexham

*Note, it was explained and understood that metered bills would not be compulsory

However, customers still want to see HD go further in its longer-term priorities and ambitions

To deliver HD's long-term strategic priorities and 2050 ambitions, customers want it to…

Be more ambitious. Customers feel HD should already be doing a lot of what is outlined, and that the plans do not go 'above and beyond'. 2050 feels like a long way off and they want to see outcomes sooner if possible, particularly on lead pipes and – for those that are in favour of them - smart meters.

"I would expect them to solve these problems quicker. If it's feasible to do, then they should."
HH customer, Wrexham

Communicate the incremental goals between now and 2050. Customers want more information about how HD will meet these targets, and the smaller milestones that will ladder up to the larger goals. This is felt to be key in ensuring accountability.

"2050 is very far away, we need incremental goals to see they are on track… it feels difficult to predict the outcome or goal of each one."
HH customer, Wrexham

Educate customers on why these goals are beneficial both for HD (to continue providing water supplies) **and for them as customers.** For example, some customers find it counterintuitive for HD (as a for-profit business) want them to reduce the amount of water they consume. Being clear about why it is necessary for customers to reduce their water consumption could help with buy-in to goals.

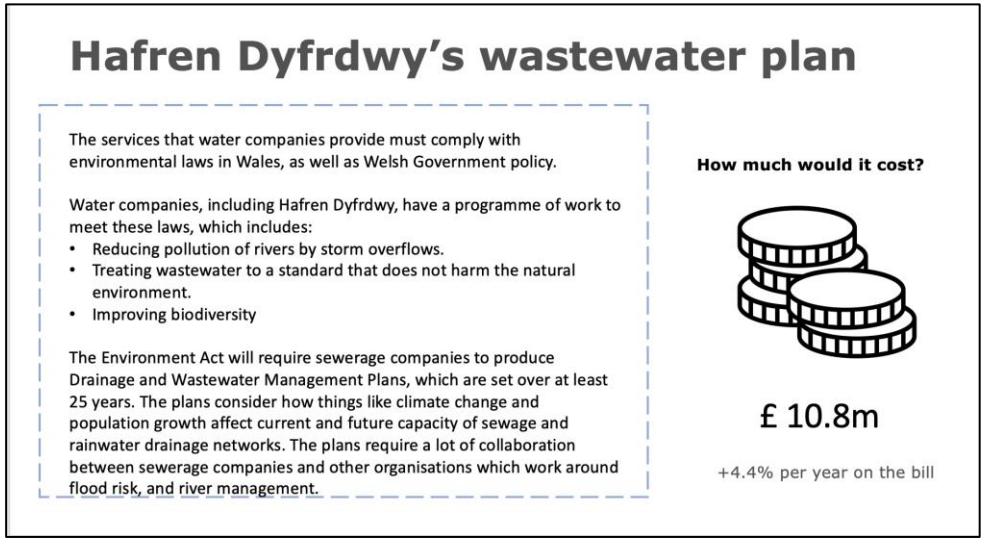
"On water consciousness, they want to encourage people to use less water. I guess that's just about the environment. From a business perspective though, don't they want people to use more not less?"
HH customer, Welshpool

5. Views on the acceptability and affordability of business plans

We presented two business plans to customers as well as Hafren Dyfrdwy's statutory waste plan

Least cost or "must do" plan

Proposed plan



For the least cost/must do and proposed plans we discussed:

- The proposed performance targets
- The proposed key investment areas (including what is statutory and what is discretionary)
- How this will affect the average household/non-household bill

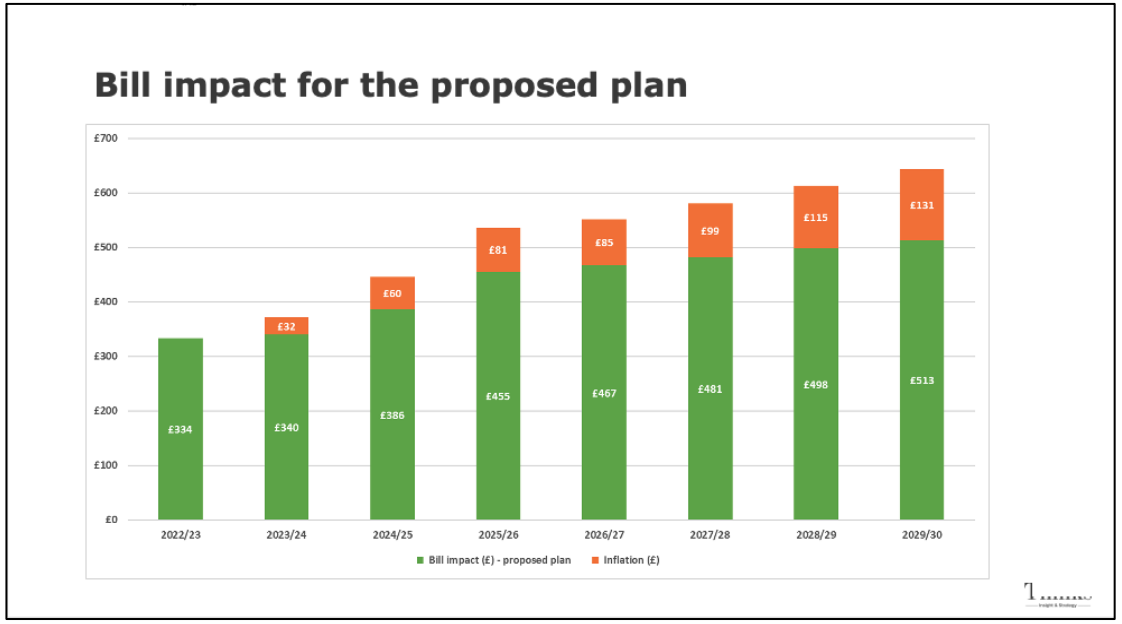
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Personalised bill impact materials

Customers were presented with their **own personalised bill impact chart for 2025-2030** for each plan where possible.*

Where this was not possible (for example future customers):

- HH customers were shown two average bills, one metered and one unmetered.
- NHH customers, (whose bills can vary extensively, were shown an average bill of a business close to the size of the customer's own business).



"I found the personal projections stimulating, they really helped to anchor the discussion in the real world."
HH customer, Welshpool

Customers found their personalised bill impact charts valuable in understanding what the different plans would mean to them and their finances.

*Water only customers were only shown their water bill impact but were informed that their wastewater bill (provided by DCWW) would also increase

Customers assess the plans based on their perceived importance, fairness, and value for money



Perceived importance

Customers consider the plans in relation to what they feel are **important issues for society as a whole, as well as what's important to them personally.**



Fairness

Plans that appear to invest in specific areas or communities are viewed as less fair than those which benefit all customers.

Customers also think about **what feels fair for them to pay for through bills** vs what they think should already be covered or paid for through other routes e.g. Government subsidies.



Value for money

Customers review the impacts of the plans by assessing how much is delivered for the proposed amount of bill increase. Value for money is **determined by overall cost, and the level to which this is seen to be proportionate to the benefits delivered.**

Customers use these to determine acceptability

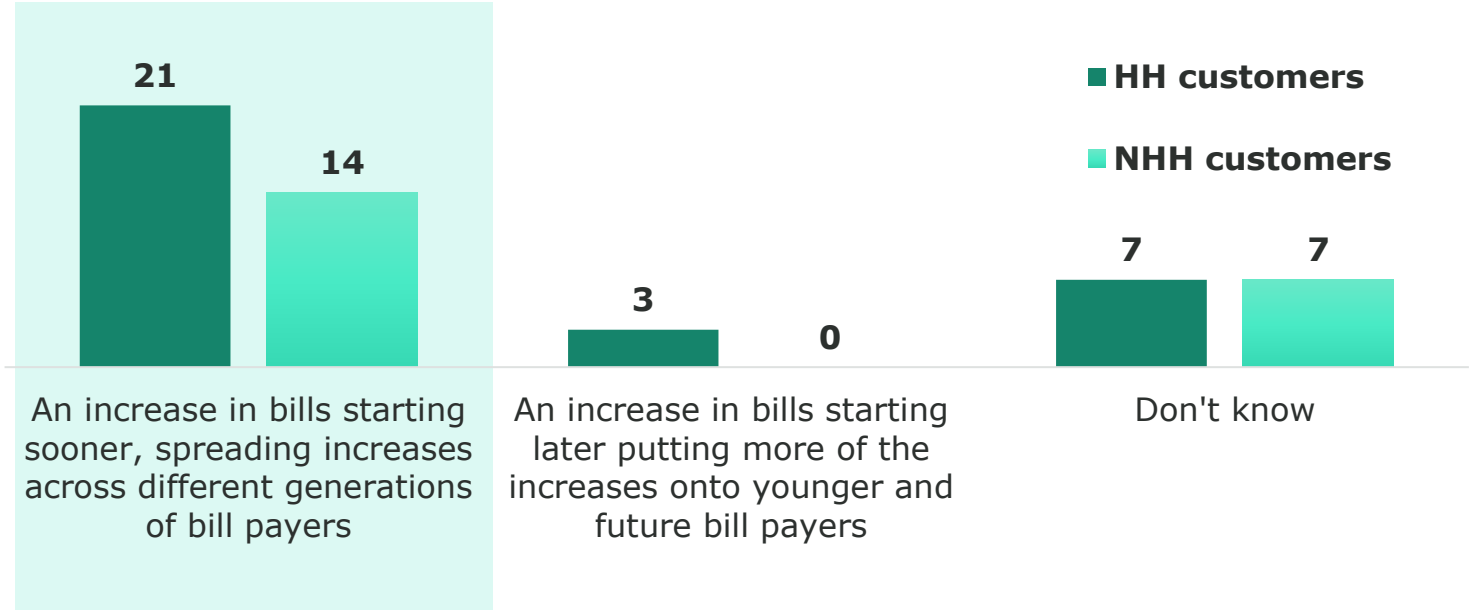
Customers use this to determine affordability

By and large customers see spreading costs over the long term as fair to all generations

When it comes to **intergenerational fairness**, customers feel it is fair for some customers to pay for aspects of the plans that they will not be alive to see as there would have been a time when the same customers were benefitting from things they were not yet paying for. In this sense, **customers feel it is a 'rolling process'.** This view is confirmed in the post task survey data.

21/33 HH and 14/22 NHH prefer increasing bills sooner

[From post task] Long term investment by Hafren Dyfrdwy will require an increase in customer bills. Bills could increase in different ways over time. For example, there could be increases now for current bill payers, or bigger increases in the long term for future generations. Which one of the following options would you prefer?

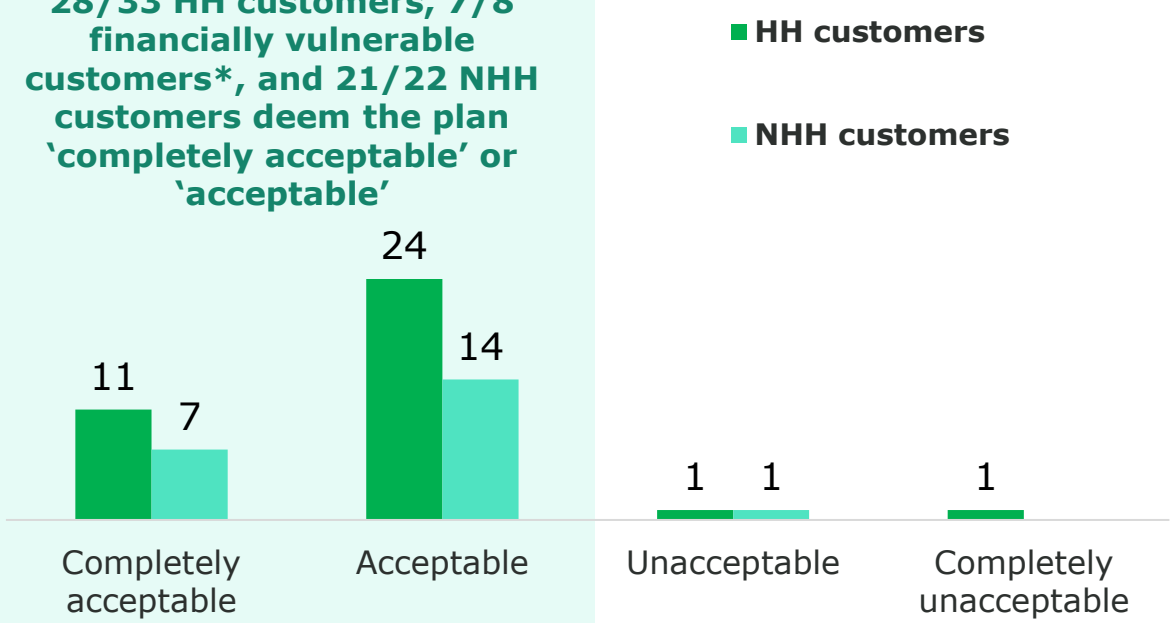


[From post task] Q. Long term investment by Hafren Dyfrdwy will require an increase in customer bills. Bills could increase in different ways over time. For example, there could be increases now for current bill payers, or bigger increases in the long term for future generations. Which one of the following options would you prefer? (HH n=33, NHH n=22) Note that financially vulnerable customers were not asked this question

The proposed plan is almost universally seen as acceptable, but views are less positive on affordability

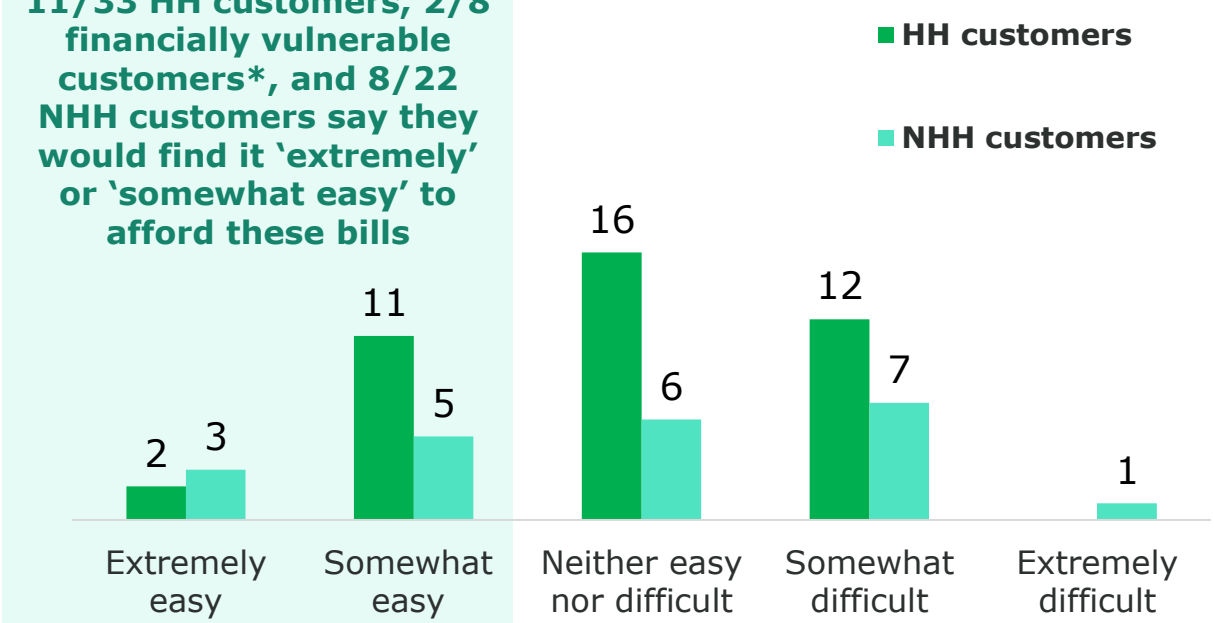
[From post-task] Based on everything you have heard and read about Hafren Dyfrdwy's different business plans, how acceptable or unacceptable are they to you?
Proposed plan

28/33 HH customers, 7/8 financially vulnerable customers*, and 21/22 NHH customers deem the plan 'completely acceptable' or 'acceptable'



[From post-task] Thinking about how your income may change in the future, how easy or difficult do you think it would be for you to afford these water/water and sewerage bills?
Proposed plan

11/33 HH customers, 2/8 financially vulnerable customers*, and 8/22 NHH customers say they would find it 'extremely' or 'somewhat easy' to afford these bills



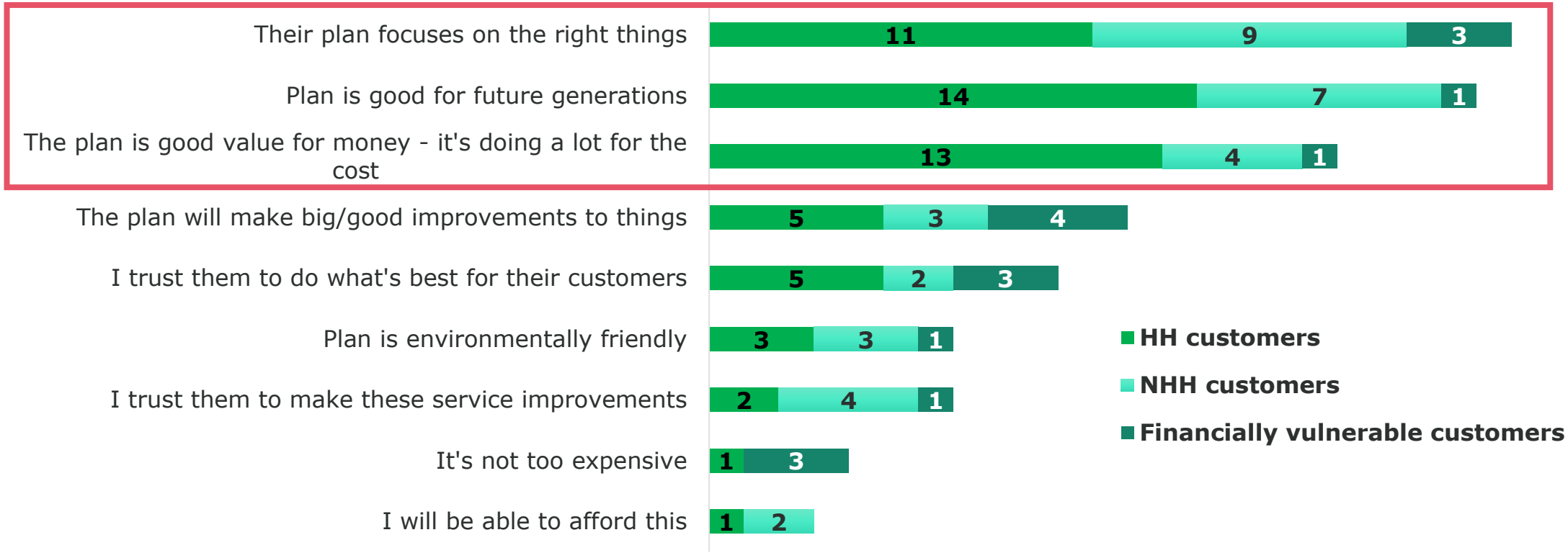
23/33 HH and 17/22 NHH customers chose the proposed plan as their preferred plan ahead of the least cost.

[post-task] Q. Based on everything you have heard and read about Hafren Dyfrdwy's different business plans, how acceptable or unacceptable are they to you? (proposed plan) Excluding don't know (HH n=33, NHH n=22, FV n=8)
[post-task] Q. Of the business plans you have seen, which do you prefer overall? (HH n= 33, NHH n=22) Note that financially vulnerable customers were not asked this question
[post-task] Q. Thinking about how your income / your organisation's income may change in the future, how easy or difficult do you think it would be for you to afford these water/water and sewerage bills? (HH n=32, NHH n=22, FV n=8)
*Financially vulnerable customers were only shown the proposed plan

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Overall, the proposed plan focuses on the right things, supports future generations and is good value

[From post task] (of those who found the proposed plan acceptable/completely acceptable) Why do you say that about the proposed plan? Please select the two main reasons from the list below.



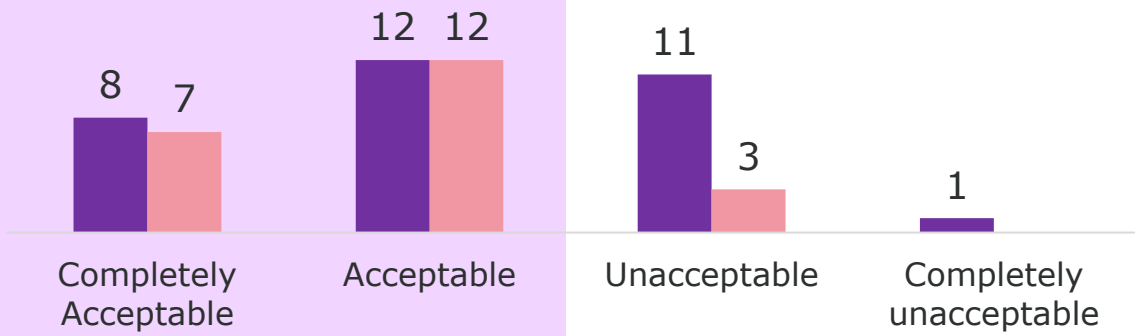
32/33 HH, 18/22 NHH and 8/8 financially vulnerable customers say they trust Hafren Dyfrdwy to deliver some or all of their proposed plan by 2030.

[[Post task] (of those who found the proposed plan acceptable/completely acceptable) Q. Why do you say that about the proposed plan? Please select the two main reasons from the list below. (excludes 'other') (HH=n 28, NHH=n21, financially vulnerable=n 7)
[Post task] Q. To what extent, if at all, do you trust Hafren Dyfrdwy to deliver their proposed plan? (HH n=33, NHH n=22, financially vulnerable n=8

The least cost plan is deemed acceptable overall, though less so compared to the proposed plan

[From post-task] Based on everything you have heard and read about Hafren Dyfrdwy's different business plans, how acceptable or unacceptable are they to you?
Least cost plan

20/33 HH customers and 19/22 NHH customers deem the plan 'completely acceptable' or 'acceptable'



✕ Broadly speaking, customers do not perceive the least cost / must do plan as going far enough to address the problems in each investment area. Therefore, **while acceptable, they want to see HD do more than what is outlined here.**

✓ The small number of customers who **choose the least cost / must do plan as their preferred plan** tend to feel it is more affordable and still doing a lot for the cost.

"In our business our bills are high due it being a hospitality business and due to soaring other utility bills. We wonder how much going forward we can afford."
NHH customer

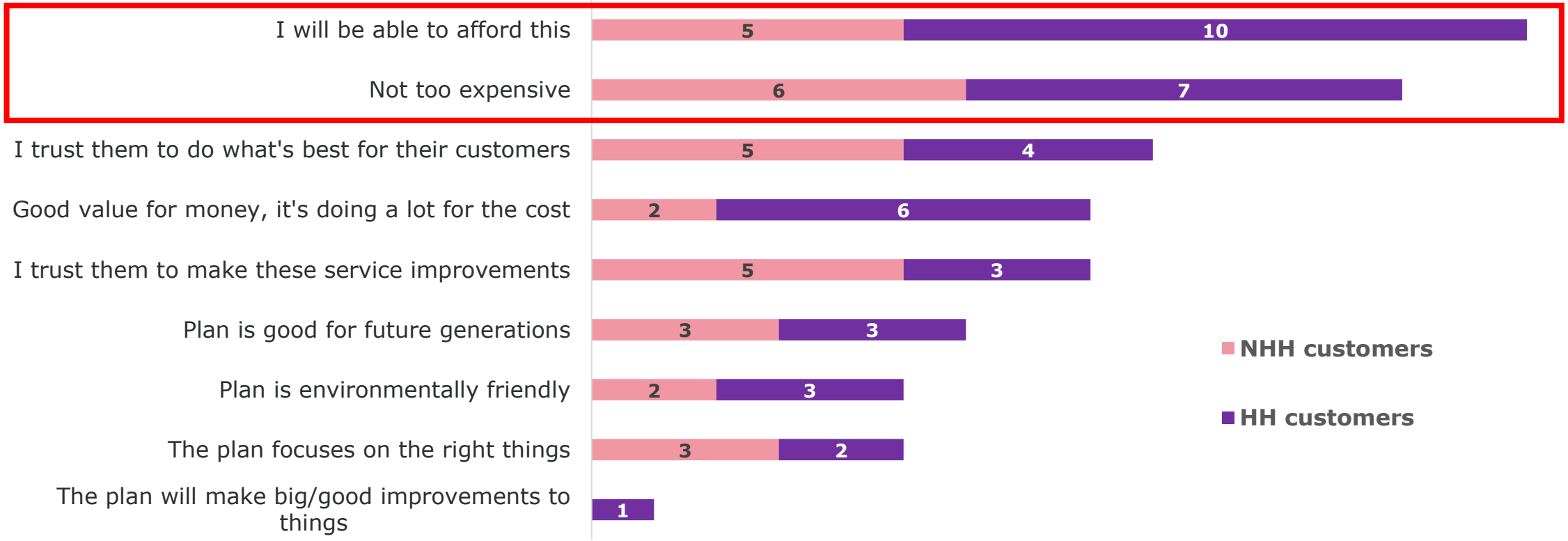
9/33 HH and 4/22 NHH customers chose the least cost plan as their preferred plan ahead of the proposed.

[post-task] Q. Based on everything you have heard and read about Hafren Dyfrdwy's different business plans, how acceptable or unacceptable are they to you? Excluding don't know (HH n=33, NHH n=22)
[post-task] Q. Of the business plans you have seen, which do you prefer overall? (HH n= 33, NHH n=22)

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While not the preferred plan, many customers say that the least cost plan is acceptable mainly because it feels affordable

[From post task] (of those who found the least cost/must do plan acceptable/completely acceptable) Why do you say that about the least cost/must do plan? Please select the two main reasons from the list below.

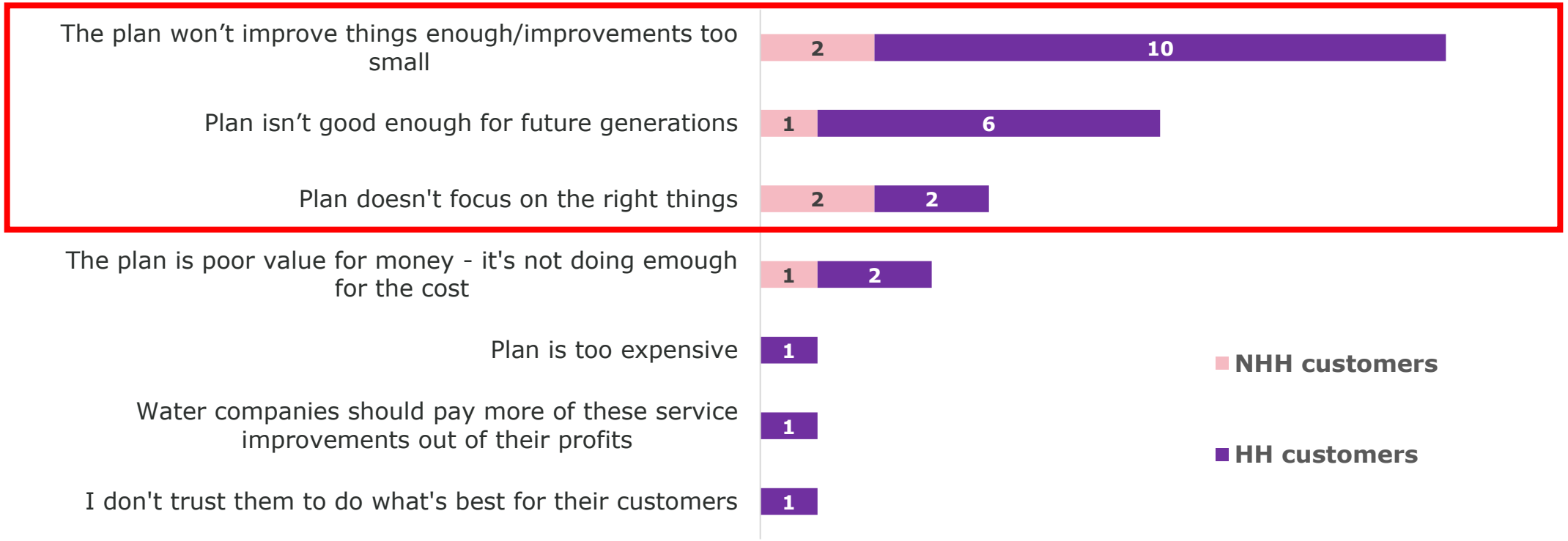


[post-task] Q. (of those who found the least cost/must do plan acceptable/completely acceptable) Q. Why do you say that about the least cost/must do plan? Please select the two main reasons from the list below. (excludes 'other') (HH=n 20, NHH=n19)
*Financially vulnerable customers were not asked this question.

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However, while acceptable, customers believe the least cost plan doesn't go far enough compared to the proposed plan

[From post task] (of those who found the least cost/must do plan unacceptable/completely unacceptable) Why do you say that about the least cost/must do plan? Please select the two main reasons from the list below.



[post-task] Q. (of those who found the least cost/must do plan unacceptable/completely unacceptable) Q. Why do you say that about the least cost/must do plan? Please select the two main reasons from the list below. (excludes 'other') (HH=n 12, NHH=n3)
*Financially vulnerable customers were not asked this question.

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Hafren Dyfrdwy can maximise support for business plans by focusing on perceived important issues, fairness and value for money

Hafren Dyfrdwy should aim to….

1. **Present plans through the lens of what is important to customers**. First and foremost **public health, water conservation and ensuring a resilient water supply** through addressing leaks and ensuring risk of interruptions are minimised by eliminating single points of failure.

2. **Pre-empt concerns about the fairness of location specific investments** by demonstrating how concentrating on specific locations and communities in some instances elevates the network overall and therefore all customers, and represents the best use of funds and resources.

3. **Emphasise and demonstrate the value for money** by clearly communicating not just the pricing itself, but how an increased investment in some areas can deliver greater resilience, benefits and increased sustainability over the longer term.

6. Deep dive on key investment areas

We explored customer reactions to business plans on three of Hafren Dyfrdwy's key investment areas

- Delivering a more resilient water service
- Replacing lead supply pipes
- Installing smart water meters

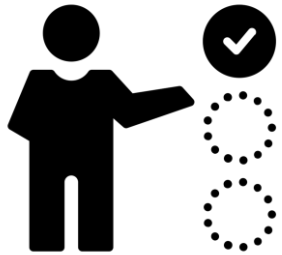


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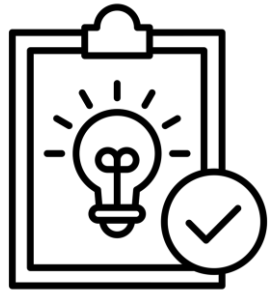
Summary of investment areas: All plans are acceptable and affordable with the proposed plan preferred

	Acceptability of proposed plan	Affordability of proposed plan	Preferred plan
Delivering a move resilient water service			Proposed plan B
Replacing lead supply pipes			Proposed plan
Installing smart water meters			Proposed plan

For each investment area, we explored:



The extent to which it addresses a priority for customers



Perceptions of the proposed solution to tackling the challenge

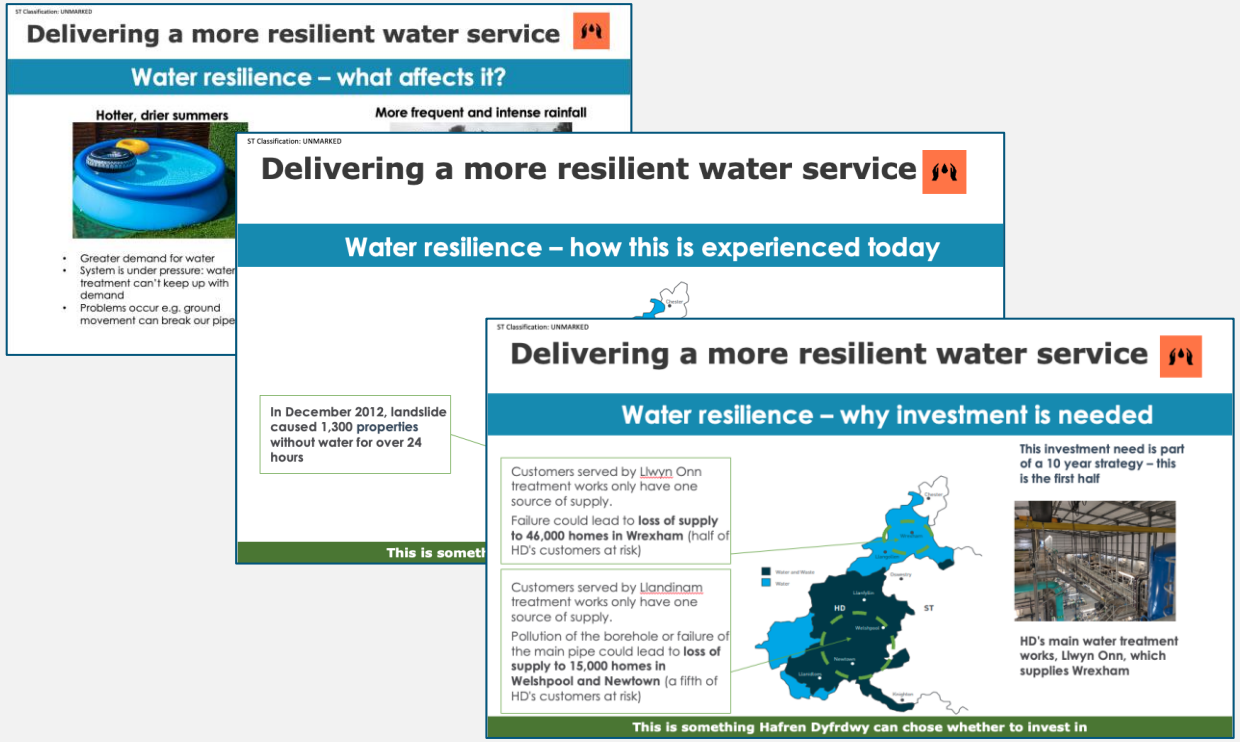


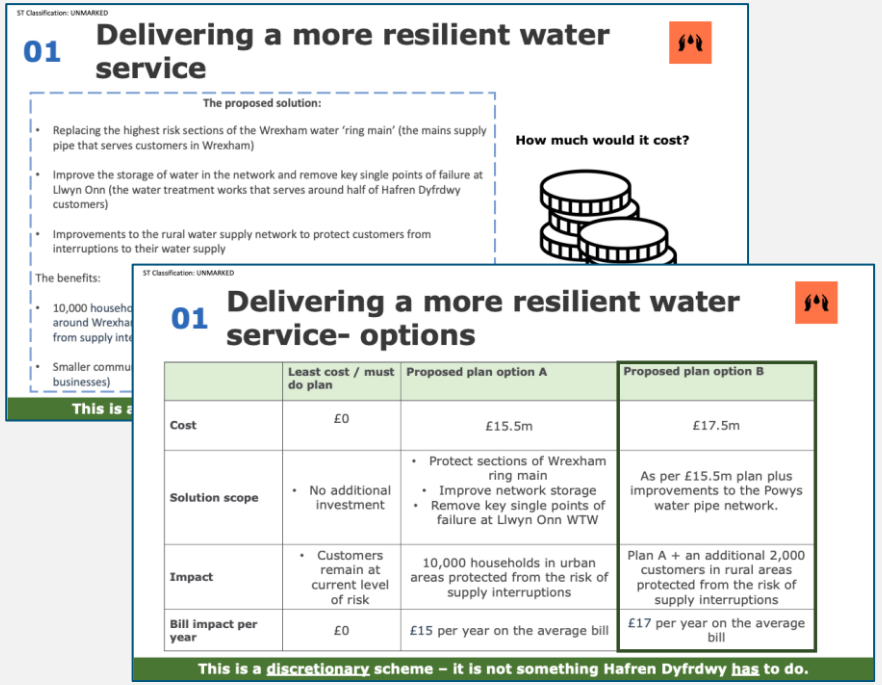
Customers' preferred plan

For each investment area, customers were provided with the following information:

The context and challenge this investment area seeks to address

The proposed solution, alongside the must do/least cost alternative





Full materials in the Appendix

Thinks Insight & Strategy

While supply interruptions are not seen as a pressing issue, customers support investment in resilience



There are mixed views on whether this investment area is necessary.

- While customers can see the value of investing now to secure water resilience in the future, **those with minimal experience of interruptions** question the severity of the problem, despite learning of Hafren Dyfrdwy's poorer performance compared to other water companies.
- The lack of recent examples in the stimulus adds to the sense that disruptions are not a big problem. One from 2012 for some was 'evidence' that this is not happening regularly.

Despite this, customers agree that 'doing nothing' is not an option.

- Investment in infrastructure is considered always beneficial, and customers feel it is inappropriate for this investment area to be discretionary.

"I think it's important. It's for our safety, you can't live without water."
Financially vulnerable customer

"I have never heard about anything to do with water resilience, I don't think it's that much of an issue. I think you'd hear more about it if it was an issue."
HH customer, Wrexham

Customers are pleased to see impactful solutions but have concerns around fairness and water usage



Customers agree that single points of failure in the network should be resolved, as these are risky to a large number of customers.

- In this sense, they see a large impact for a relatively small cost, and therefore good value for money.

When assessing solutions, **fairness is seen as an issue.**

- Those in Welshpool struggle to see the value for them in solutions addressing the Wrexham area. Similarly, those in urban areas question why they should pay for benefits in rural locations.

Customers want to see **efforts to educate customers** to conserve water in their homes be included here.

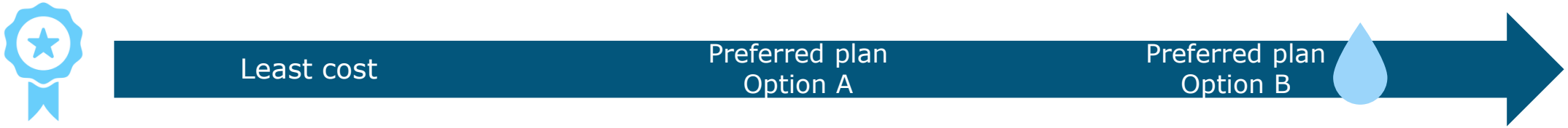
- They believe many people are not using water wisely, and that this is a key part of a resilient water service. This is felt to be missing from the solution.

"No to this investment. It's not affecting us. Why are they making a distinction between Wrexham and Welshpool?."

NHH customer, Welshpool

"I think we already have a resilient water supply. I have never heard about anything to do with water resilience. Shouldn't they focus on education on reducing consumption of water?"
HH customer, Wrexham

Customers consider proposed plan option B to be the most acceptable and affordable plan



Despite differences in the prioritisation of this area and the solutions, **customers do not consider the least cost plan acceptable.** Not investing in this area at all is considered a risk to future resilience.

With the least cost plan ruled out by most, customers tend to **opt for proposed plan B.** This plan is seen to be offering better value for money than plan A for little additional cost.

Financially vulnerable customers are more cautious of the bill impact of the proposed plan and question if those who are financially vulnerable should be made to contribute at all. On balance however they see the investment area as very important so consider the money well spent.

"Option B is my preferred option because clearly they've identified a single point of failure, so if they're already looking to spend £15.5m then an extra £2m is not a huge amount to protect supply for more people. And the impact on bills its not that significant."
NHH customer

"It's good they are looking to overcome this issue and improve water supply. Everything mentioned has to be done. The big question for me is that it's going to cost an awful lot of money – I see it all as positive, it's just the impact it will have on customers that I worry about."
Financially vulnerable customer

Customers view replacing lead pipes as a high priority due to the risk to public health



Customers are aligned in thinking that this investment area is a top priority, and overall are surprised to learn that lead pipes still exist.

They consider the negative health implications of lead piping to be a significant risk that must be resolved.

- They are also concerned that lead piping might contaminate other areas besides water such as the ground.

Customers wonder if this is a responsibility of Hafren Dyfrdwy or whether the Government should at least in part be contributing to solutions.

- As 'Lead-free Wales' by 2050 is a Government priority, customers think they will have to get involved in funding it at some point.

"I wasn't aware of this. I assumed the water we drink is healthy and safe. I've learnt it's not as healthy as I would like it to be. It's important for it to change for our kids and grandkids. This shouldn't be the situation in 2023."
Financially vulnerable customer

"Hafren Dyfrdwy don't have much control over this, and they don't have to do it so that's good. With kids it's very important, and there is nothing more important than health."
NHH customer, Wrexham

Customers are supportive of schools being prioritised but feel other aspects are unfair





Customers are particularly supportive of the prioritisation of schools in the plans.

- They encourage Hafren Dyfrdwy to go further in this respect, suggesting hospitals and care facilities should also be prioritised.

However, the **prioritisation of social housing is seen by some to unfairly exclude home owners from support** to remove their own lead supply pipes.

- They do however think this can be mitigated by prioritising communication pipes and excluding household supply pipes from the solution.
- Others however, are happy to see the cost spread amongst everyone for the benefit of public health.

"I'm pleased to see they are aiming for more, as it has health implications. I like that schools are the priority. It's not a lot per year, so it's good value for money… I would be annoyed if they only did the minimum."
HH customer, Wrexham

"They should focus exclusively on schools. Why should social housing get the benefit and private home owners don't? Just because someone owns their home doesn't mean they have money to do it. I'd like to see a focus on communication pipes."
NHH customer, Wrexham

Customers consider the proposed plan to be the most acceptable and affordable plan



The proposed plan is broadly considered both acceptable and affordable for such an important investment area.

- In contrast, the **least cost plan** is not seen as acceptable because of the potentially serious health implications of lead.

Customers consider the bill impact of the proposed plan to be minimal. However, they also suggest that customers should not be responsible for covering this cost through bills.

- Customers, particularly **NHH customers**, feel HD should be responsible for the upkeep and maintenance of the infrastructure it uses.
- However, customers do expect the Government to provide financial support as the targets are originally set by them.
- They are particularly keen for **costs not to be incurred by schools**, and are comfortable with investment being put towards preventing this.

There is some concern that the number of replacement pipes proposed, if continued at the same rate for each subsequent 5-year period, **would not meet the Welsh Government's target of a lead free Wales by 2050.**

- Customers want to know how HD plan to make up the shortfall.

"Customers paying for pipe replacements? Hafren Dyfrdwy should be taking the hit for the cost."
NHH customer

"It's going to impact customer bills but it does need to change because any type of lead is not good to be consumed. I think it will be worth the investment. It's good that they are planning ahead with it rather than brushing it under carpet."
Financially vulnerable customer

Customers are supportive about the solutions but question if they as individuals will benefit



Customers are broadly comfortable with Hafren Dyfrdwy investing in the installation of smart meters.

- They are seen as an important tool in managing water resources better in the future by capturing information on water usage.
- **Financially vulnerable customers** are particularly enthusiastic about having a tool to help monitor and reduce their use – although they are wary of increased costs.

However, the benefits for customers – as well as HD – can be unclear and this undermines support.

- Those who imagine their bills would go up if based on actual usage **cannot see a personal benefit** to having a smart meter installed at their property. They feel you should plan to install smart meters strategically, contacting those who would benefit most/want one.
- While **the case for HD being able to better identify leaks is accepted**, customers suggest that a **more cost effective solution could be to install smart meters at strategic points in the network,** rather than in every building. This would allow the detection of leaks and narrow their source down to a handful of properties at what customers perceive would be a fraction of the cost.

"I like the idea of a smart meter and knowing how much I'm using. It's good you can have it taken out [if you don't save money]. Predicting leaks is good, it helps with water resourcing. It's more important for them than customers."
HH customer, Wrexham

"I don't agree with smart meters at all. I'm not metered and I have no great desire to be. I can see the advantages of leak detection but they could put meters at strategic points in the network instead, not on each house."
HH customer, Welshpool

Customers are supportive of installing smart water meters to encourage water conservation



There is broad positivity about how smart water meters might encourage customers to save water, particularly among those who already have a water meter.

- **NHH customers** operating on larger properties such as farms are particularly supportive of this investment, as they feel particularly exposed to the risk of leaks due to the quantity of pipework on their properties.
- A minority of customers are actively against having a smart meter themselves. These customers worry that they may end up paying more if they switched and are not convinced they would be able to switch back.

Customers are particularly supportive of the ability of smart meters to detect leaks, especially if they've experienced them in the past.

- While some made this association spontaneously, others had not considered the link before seeing the information. Learning this drove positivity towards smart meters for some who were undecided, knew little about them, or felt they were a low priority because their household/business already did 'all they could' to conserve water.
- Customers see smart meters working in conjunction with other investments to 'deliver a more resilient water service'.

While some have concerns that smart meters would increase their bills, **learning about the ability to switch back to unmetered bills if desired helps to reassure most.**

- However, some more sceptical customers believe that if their bill were to go up on a meter, HD would not allow it to go down again by returning to unmetered bills.

"Smart meters could reduce bills for some so it's a good idea. The more conscious we are of how we use water the more resilient our water supply is anyway."
HH customer, Wrexham

"This is brilliant, I would pay for this. I'm on a farm with a bigger network of pipes so nothing scares me more than having a leak and it not showing up until the bill comes through 6 months later."
NHH customer, Welshpool

Customers consider the proposed plan to be the most acceptable and affordable plan





The proposed plan is considered better value for money compared to the least cost plan in this investment area.

- Customers like that the number of smart meter installations in the proposed plan is much higher for only **minimal extra cost**.

However, customers strongly believe that **smart meter installations should be targeted to people who want them and stand to benefit most** from them.

They also feel the proposed plan could be strengthened by a corresponding **education campaign to support better water conservation in homes.**

"Maybe they (smart meters) should have been around long ago to keep an eye on costs, then you know what your bills going to look like so you know what you are spending."
Financially vulnerable customer

"I don't like that they can be installed and people opt not to use them. I Feel that they should be offered first to those that are going to use them."
HH customer, Wrexham

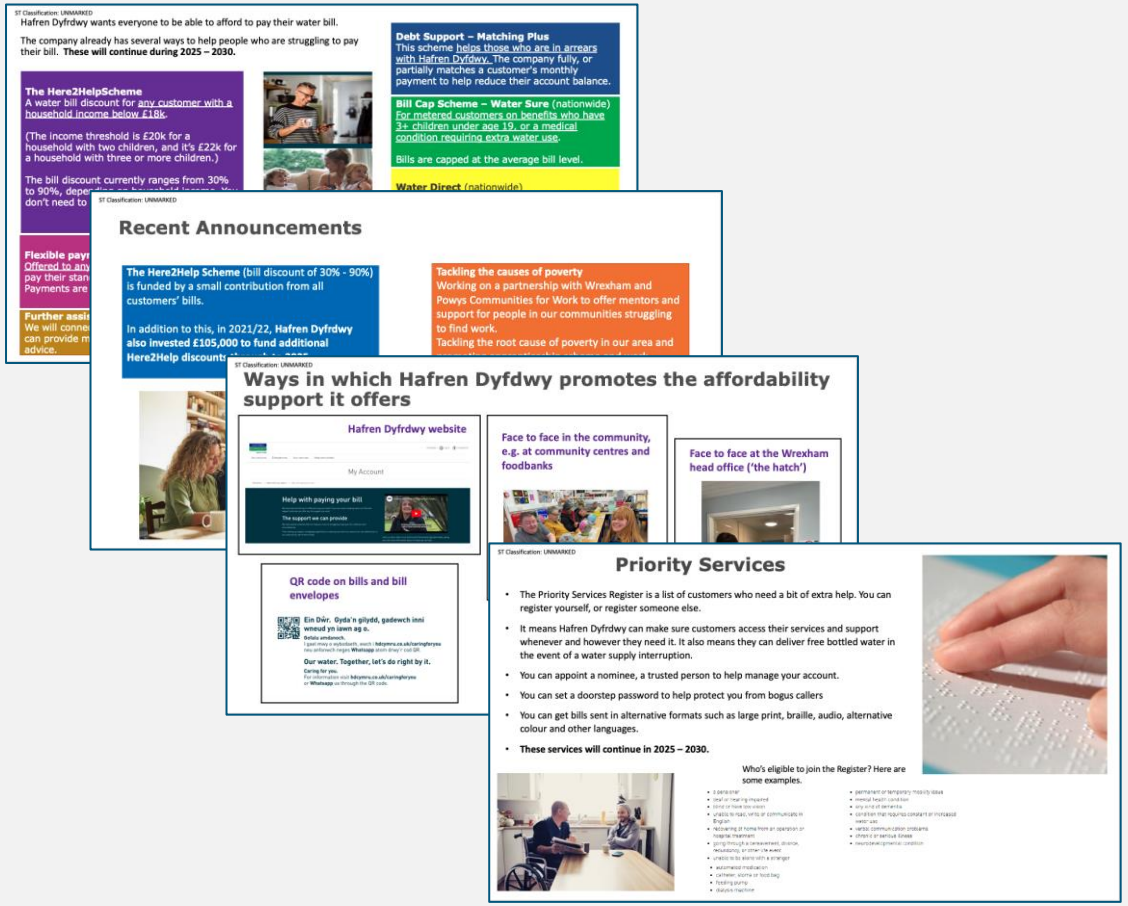
7. Support schemes

We spoke with financially vulnerable customers about Hafren Dyfrdwy's support schemes

In addition to the investment areas in the proposed plan, we asked financially vulnerable customers to tell us what they think of Hafren Dyfrdwy's proposed plans for financial support schemes for vulnerable customers.

To help them do this we shared:

- An overview of Hafren Dyfrdwy's current financial support schemes
- Ways in which Hafren Dyfrdwy are promoting these schemes
- Their future plans for further support
- Information about the Priority Services Register (PSR)



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Financially vulnerable customers think that current support is good but could be better advertised

Financially vulnerable customers are **impressed by the amount and range of support services Hafren Dyfrdwy offer**.

They particularly like the **flexible payment plan** option as it is offered to any customer, and **free water saving products** as practical support.

They have positive experiences of the service they receive when reaching out to Hafren Dyfrdwy for support.

"It all looks great, when you see it all written down on paper it seems like they do genuinely care about their customers."
Financially vulnerable customer

Overall, customers see the communication of these schemes as a problem as they are aware of the Here2Help scheme but not others**.**

They don't think information on bills is the right place to advertise these schemes, as customers are primarily looking for the amount they owe and nothing else.

They **worry that customers would not think to seek support on Hafren Dyfrdwy's website or seek face to face support** and suggest instead that **social media** might reach more people.*

"The one thing I will say is the advertising of the support schemes, maybe they need to get on social media and promote it. I think a lot more people would see it. I know it's costly to advertise but it would help so many people."
Financially vulnerable customer

**Note that these customers participated in online interviews and tasks and are therefore all comfortable using digital services. Less confident customers might prioritise in person services*

Customers are encouraged by the new affordability support being offered as it supports more people

Financially vulnerable customers are encouraged to see Hafren Dyfrdwy looking to support all customers who are struggling regardless of income.

- They see this as **particularly important in the cost-of-living crisis** as even previously comfortable households are now struggling.
- They are particularly **supportive of an online eligibility checker** as they think calling and speaking to someone can be difficult and anxiety inducing.
- Customers are also **pleased to see debt support offered** and think this will **encourage people to speak about their situation** and find help and support.

"Whatever income a household has, for a family with kids, they are going to be budgeting so any extra help would be nice. Everyone should be treated the same because the cost of living has gone up for everyone."
Financially vulnerable customer

"I would never think to go on their web page. I've never gone into a help centre, and I don't think a lot of people would as it's very demoralising to have to ask for help."
Financially vulnerable customer

"It's good that water companies are aware of people who even on good incomes are falling behind on bills and they are trying to help people. Speaking to someone about the situation helps because they can give advice and signposting."
Financially vulnerable customer

Overall, financially vulnerable customers think the support scheme proposals are acceptable

[From post task survey] Q. Thinking about the Hafren Dyfrdwy's proposals for schemes to help vulnerable individuals, how acceptable or unacceptable are these to you?



7/8 financially vulnerable customers say the support scheme proposals are acceptable.

Q. Thinking about the Hafren Dyfrdwy's proposals for schemes to help vulnerable individuals, how acceptable or unacceptable are these to you? (n = 8)



Thank you

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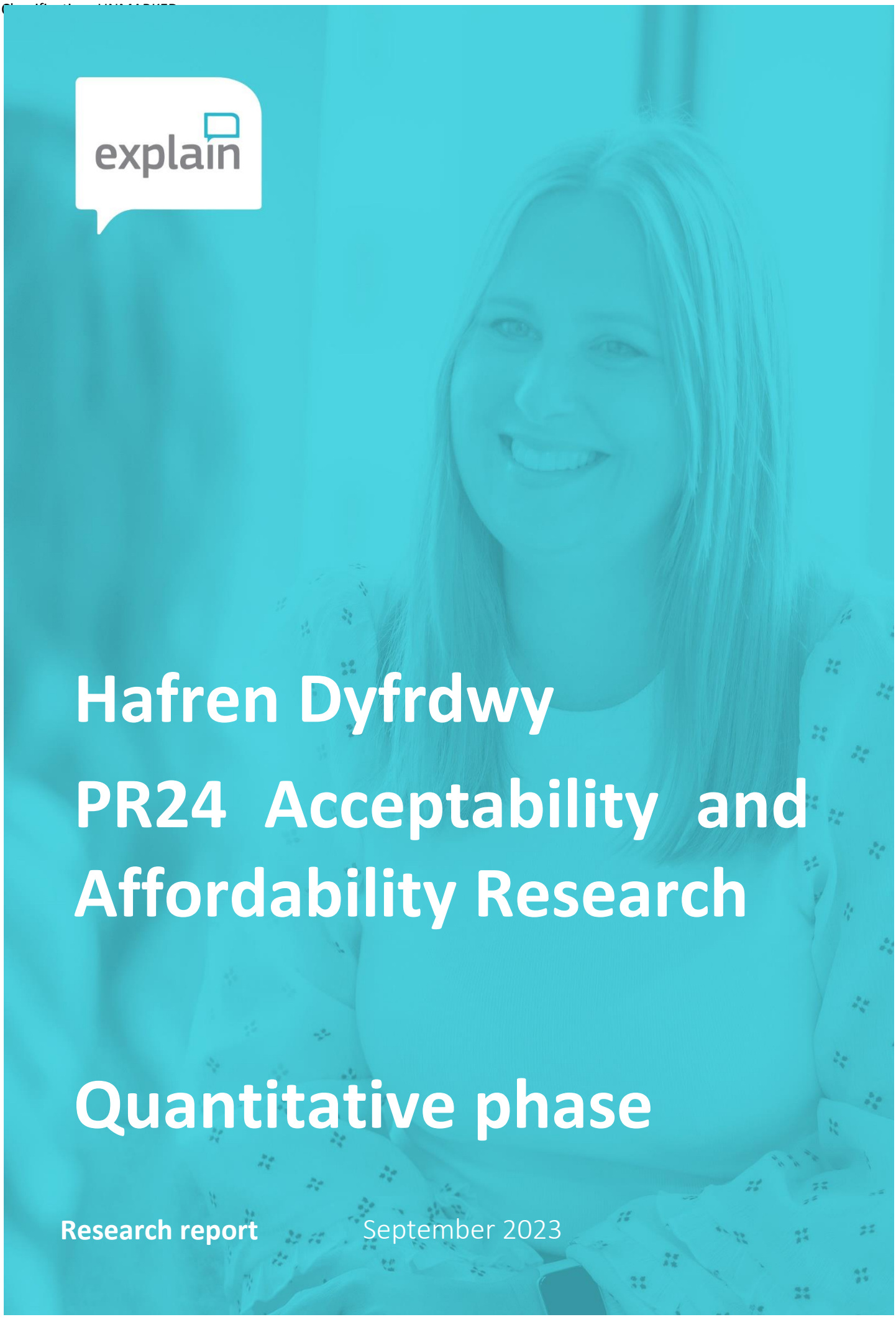
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Annex 2F: Acceptability and affordability quantitative research

2nd October 2023

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Hafren Dyfrdwy

PR24 Acceptability and Affordability Research

Quantitative phase

Research report September 2023

Executive summary:

Overview

This report details the findings from the Acceptability and Affordability Testing (AAT) research. This research involved a quantitative survey to test the proposed business plan for Hafren Dyfrdwy across both household (HH) and non-household (NHH) customers.

Sample size:

In total, 587 Hafren Dyfrdwy customers completed the survey including:

294 Households in North-east Wales

(who receive a Hafren Dyfrdwy water service and Dŵr Cymru Welsh Water sewerage service). These customers are referred throughout as 'combined'.

243 Households in Mid Wales

(Hafren Dyfrdwy water and sewerage customers). These customers are referred throughout as 'mixed'.

50 Non-Household customers

(split across North-east Wales and Mid Wales)

Key results:

Affordability



12% of HH customers found the proposed bill increases **easy to afford**, with **51% finding them difficult**.

Key reasons for difficulty related to:

- Current financial difficulties, related to low incomes.
- The current economic climate and the cost-of-living crisis were also contributing factors.

Acceptability



72% of HH customers found the plan **acceptable**, with **15% finding it unacceptable**.

Key reasons for acceptability were:

- Supporting what Hafren Dyfrdwy 'is doing in the long term'.
- Their plan seems to focus on the right services.
- Acceptance tended to be higher among affluent HH customers.

Key reasons for unacceptability were:

- The plan was too expensive.
- They wouldn't be able to afford it, which was reflected by the financial status and deprivation of those finding the plan unacceptable.
- Media awareness of Hafren Dyfrdwy also had an influence on acceptability, with those aware of media activity being less likely to find the plan acceptable.



Customers noted company profits as a means of concern for both affordability and acceptability, but Hafren Dyfrdwy has not yet turned a profit or paid out dividends. There is potential that perceptions of the wider water and sewerage industry impacted perceptions related to this.

NHH

66% stated they have struggled to pay at least one of their organisation's bills over the past year, however **80%** reported that they are managing well financially. **88%** expected their organisation's financial situation to get better in the years leading up to 2030.

NHH customers tended to find the plan affordable. **90%** of NHH customers found the proposed plan **acceptable**.

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explain
“Quality is never an accident it is always the result of intelligent effort”
Introduction
An overview of the project background, objectives and methodology.

Introduction

Background and context to PR24 Acceptability and Affordability Testing

Hafren Dyfrdwy serves 87,000 water and 22,000 wastewater customers in Powys, Wrexham, and parts of Flintshire, Denbighshire and Montgomeryshire. Hafren Dyfrdwy is in the process of developing its business plan for 2025 to 2030 which will be submitted to Ofwat in October 2023.

To meet the prescribed approach outlined by Ofwat and CCW, Hafren Dyfrdwy is required to deliver Acceptability and Affordability Testing (AAT) as part of their business plan development. This testing follows specific guidance developed by Ofwat and CCW to ensure results are as comparable as possible across the water industry. Following an extensive programme of research, and a qualitative phase of the AAT, a proposed plan has been developed for PR24. The guidance then requires this proposed plan to be tested quantitatively with customers. This report covers this quantitative phase of the AAT.

Ofwat and CCW guidance compliance

The guidance from Ofwat and CCW water has been strictly adhered to, except in a small number of areas where feedback from Hafren Dyfrdwy's Independent Challenge Group (the Independent Challenge Expert) provided strong enough challenge to justify a minor amendment.

It was ensured that any changes were minor and would not result in a material change in the responses given by respondents or limit the comparability of Hafren Dyfrdwy's research to other organisations in the water and or wastewater industry. Further details are provided in the relevant section within this report.

Methodology

Hafren Dyfrdwy's proposed business plan was tested with a representative sample of household (HH) bill payers using a statistical sample survey. A sample of non-household (NHH) customers was also surveyed. The survey was developed in line with the guidance and hosted online but was also available as a paper version for those who requested it, as well as other accessibility options.

Within the survey, participants were presented with Hafren Dyfrdwy's proposed business plan. This plan was inclusive of:

- The proposed bill impact in the period 2025-2030. Combined HH customers were presented with a personalised chart showing their combined water and sewerage bill. NHH combined participants who were unaware of their bill amount were shown a £1,000 bill impact, compliant with the guidance. Mixed HH customers were shown a combined water and sewerage bill in the first instance based on their actual bill, with the added explanation that Dŵr Cymru Welsh Water (DCWW) provided their sewerage services. Following this, an additional water only bill chart based on their current Hafren Dyfrdwy bill amount was presented to mixed customers. NHH mixed customers were shown a generalised £1000 combined bill and then a £333 water only bill (this is based on the fact that a water and sewerage bill of £1,000 in the North-east Wales region would typically be split 2/3 sewerage charges and 1/3 water charges).
- Proposed service levels for six common performance commitments. This was divided into three common water performance commitments and three common sewerage performance commitments. The display and comparative nature of these were compliant with the guidance. Mixed customers were only shown the three water specific performance commitments, as DCWW supplies their sewerage services.
- Detail on a series of five enhancements, which are areas of investment Hafren Dyfrdwy included on the basis having the largest impact on customer bills. These were also presented in compliance with the guidance. Mixed customers were shown only four enhancements, as an enhancement related purely to sewerage services was omitted.

Respondents were asked a series of questions about affordability and acceptability of the proposed business plan. All of these will be explored in further detail throughout the results section.

In total 537 surveys were completed by HH customers and 50 by NHH customers.

Questionnaire

The survey questionnaire was developed based on the script provided in Appendix F of the guidance. In the Ofwat and CCW 'Affordability and Acceptability Guidance - queries and responses' documents it was clarified that additional contextual information about the plan should be included within the survey to support the prescribed text, but not expand its coverage beyond what is necessary for meaningful understanding. This contextual information was kept to a minimum but was used to guide respondents through the survey and ensure they were able to understand the survey purpose and the different elements of the business plan. The full survey can be found in the separate appendix provided.

The questionnaire consisted of two main sections:

1. **Affordability**: Within this section the survey explored the respondent's current financial situation or the financial situation of their organisation (for NHH customers). The survey also presented respondents with a personalised bill profile graph for 2023 to 2030 demonstrating the bill impact of the proposed plan and forecasted inflation relative to 22/23 prices. This personalised bill impact was displayed prior to information relating to the business plan or what the increased cost would contribute towards.
2. **Acceptability**: Within this section of the survey respondents were presented with information about Hafren Dyfrdwy's proposed service levels and investments from the proposed plan. This included proposed service levels for three common water performance commitments and three common wastewater commitments as well as detail on five investment areas.
    a. Mixed customers were not displayed the three common wastewater commitments and were shown only four investment cases.

Beyond the questions prescribed in the guidance, additional questions were included in the survey to better understand responses. These related to the number of people aged 16 or under in the household; media awareness of water companies and of Hafren Dyfrdwy; whether media coverage had been positive or negative and whether the customer had experience of a service failure within the past two years.

Additionally, respondents were provided with information about the package of affordability services provided by Hafren Dyfrdwy and the acceptability question was repeated to explore whether this impacted views.

Before the survey was launched, we invited challenge from Hafren Dyfrdwy's Independent Challenge Expert (ICE). The survey was assessed by Thinks Insight & Strategy, the agency who

delivered the qualitative phase of the research, and CCW. This challenge process identified a number of small changes to wording, resulting in minor deviations from the guidance.

These areas were justified on the basis of customer feedback and were actioned to ensure accessibility and ease of answering the questions, without infringing on the core objectives of the survey. They were also endorsed by Hafren Dyfrdwy's Independent Challenge Group, the ICE.

These minor changes to the survey included:

- In the survey it was prescribed that age be collected via an open box and coded following this. It was also stipulated that respondents who preferred not to provide their age were screened out. This caused customer complaints in early fieldwork and so the following changes were made:
    - Respondents who did not wish to provide their age in the open question were presented with age bands as an alternative. This was done to support customer comfort in participation and as age groups are the only requirement the guidance specifies in regard to reporting this metric, this inclusion felt acceptable.
    - Respondents were able to continue with the survey even if they were unwilling to provide their age in either question. However, after this amendment was made, no respondents identifying as 'prefer not to say' completed the survey.
- The phrase 'bathing waters' was removed from the performance commitment 'Pollution of rivers and bathing water', because Hafren Dyfrdwy does not have any bathing water in its region.
- An additional minor inclusion to the SEG definitions was made relating to the profession of the chief income earner / the chief income earner prior to retirement - the profession 'carer' was added to the housewife/househusband option.
- Addition of a question on postcode at the end of the survey to facilitate the analysis of the Welsh Index of Multiple Deprivation

In addition, we made some specific changes to the colour scheme of the Hafren Dyfrdwy personalised bill graph. Discussions with the ICE and CCW highlighted a concern that respondents might focus on the inflation-based increases to the bill, often missing that the bill increase was driven by investment. The ICE and CCW agreed it would be sensible to change the colour of the inflation block to make it slightly less prominent.

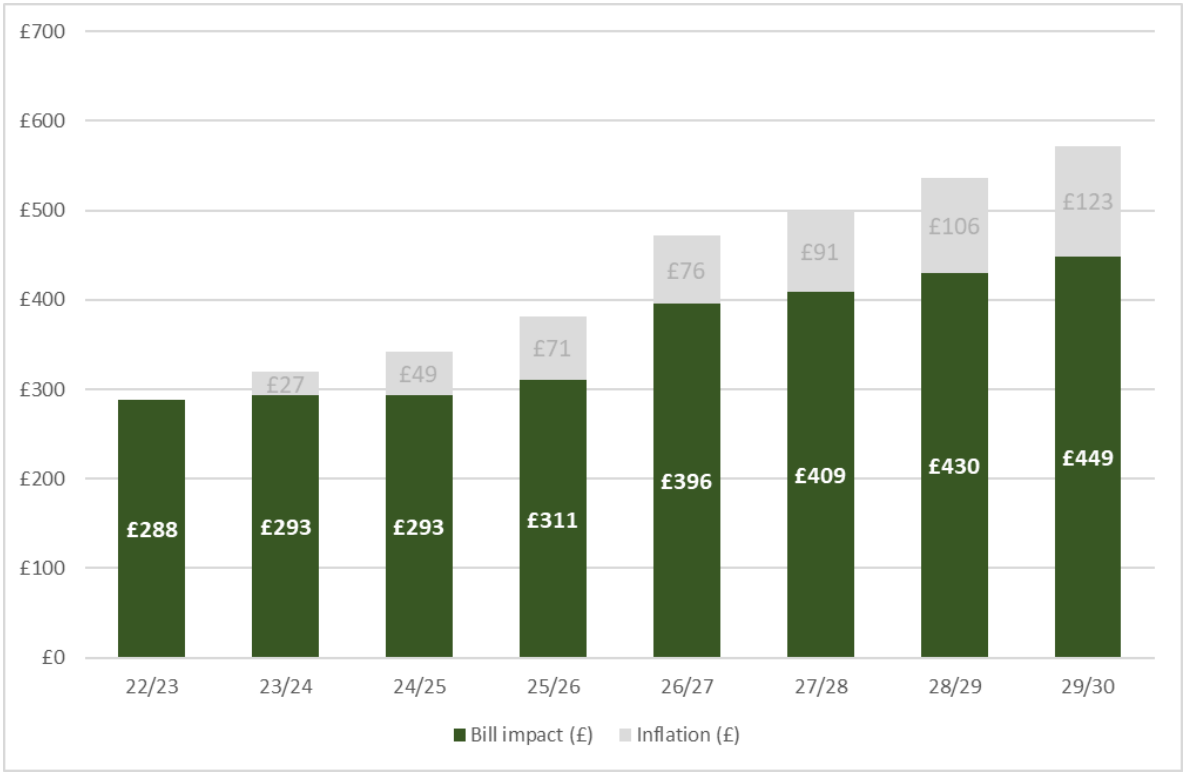


To enable accessibility, customers were able to complete the survey in the English or Welsh language dependent on the respondent's preference. Customers completing the online survey were able to select 'low vision mode', which increased the font size, contrast ratios, and increased font weights (e.g., question text becomes bold). Beyond the online survey format, all respondents were given the option of completing the survey in a physical format, distributed by post. This paper format was also offered to those requiring the survey in a different language (not the English or Welsh language), in Braille or for respondents with any other disabilities, such as dyslexia, that could result in difficulties in completing the online survey. Explain also offered completion of the survey via telephone and in a face-to-face format if these options best suited a respondent's accessibility concerns.



The proposed plan

In the affordability section of the survey respondents were presented with a personalised bill impact of the 2025 to 2030 plan and forecasted inflation. As noted in the previous section this graph was developed in conjunction with the ICE and CCW. An example of the graph used is shown below:



For HH customers this bill graph was based on their actual (22/23) water and wastewater bill seeded into the survey in advance. NHH customers were asked to enter their annual bill amount into the survey and were shown a proxy bill of £1,000 for water and wastewater, and a £333 water bill if they were mixed NHH customers, if they were not able to provide this.

In the acceptability section of the survey respondents were presented with the proposed plan. This included the six common performance commitments outlined in the guidance. Mixed customers were shown the three water performance commitments from this list.

- Appearance, taste and smell of water.
- Water supply interruptions.
- Leakages.
- Sewage flooding of properties (Combined customers only).
- Sewage flooding of gardens or outbuildings (Combined customers only).
- Pollution of rivers (Combined customers only).

Comparative and forecasted performance (for the period 2029/30) for each of these performance commitments was presented to customers. This adhered to the principles outlined within the Ofwat and CCW document 'Guidance for water companies: principles for setting out comparative company performance data' and the updated guidance that followed.

Respondents were then asked to consider a number of proposed investment cases. These enhancements were selected based on those that had the greatest impact on customer bills. The enhancements differed between combined and mixed customers, with this noted below. The investment cases presented in the survey included:

- Reducing the risk of water supply interruptions.
- Reducing the risk of pollution and improving wastewater treatment standards (Combined customers only).
- Replacing lead pipes.
- Installing smart water meters.
- Improving biodiversity.

For each enhancement case, respondents were provided with a brief description as demonstrated in the image overleaf. The surveys for both HH (combined and mixed) and NHH customers can be found in full within appendices 4 & 5.

Installing smart water meters	
The problem	Standard water meters only provide information on how much water customers are using when they are read, typically every 6 months. Newer, smart water meters provide more frequent information about how much water customers are using. Providing this information to customers can help them use water more mindfully and help Hafren Dyfrdwy with the early detection and fixing of leaks on the network.
The solution	Hafren Dyfrdwy is planning to install 15,340 smart meters between 2025-2030 at properties across the Hafren Dyfrdwy region. Unless they chose to be, customers will not be switched to being billed by the smart meter. This increases the information Hafren Dyfrdwy has on the water pipe network so it can find and fix water pipe leaks quicker. It also reduces carbon emissions because less water needs to be treated and pumped into supply.

Research with customers who receive services from different water companies

The Hafren Dyfrdwy region includes around 18% of combined water and wastewater customers, and around 82% of mixed customers whose water is supplied by Hafren Dyfrdwy and wastewater services by DCWW. Both groups of customers were included in the research. To ensure we got a meaningful number of responses for combined customers, half of those customers we invited to take part were combined customers, and half were water only customers. Final results for HH customers are weighted back to the customer proportions.

Hafren Dyfrdwy holds actual bill information for the wastewater services provided by DCWW and also liaised with DCWW to establish their predicted bill profile for 2024 to 2030. This information was used to ensure that whole bill impact was tested in the survey, even for Hafren Dyfrdwy mixed customers. Respondents viewed a personalised bill graph for their total water and wastewater charges and were asked how easy this would be to afford. Following this they were shown a second graph related to their water services only and asked the same question.

Treatment of company specific social tariff schemes

The latest view of the social tariff (Here2Help) contribution that will be made by customers during the years 2024/25 to 2030 was included in the bill profiles that were presented (apart from those who are on the tariff, who don't contribute).

Those on the tariff were told that their bill predictions assumed they would remain on the same level of discount, as no changes are proposed in terms of the level of discount for those currently on the tariff.

Treatment of inflation

Inflation was included in the bill profile as per the guidance. This included the following forecasted values:

- 2024/25 – 5.6%
- 2025/26 – 1.9%
- 2026/27 – 0.5%
- 2027/28 and subsequent years – 2.0%

The prescribed text describing inflation was also included.

Challenge from the Independent Challenge Expert

The Hafren Dyfrdwy survey was piloted amongst Hafren Dyfrdwy staff and the ICE. This provided the necessary assurance that the survey was working as intended prior to launch. Additional testing was conducted with a Welsh speaker from CCW to ensure all survey content had been translated accurately and was positioned in the survey as expected.

The ICE was involved in the survey development at a number of points to ensure they were able to effectively challenge the survey and approach. These included:

- Conversations at the inception of the project to agree key methodological considerations such as sample size and approach.
- Input into the material developed to present the performance commitments and enhancements to customers prior to survey scripting.

- Full survey review prior to launch.

Sampling requirements for household customers

The minimum sampling requirement for HH customers for Hafren Dyfrdwy was 300 and this was also set as the target sample for the survey. However, the response to the survey was in excess of expectations and so after data cleaning a total of 537 responses was achieved.

Based on response rates to previous Hafren Dyfrdwy surveys, a random sample of 9,000 customers from the Hafren Dyfrdwy region was invited to answer this survey.

Within the guidance it is recommended that customers are proportionately oversampled in areas classified as most deprived in the Welsh Index of Multiple Deprivation (WIMD). This data was not available for Hafren Dyfrdwy customers in the billing database and thus a similar approach was adopted using CACI Acorn profile as a proxy for WIMD as shown below:

ACORN group	Description of group	Proportion of sample issued
Affluent achievers	These are some of the most financially successful people in the UK. They live in affluent, high-status areas of the country. They are healthy, wealthy and confident consumers.	15%
Rising prosperity	These are generally younger, well educated, professionals moving up the career ladder, living in our major towns and cities. Singles or couples, some are yet to start a family, others will have younger children.	18%
Comfortable communities	This category contains much of middle of the road Britain, whether in the suburbs, smaller towns or the countryside. They are stable families and empty nesters in the suburban or semi-rural areas.	20%
Financially stretched	This category contains a mix of traditional areas of Britain, including social housing developments specifically for the elderly. It also includes student term time areas.	22%
Urban adversity	This category contains the most deprived areas of towns and cities across the UK. Household incomes are low, nearly always below the national average.	25%

Exclusions from the sample were kept to a minimum. These included:

- Those who have requested not to be contacted for research.
- Deceased accounts in / about to be in probate.
- A small number of customers with severe vulnerability who are highlighted as finding contact distressing, such as those with dementia.
- Customers on the PSR were included but those receiving specialised bill services such as Braille were excluded.

Within the dataset, each customer was allocated a unique ID and non-postal respondents were anonymised before being transferred to Explain. The data included a flag to identify customers on the social tariff (Here2Help Scheme) and the customer's bill amount so that this could be seeded into the survey and used to generate the personalised bill profile for each respondent. For unmetered customers this was their actual 22/23 bill. For metered customers the 22/23 billed charges were quoted, although these may have been split across multiple invoices. Any customer selected that did not have billed charges covering the entire 22/23 period had a pro-rata amount quoted as their 22/23 bill, based on their actual 22/23 charges. For example, this approach was taken where a customer moved into a property in the region after 1st April 2022 and therefore was only billed for a proportion of the 22/23 year. Customers who changed their method of charging from metered to unmetered and vice versa had their bill data based on the charges levied at the point of change to the end of the year, so the bill for the 22/23 period would have been based on bills produced in that period based on their new method of charging. For customers in North-east Wales both the HD water charges and DCWW waste water charges were extracted.

Sampling requirements for non-household customers

A minimum sample of 50 was prescribed for NHH customers and this sample was chosen as the set fieldwork target. After cleaning a total of 50 responses were achieved.

An online survey was distributed among business owners that have a business premises within Hafren Dyfrdwy region. NHH customers who had premises within and out with the service areas were asked to answer the survey relating to the business premises within the respective region, to ensure accurate opinions given.

Due to the limited demographic data of NHH customers in the Hafren Dyfrdwy region, and niche nature of sampling such a specific group, a natural fallout approach to fieldwork was taken. This was also the



preferred approach in order to reach the minimum number of completes required, as specified by the guidance.

Data collection method household customers

A push to web methodology was employed to implement the survey in line with guidance. The survey was hosted by Explain and distributed to Hafren Dyfrdwy customers via post or email. Whether customers received a postal or email invite to take part in the survey was based on the communication preferences recorded in the Hafren Dyfrdwy customer database. All customers were sent a dual language letter and the email reflected their stated language preference (or dual language where preference is not recorded). 4 customers in total did the survey in Welsh.

An agreed invitation was distributed to email and postal respondents. Postal respondents were able to scan a QR code or type in a simple web link to access the survey. Once they arrived at the survey, they were asked to enter their Unique ID so that their actual bill amount and social tariff flag could be retrieved and used to populate the personalised graph in the survey. All email respondents were sent a unique survey link, avoiding the need to enter their unique ID.

Respondents were given the option to request a postal version of the survey and return this in a pre-paid envelope. In total 16 postal surveys were requested and 7 were returned for data processing. Respondents were also able to request the survey in a range of formats or languages, or to complete it over the telephone or face to face. No survey requests of this nature were received, however as noted respondents were able to access the survey in either English or Welsh.

As the response to the initial letter and email enabled the target sample to be achieved, no further reminders were required.

Explain also set up a freephone line for Hafren Dyfrdwy customers to call if they had any issues in completing the survey or to offer feedback, a specific email address was also provided. Any calls related to the service Hafren Dyfrdwy provides were passed back to a relevant company contact. The freephone number and email address were included in the email and postal invitation and reminders to customers.

A summary of mailing sizes and response rates can be found overleaf. Please note that the total amount of postal requests (16) was slightly higher than the total amount of postal surveys sent (15). This difference was due to this customer not providing their unique ID or any details beyond their name and partial address. Efforts to re-contact were not successful.



Recruitment distribution totals

- Letters (4,735 sent) - Push to web invitations
- Emails (4,265 sent)
- Total (9,000 invites sent)

Completion rate by recruitment type

- 44% of Mixed completes were from letter invites
- 56% of Mixed completes were from email invites
- 35% of Combined completes were from letter invites
- 65% of Combined completes were from email invites

- 40% of HH completes were from letter invites
- 60% of HH completes were from email invites

Response rate from the total recruitment distribution

- 5% of those receiving letters completed the survey
- 6.8% of those receiving emails completed the survey

- 6% of the 9,000 invited to participate completed the survey

Number of postal requests (HH only)

- 16 requests
- 15 sent
- 7 returned

Customer type

- 91% HH
- 8.5% NHH

- 53.5% North-east Wales, water only customers (Mixed) (total)
- 46.5% Mid Wales, water and sewerage customers (Combined) (total)

Data collection method non-household customers

There is no prescribed data collection method for non-household customers and so a panel approach was chosen. This enabled effective targeting of NHH financial decision makers in the Hafren Dyfrdwy region.

Incentives

To increase participation rates, HH respondents who completed the survey were incentivised with a £5 Amazon voucher. Respondents who requested a postal survey were provided with a £5 high street voucher. If they chose not to provide details in order to distribute their incentive, a charitable donation of an equal amount was made to WaterAid. A total of £200 was donated to WaterAid on behalf of Hafren Dyfrdwy customers.

NHH respondents were provided with incentives via the research panel, Dynata, that was utilised. Respondents who completed the survey and were verified as valid submissions by Dynata were awarded a financial incentive to their panel account.

Notes on analysis

Weighting methodology

Due to the natural fallout of survey responses to the survey, weighting was applied to the data set in order to reflect the demographic composition of the Hafren Dyfrdwy region. These weighting quotas were provided by Hafren Dyfrdwy and related specifically to age, gender, water meter status and socio-economic group (SEG).

Prior to weighting being applied, the age of participants was grouped into the respective segments as defined by Ofwat and CCW guidance. Age segment data provided by Hafren Dyfrdwy did not offer percentage breakdowns of those aged 65-74 and 75+, only 65+. To address this, customers aged 65-74 and 75+ were grouped together and then weighted to be reflective of 65+ percentage granted by Hafren Dyfrdwy.

A number of the weighted variables included a ‘prefer not to say’ option in the survey. In weighting, the proportion of respondents who selected this option remained fixed, and the remaining respondents were weighted proportionally to reflect the Hafren Dyfrdwy customer base. This approach was taken as a means of not diminishing the sizeable minority of Hafren Dyfrdwy customers who

answered, 'prefer not to say', while also reflecting the demographic breakdown of the Hafren Dyfrdwy customer base.

An additional note is that the quotas provided by Hafren Dyfrdwy for SEG did not add up to 100%, rather 99.9%. As a result of this, and to prevent upward/downward rounding of figures, the 0.1% remaining was split across the SEG groups. This minimised any discrepancy and retained accuracy within one decimal place of the quotas.

Data cleaning

After fieldwork was completed for each survey (HH mixed, HH combined and NHH), survey data was exported and anonymised. Following this, all data was immediately checked for duplicate IDs. Although no duplicate IDs were found, noting that safeguards of single use IDs were successful, if a duplicate ID was present in either HH or NHH survey data, the oldest incidence of an ID would be retained (providing other data given was reliable) and all subsequent incidences removed.

Following these checks, a speeder check was implemented, in line with Ofwat and CCW guidance, removing all responses that were below 1/3 of the median time taken in the survey. Resultantly, for the HH Mixed survey, the median time was 14:17 minutes, with the 1/3 speeder check at 4:46 minutes. This approach saw the removal of two respondents from the survey. For the HH Combined survey, a median completion time of 15:50 was present, with a 1/3 speeder check of 5:17. This saw the removal of one participant. For the NHH survey, the same approach was taken, seeing a median time for completion of 14:45 minutes and a 1/3 speeder check of 4:55 minutes. This saw four respondents removed from the data set. As the NHH survey was sampled using external panel access, these removed participants were replaced with 'fresh sample' and the same speeder procedure applied to the new completes.

Following removals for duplicates and speeders, data quality checks of responses were conducted. Although there were no removals on this basis, the criteria for removal included the inability to answer a question correctly or in an offensive manner (swearing, discriminatory language, or prejudice), flat lining (the continued selection of response options in a sequential order, such as only selecting the top/middle/bottom choice in a series of questions), and bad verbatim. For NHH, there were no incidences of the aforementioned data quality concerns.

For HH customers only, in this process, a VLOOKUP was conducted against the UID in the database Hafren Dyfrdwy provided, to determine the Acorn segment and postal – email recruitment breakdown. As post code data was collected in the survey for HH customers, Explain were able to determine the WIMD. This was conducted by cleaning the post code data entered collected into a single uniform

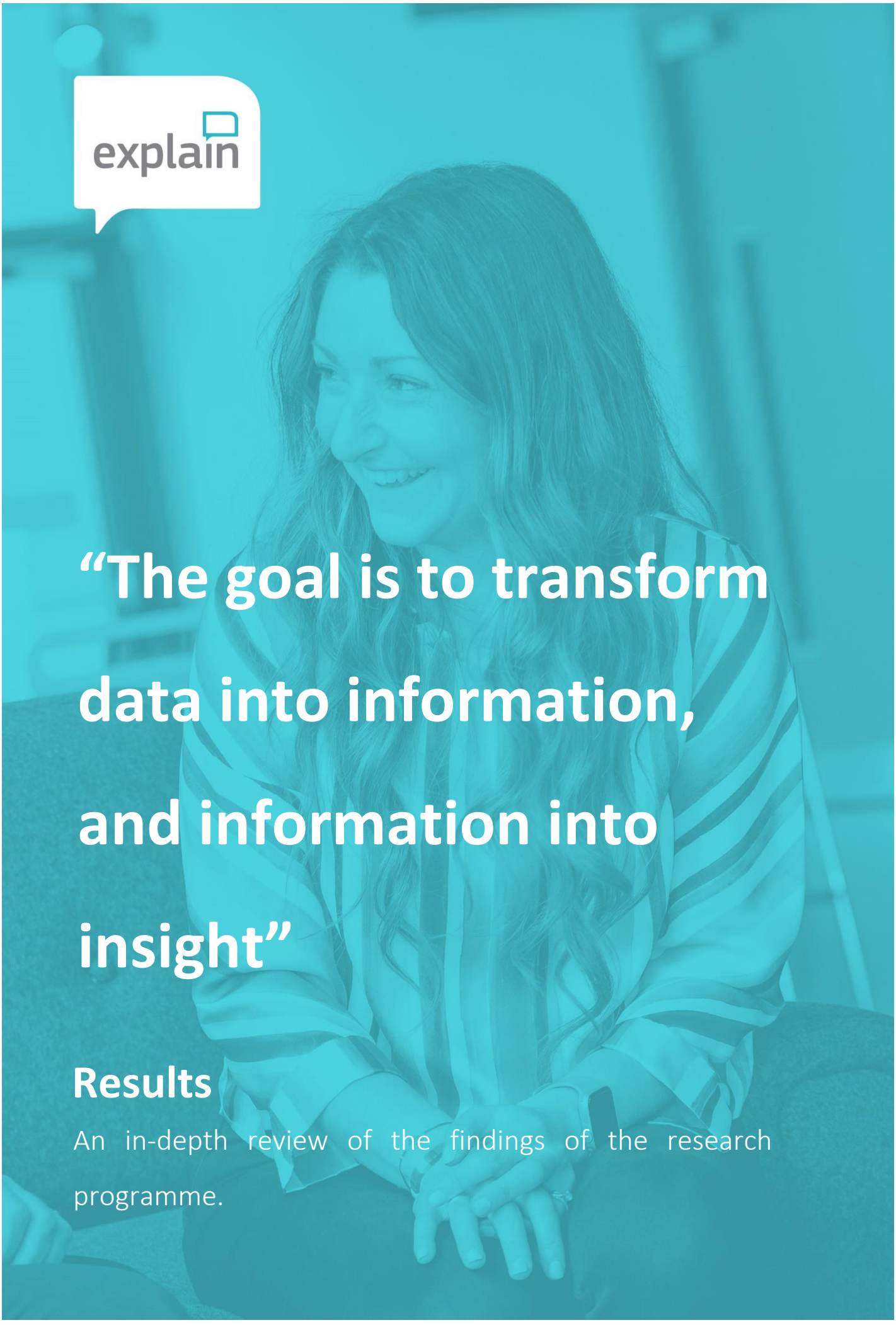


format. Following this, a VLOOKUP was conducted against an existing data set to determine the Low layer Super Output Areas (LSOAs) of participants. After determining this, a further VLOOKUP was conducted against the LSOAs against a dataset determining LSOA status against WMID deprivation ranks. The breakdown of these ranks among HH participants can be found in the sample outline in Appendix 1.

NET Figures

As all figures displayed in the graphs throughout this report are rounded whole numbers, some NET figures called out in graphs and text may appear incorrect within one decimal place. This is the result of rounding, not incorrect data entry.





explain

“The goal is to transform data into information, and information into insight”

Results

An in-depth review of the findings of the research programme.

Cross-tabulation analysis

Using supplementary data tables found in the appendix, Explain conducted cross tabulation analysis of total results per question against a series of demographic subgroups that Hafren Dyfrdwy highlighted important to their findings. The groups for HH can be found below:

- Here2Help Status
- Bill amount (the grouped amount that a HH bill falls into – low/medium/high) – water bill amount was also analysed for mixed HH customers
- Meter status
- Age
- Ethnicity
- ACORN
- SEG
- Vulnerability
- Children/no children in the household
- Gender
- Weekly household income
- Welsh Index of Multiple Deprivation (WIMD)- this is an index used to measure relative deprivation for small areas in Wales, designed to identify small areas where there are the highest concentrations of several different types of deprivations.

Where significant differences were identified within these important subgroups, these have been noted in the relevant sections of the report, visible under or on the page following the question graph.

Due to the low base size of NHH customers (50), cross-tabulation analysis was not statistically viable. NHH results were also not included in graphed data, as the low base size prevents comparability to both HH groupings. However, NHH results are called out in the labelled boxes following graphed data.

Results

Notes on analysis

In this section, quantitative survey results are displayed on graphs showing results for Hafren Dyfrdwy HH mixed and combined customers, and an overall result based on a weighted average of combined HH and mixed HH results. This weighted average is calculated based on the fact that 81.47% of total customers are water only and 18.53% are water and wastewater customers.

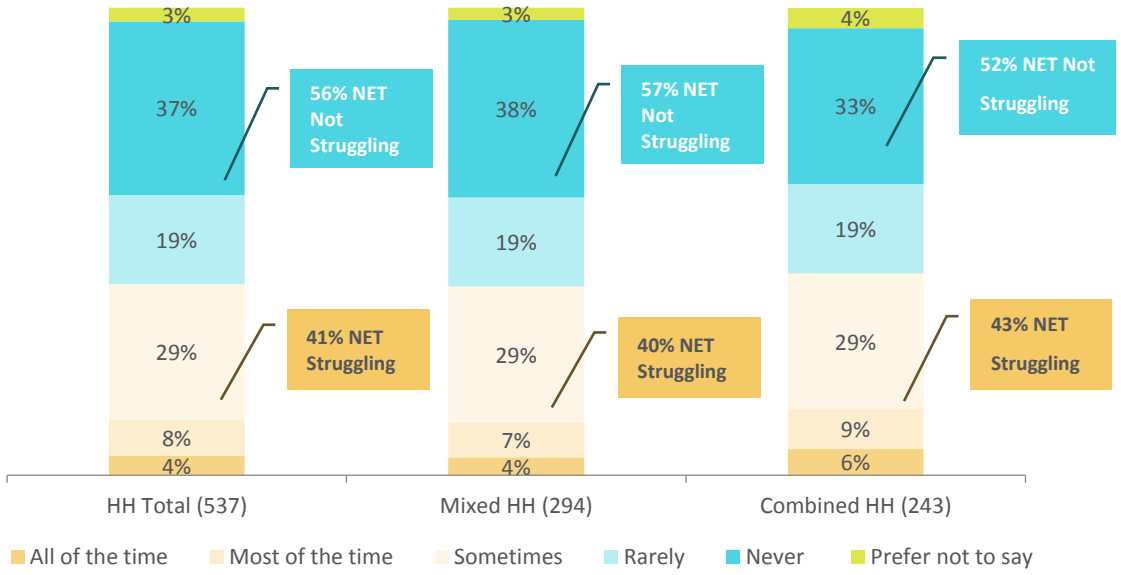
Cross-tabulation analysis has been conducted on the HH data sets and any statistically significant differences by demographic group are highlighted in the relevant text boxes. Full weighted and unweighted data tables showing this analysis in detail can be found in the accompanying appendix. Results for the smaller NHH sample are also called out in text boxes.

Current financial status

41% of Hafren Dyfrdwy HH customers reported that they have struggled to afford at least one bill in the last year

Initially in the survey, respondents were asked a series of questions about their financial status before any details of the proposed plan were shared. The below graph shows that 41% of Hafren Dyfrdwy HH customers had struggled to afford at least one bill in the past year. This was highest among combined HH customers, with 43% struggling compared to 40% of mixed customers and the HH total.

Thinking about your household's finances over the last year, how often, if at all, have you/your organisation struggled to pay at least one of your household bills?



HH mixed customers

- Mixed customers aged 18-24 and female customers were significantly more likely to have struggled to pay at least one of their household bills over the last year.

HH combined customers

- Combined customers with children in their household, females, and those from SEG DE were more likely to have struggled to afford at least one of their household bills over the last year.

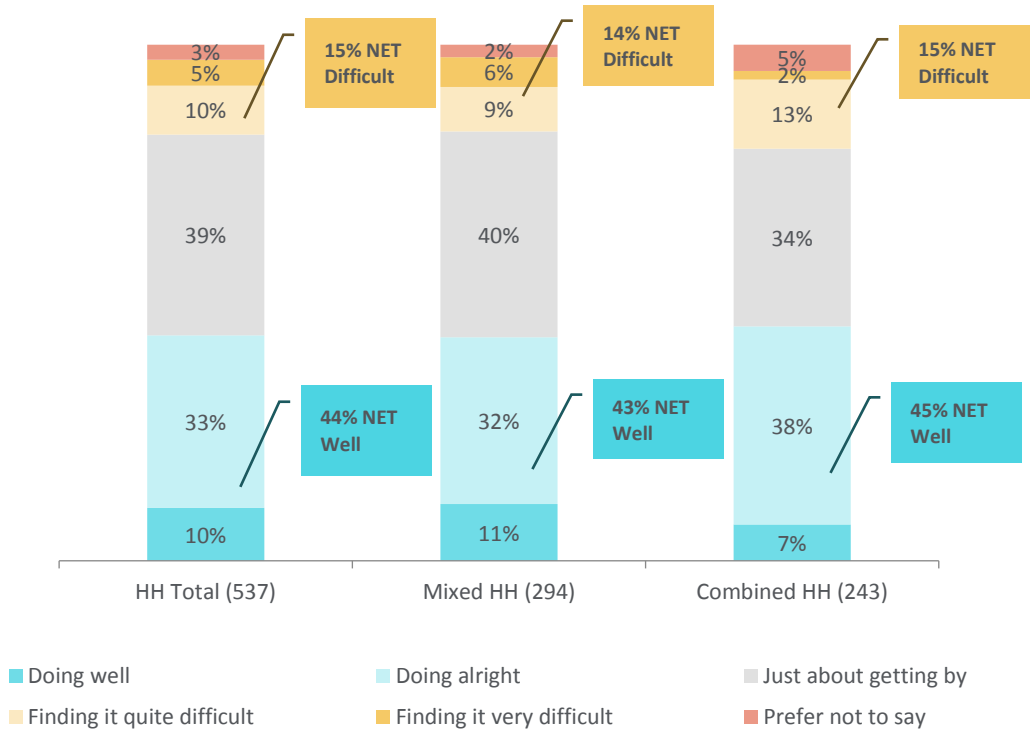
Non-household customers

- 66% of NHH customers agreed that their organisation has struggled with at least one bill over the last year (CAUTION Small base size).

44% of Hafren Dyfrdwy HH customers reported that they are managing well financially, consistent across combined and mixed HH customers

Difficulty in current financial management was highest among combined HH customers but was not significantly higher than mixed HH customers. Results for difficult and well financial management are similar across customer types and the HH total.

Overall, how well would you say you are managing financially now?
(HH customers 537)



HH mixed customers

- Mixed customers aged 35-44 were less likely to state they were managing well financially, and those aged 25-34 were most likely to be finding things difficult.
- Customers not charged through a water meter and those with children living in their household were more likely to be finding things difficult.

HH combined customers

- Combined customers aged 75+ were most likely to be managing well financially.

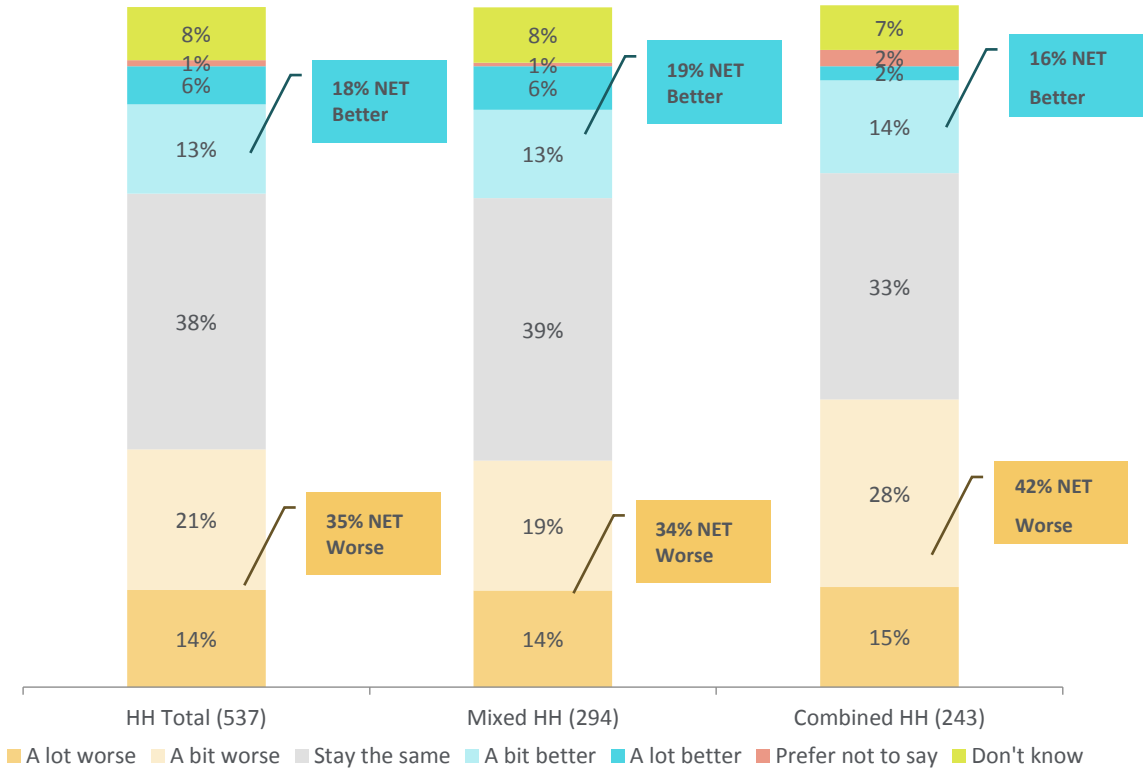
Non-household customers

- 80% NHH customers felt that their organisation was managing well (CAUTION Small base size).

35% of Hafren Dyfrdwy HH customers reported that they expect their financial situation to get worse in the lead up to 2030

Expectations for their future financial situation saw lower optimism among combined HH customers, with 42% expressing such. This was significantly higher than both mixed HH (34%) and the HH total (35%). However, 38% of HH customers overall expected their financial situation to stay the same, with 18% expecting it to get better.

Thinking about your household's financial situation over the next few years up to 2030, do you expect it to get? (HH customers 537)



HH mixed customers

- Younger mixed customers (18-34) and SEG AB were more likely to think their financial situation was going to get better.
- Those on a water meter were more likely to think their financial situation was going to get worse.

HH combined customers

- Customers aged 75+ were least likely to think their financial situation was going to get better.
- Those with a high water and sewerage bill were more likely to think it would get better.

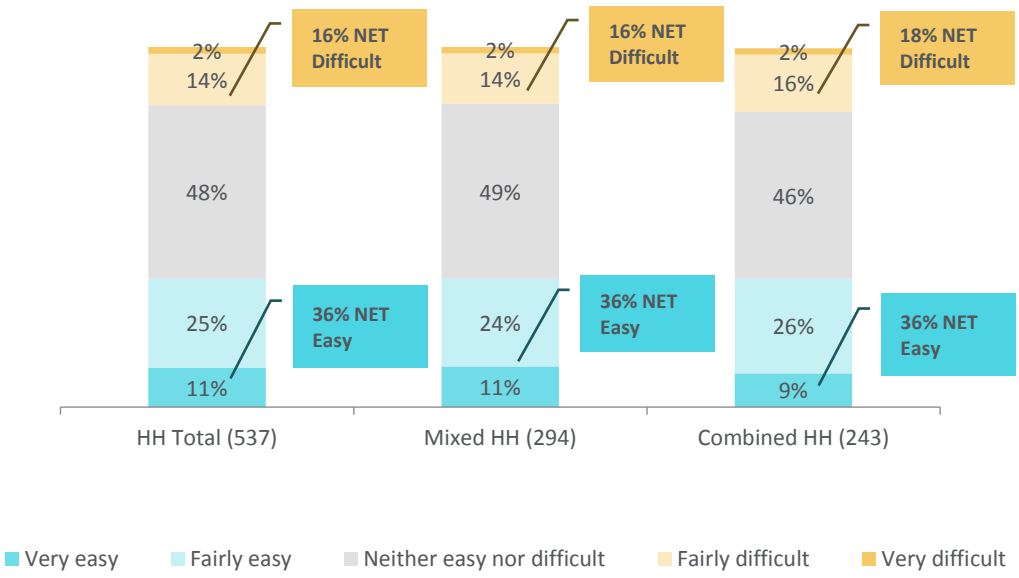
Non-household customers

- 88% of NHH customers expected their organisation's financial situation to get better in the years leading up to 2030 (CAUTION Small base size).

16% of Hafren Dyfrdwy HH customers reported that they found their current bill amount difficult to afford, while 36% found it easy

Results for ease of affordability in their current water and sewerage bill was consistent across mixed, combined and the HH total at 36%. Marginal differences in difficulty were present with 18% of combined HH customers finding it difficult to afford, compared to 16% of mixed HH customers and the HH total.

How easy or difficult is it for you to afford to pay your current water and sewerage bill? (HH customers 537)



HH mixed customers

- Mixed customers aged 18-24 or 35-44, females, those with a weekly household income of up to £199 and those with children in their household, were significantly more likely to find their current water and sewerage bill as difficult to afford.

HH combined customers

- Combined customers identifying as female, those who had a weekly household income of up to £199 and SEG DE were significantly more likely to find their current water and sewerage bill difficult to afford.

Non-household customers

-82% of NHH customers reported that their organisation found their current water and sewerage bill easy to afford.

Affordability of the proposed 2025-30 bills

51% of Hafren Dyfrdwy HH customers reported that they would find the proposed water and sewerage bill increases up to 2030 difficult to afford, while 12% would find it easy

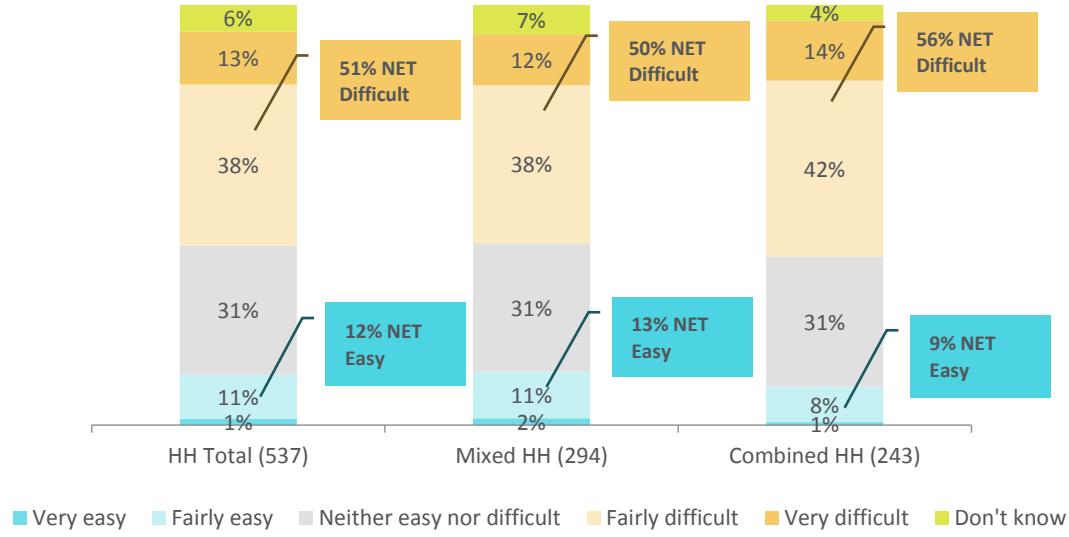
Respondents were then presented with information around how the proposed plan would impact on their water and sewerage bill in 2025-30. This information was presented in a personalised bar chart as described earlier in the methodology section of the report. Respondents were then asked how easy or difficult it would be for them to afford these bills. Responses to this question were uniformed, as no additional information was given to respondents on the reasons for the bill increases or how the increases would benefit the customer.

Mixed customers saw the whole bill (including the sewerage bill increase provided by DCWW).

Combined HH customers were significantly more likely than mixed HH customers and the HH total to find the proposed bill increases difficult to afford.

A number of the 56% of customers that found the bill impact difficult to afford could be defined as affluent by particular metrics. Among combined HH customers finding the plan difficult to afford, 43% said they had not struggled to pay at least one household bill over the past year, 36% were Acorn Comfortable Communities, 60% were WIDM 50% least deprived, and 43% were SEG ABC1. Among mixed HH customers find the plan difficult, 37% said they had not struggled to pay at least one household bill over the past year and 39% were WIMD 50% least deprived. In this instance, external factors unrelated to legitimate ability to afford the bill impact may have influenced the reported difficulty of these customers.

How easy or difficult is it for you to afford to afford these water and sewerage bills? (HH customers 537) (WHOLE BILL question)



HH mixed customers

- Mixed customers aged 35-44, those with medium or high combined waste and sewerage, and water only bill amounts, customers without a water meter and customers with a vulnerability were most likely to find the proposed increases difficult to afford.
- Customers with children in the household and females were less likely to find the proposed bills easy to afford.

HH combined customers

-Combined customers with a weekly household income of up to £199 were significantly more likely to find the proposed bill increase difficult to afford.

Non-household customers

-78% of NHH customers reported that their organisation would find the proposed bill increases easy to afford (CAUTION Small base size).

Open responses represented evidence of circumstantial causes for difficulty in affordability and the need for additional support.

From the open ended question at the end of the survey, asking customers if they had anything further they wished to say to Hafren Dyfrdwy on the plan, some respondents said they found the proposed bill increases difficult to afford given current economic difficulties and the high costs of other outgoings.

"Although price rise is inevitable households are really struggling and although your increase may be slight all companies are increases which amounts to a lot" (Combined HH)

"We are high earners, we haven't been on holiday since 2017 because we have no spare income, we don't have takeaways, we don't spend on any days out because we don't have any spare, our money goes on only bills and food shopping and clothes for our kids, increasing our water bill will make it even tighter and probably result in us being in arrears" (Combined HH)

"The work has to be done but with the cost of living at the moment the increase in bills is not going to help" (Mixed HH)

Others expressed their need for financial support and help from their water company.

"Support for families with young children. I'm currently on maternity leave and pay is low however young children require increase in water e.g., washing bottles, sterilising, increased washing and baths" (Combined HH)

"Make it easier for help with the bills as direct debit is getting unaffordable. Help with bills is not easy to get" (Combined HH)

There were also comments that water bills are already high enough, and the proposed bills would be unaffordable.

"According to your projections, our water bills will more than double in the next few years. This is completely unacceptable, no matter what is in your business plan. You need to re-think this" (Combined HH)

"I feel that the water prices are high enough without going up" (Combined HH)

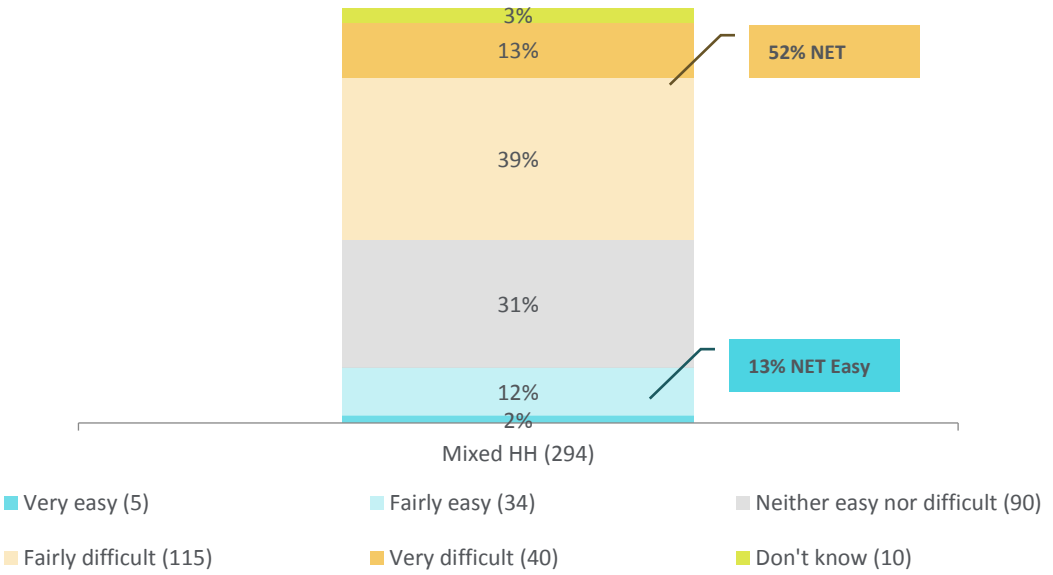


52% of mixed Hafren Dyfrdwy HH customers reported that they would find the proposed water bill increases difficult to afford, while 13% would find it easy to afford

Following the water and sewerage bill affordability question, mixed Hafren Dyfrdwy customers were asked to say how ease or difficult the proposed water only component of the bill increase would be to afford. This was done as mixed customers receive sewerage services from DWCC but are billed wholly by Hafren Dyfrdwy.

The results for affordability ofwater bills specifically were consistent with the results mixed customers gave at the water and sewerage bill impact question.

How easy or difficult do you think it would be for you to afford these water bills? (HH customers 537)



HH mixed customers

- Difficulty in affording the proposed water bill increases was significantly higher among those aged 35-44 years old, those on a high water bill, unmetered customers, females, those with a weekly household income of up to £199, those with children in their household, and WIMD 20-30% most deprived.

Non-household customers

-80% of mixed NHH customers felt that their organisation would find the proposed water bill increases easy to afford (CAUTION Small base size).

53% of vulnerable Hafren Dyfrdwy customers reported that they found the proposed bill increases difficult, with 10% finding it easy to afford

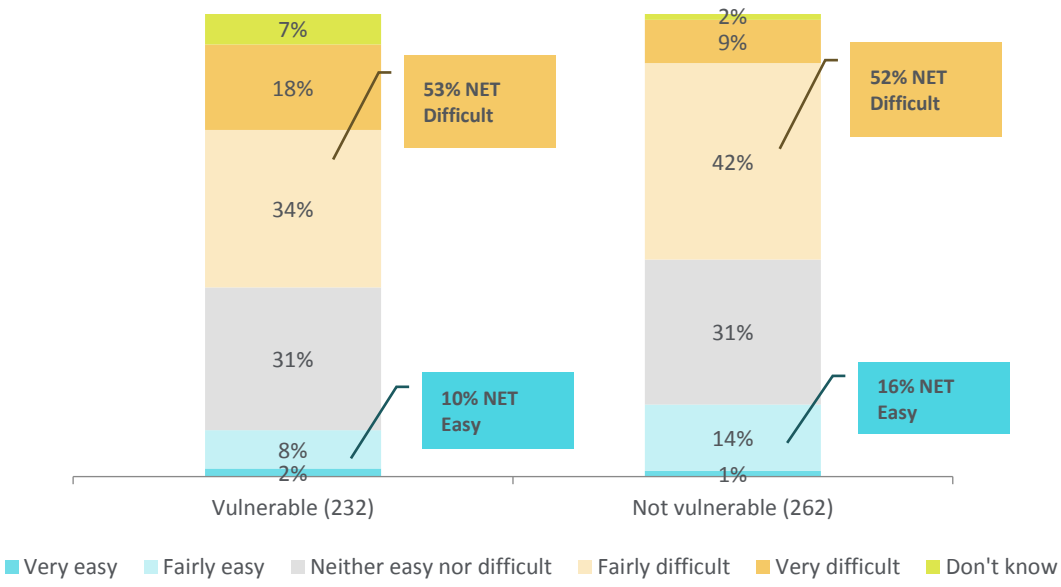
Customers identifying personal or someone in their household as vulnerable were significantly less likely to find the proposed bill increase easy at a HH total level. However similar proportions of customers would find it difficult to afford (53% of vulnerable customers and 52% of non-vulnerable customers).

Among mixed HH customers, vulnerable customers were less likely to be managing well, more likely to be male, and more likely to be classified as 30-50% most deprived among the WIMD.

Combined HH vulnerable customers were significantly more likely to have struggled with at least one household bill in the past year, more likely to have a weekly household income of £300 to £499 and be classified as 10-20% most deprived by WIMD metrics.

Across both mixed and combined customers, vulnerability correlated with financial difficulties, a lower disposable income and higher levels of deprivation. Causes for lower affordability of the proposed bill increases appear related to cost in respect to individual financial circumstances.

How easy or difficult do you think it would be for you to afford these water and sewerage bills? (Vulnerable HH customers 537)



1% of those HH customers struggling found the proposed bill increases easy to afford, while 24% of those managing well said it would be easy

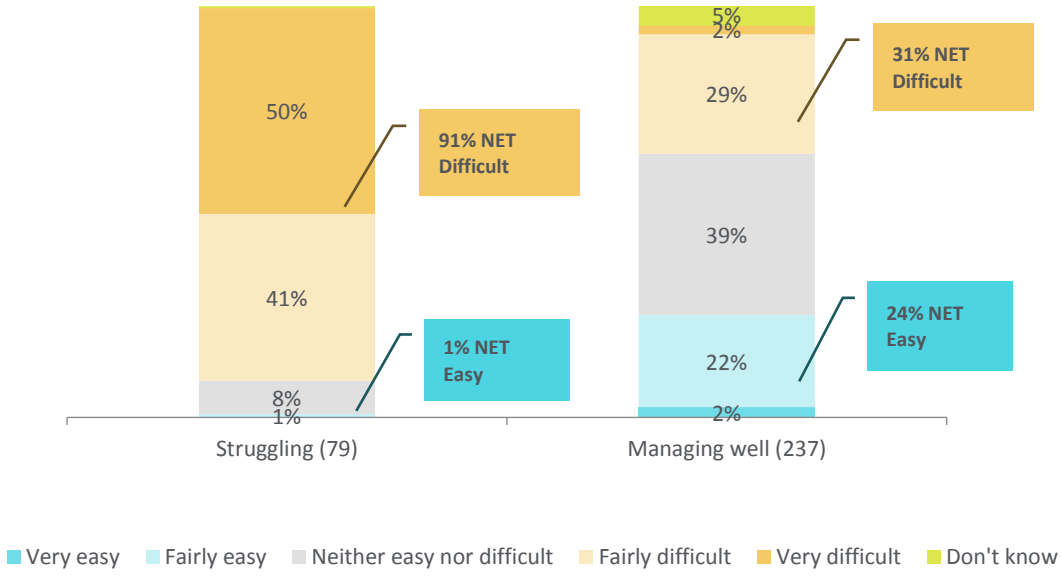
Customers classified as struggling financially were significantly more likely to find the proposed bill increases difficult to afford. The results across mixed and combined HH customers varied only slightly, with 78% of mixed struggling HH customers finding it difficult to afford, compared to 71% of combined struggling HH customers.

Among mixed HH customers, those struggling financially were significantly more likely to be 25-34, to be unmetered, to be female, more likely to have a weekly household income of up to £199, more likely to have children in the household, more likely to be classified as Acorn 'Urban Adversity', and more likely to be classified as the 20-30% or 30-50% most deprived among the WIMD.

Combined HH customers classified as struggling had a significantly higher likelihood of having struggled to afford at least one household bill in the past year, less optimistic about their future financial situation, have a weekly household income of £199 to £499, have children in their household, be classified as 50% least deprived among the WIMD and be SEG DE.

Similar to vulnerability, those classified as struggling financially were significantly more likely to find the proposed bill increases difficult to afford on the basis of current financial situation, as highlighted by their higher incidence levels across demographics relating to finances and difficulty.

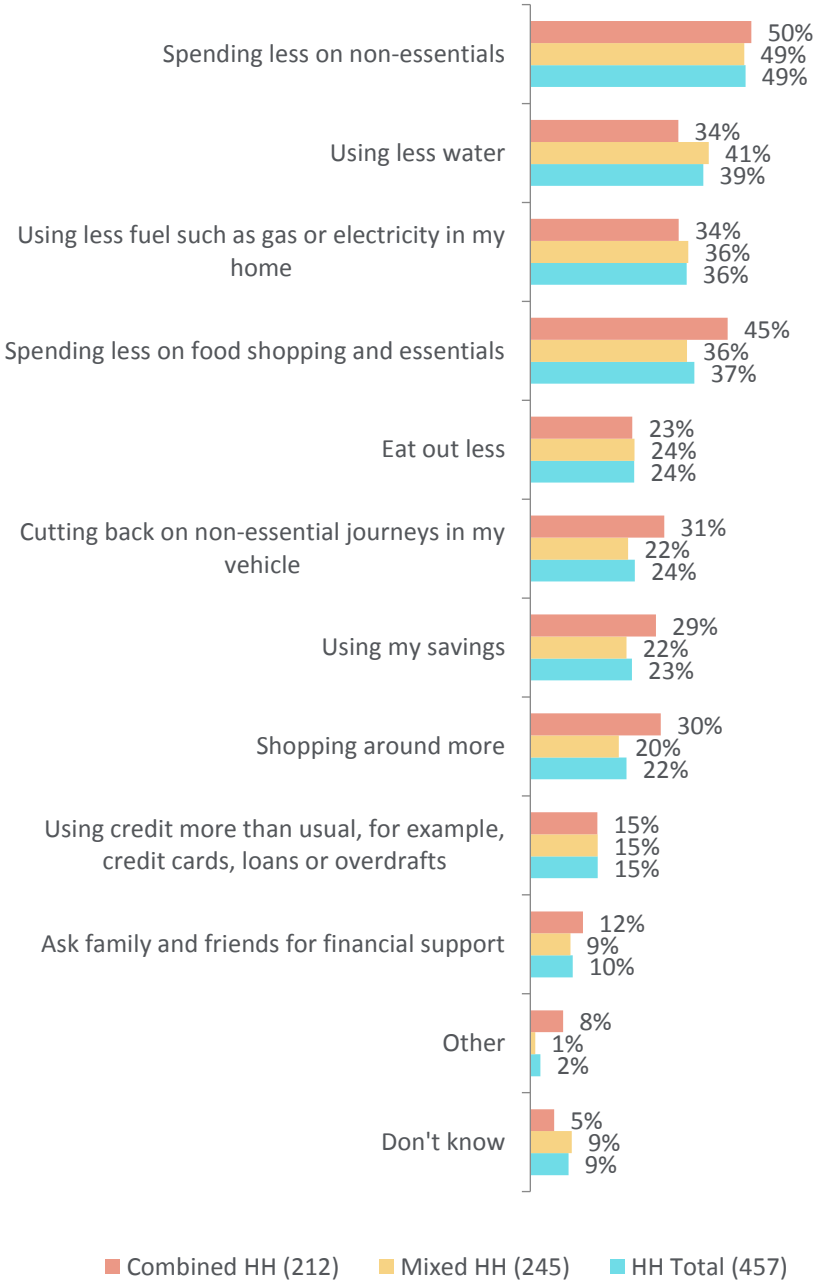
How easy or difficult do you think it would be for you to afford these water and sewerage bills? (Financial status HH customers 537)



49% of Hafren Dyfrdwy HH customers reported that they would have to spend less on non-essentials to afford the proposed bill increases

Combined HH customers were significantly more likely to cut back on non-essential journeys in their vehicle and shop around more to afford the proposed bill increases. However, mixed HH customers were more likely to use less water as a means to afford the proposed bill increases, though this was not significant.

Which of the following do you think you would need to do to pay for the increase in your water bills between 2025 and 2030? (HH customers 457)



HH mixed customers

- Mixed customers aged 25-34 were more likely to say they would use credit more than usual, use less water and eat out less. Those aged 18-34 were more likely to say they would ask family and friends.
- Low combined bill amounts were more likely to say they would use less water, high water bill amounts were more likely to say they would use less fuel at home.
- Those on a water meter were more likely to say they would use less water and cut back on non-essential journeys.
- Customers with children in their household were more likely to say they would use credit more and ask family and friends for financial support.
- SEG AB/C1 were more likely to say they would shop around more.

HH combined customers

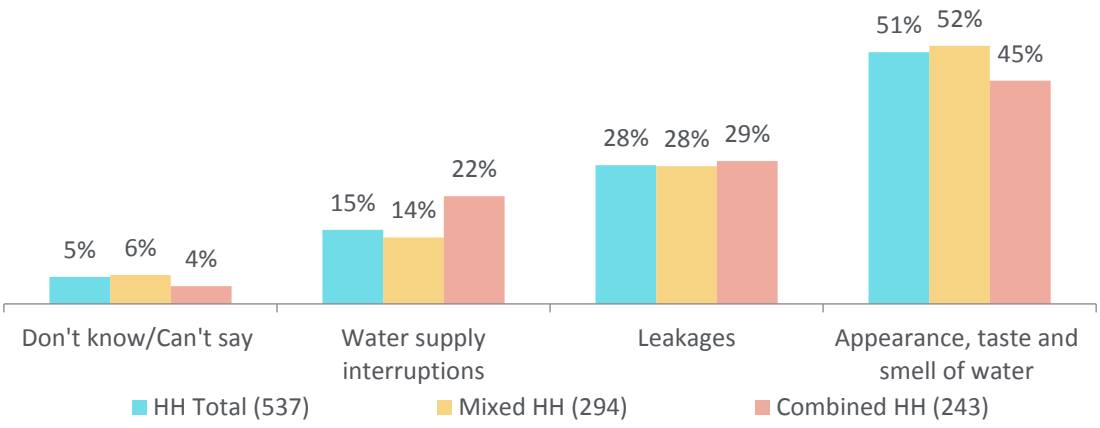
- Combined customers aged 25-34 were more likely say they would use their savings, spend less on food shopping and essentials, use credit more than usual, ask family and friends for support and cut back on non-essential journeys.
- Those on a water meter were more likely to say they would use less water and use less fuel in the home.
- Females were more likely to say they would ask family and friends for support.
- Customers with children in their household were more likely to say they would spend less on food shopping and essentials, use credit more than usual, and ask family and friends for financial support.
- Customers from SEG DE were less likely to say they would shop around more and eat out less.

Proposed business plan & acceptability

51% of Hafren Dyfrdwy HH customers reported that they found the appearance, taste and smell of water as the most important water services performance commitment.

All respondents were asked which of the three performance commitments (water supply interruptions, leakage, and appearance, taste and smell of water) was the most important. Although the majority of HH customers thought that the appearance, taste and smell of water was the most important performance commitment, only 45% of combined customers selected this option compared to 52% mixed customers. This difference appears to be reconciled in water supply interruptions, with 22% selecting this, compared to 14% of mixed HH customers.

Based on what you have just read, which of these three parts of the business plan is the most important to you? (HH customers 537)



HH mixed customers

- Mixed customers charged through a water meter were more likely to think leakages were most important. Those without a water meter were more likely to think appearance, taste and smell of tap water was more important. SEG AB/C1 were more likely to think water supply interruptions were most important.

HH combined customers

- Males were significantly more likely to think leakages were more important.

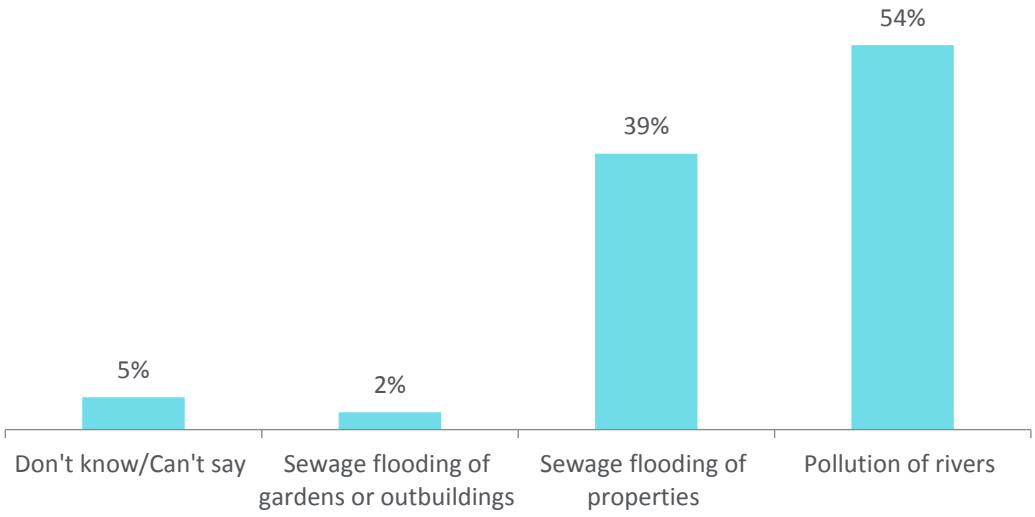
Non-household customers

-58% of NHH customers saw water supply interruptions as the most important performance commitment (CAUTION Small base size).

54% of Hafren Dyfrdwy combined HH customers reported that they found the pollution of rivers as the most important wastewater services performance commitment.

Combined customers were shown additional performance commitments that related to their wastewater service, as water only customers of Hafren Dyfrdwy receive these services from DCWW. As noted, the majority of combined HH customers selected the pollution of rivers as the most important option, but 39% did still select the sewage flooding of properties as the most important business plan component, of those shown.

Based on what you have just read, which of these three parts of the business plan is the most important to you? (Combined HH customers 243)



HH combined customers

- Males were more likely than females to think pollution of rivers was most important.

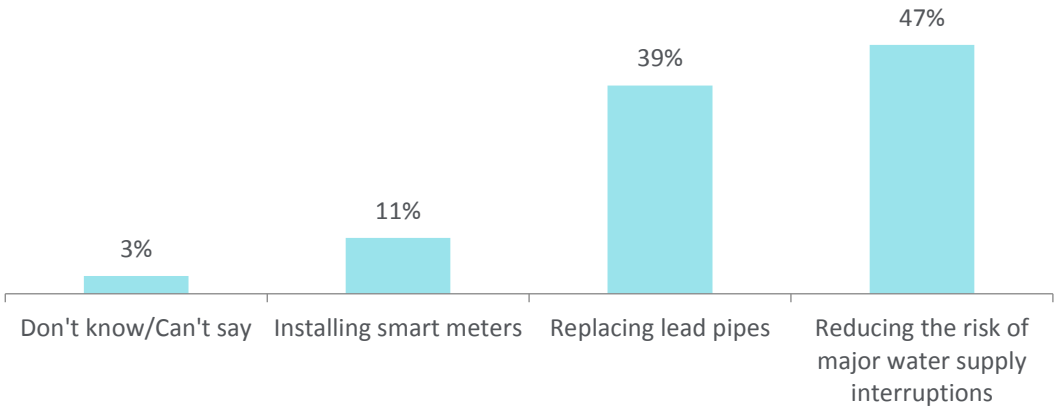
Non-household customers

-37% of combined NHH customers found sewage flooding of properties the most important performance commitment.

47% of Hafren Dyfrdwy combined HH customers reported that they found reducing the risk of major water supply interruptions as the most important enhancement of those shown.

Combined customers were shown five enhancements in total, with the first appearing in a block of three as displayed in the graph below. A majority was not present for the enhancement options shown, with reducing the risk of major water supply interruptions having the highest percentage of selections (47%). However, 39% still selected replacing lead pipes, a considerable minority.

Based on what you have just read, which of these three parts of the business plan is the most important to you? (Combined HH customers 243)



HH combined customers

- Respondents aged 25-34, those with a high bill, females, those with children in the household or SEG DE were more likely to think installing smart meters was the most important area of the business plan.
- Males were more likely to think reducing the risk of major water supply interruptions was the most important enhancement.

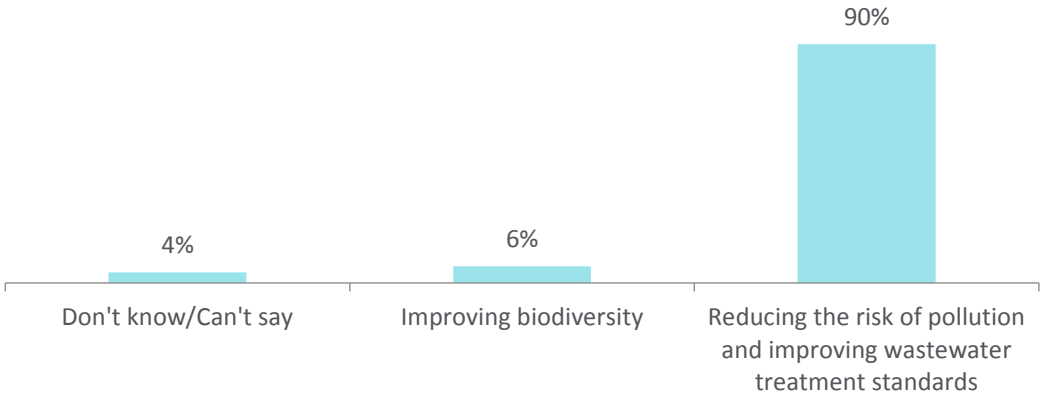
Non-household customers

-37% of combined NHH customers found reducing the risk of major water supply interruptions as the most important enhancement.

90% of Hafren Dyfrdwy combined HH customers reported that they found reducing the risk of pollution and improving wastewater treatment standards as the most important enhancement of those shown.

Combined HH customers overwhelmingly selected reducing the risk of pollution and improving wastewater treatment standards as the most important enhancement of the two shown, with only 6% selecting improving biodiversity.

Based on what you have just read, which of these two parts of the business plan is the most important to you? (Combined HH customers 243)



HH combined customers

-Significance was not noted here for combined HH customers.

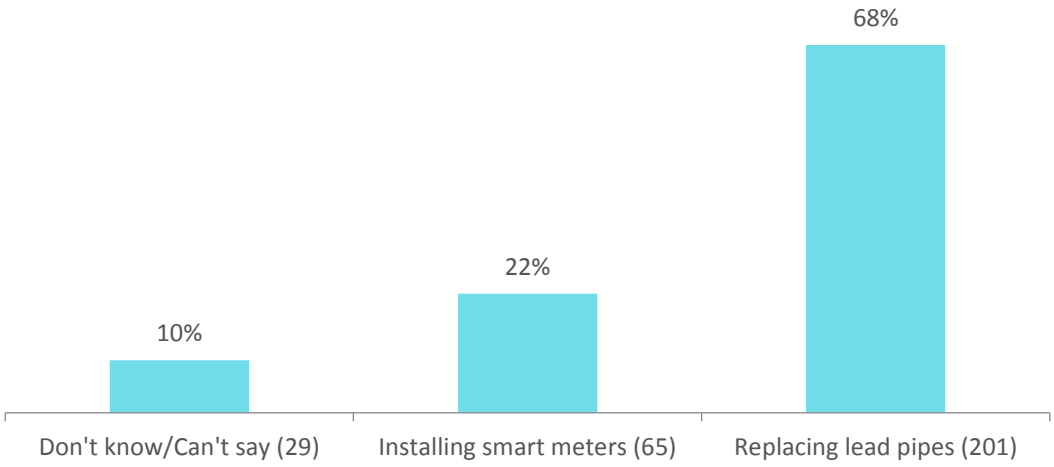
Non-household customers

-70% of combined NHH customers found reducing the risk of pollution and improving wastewater treatment standards as the most important enhancement (CAUTION Small base size).

68% of Hafren Dyfrdwy mixed HH customers reported that they found replacing lead pipes as the most important enhancement of those shown.

Due to their service relationship with Hafren Dyfrdwy being water only, mixed HH customers were shown only four enhancements, separated into blocks of two. As shown below, mixed HH customers displayed a consensus for replacing lead pipes as the most important enhancement of the two shown.

Based on what you have just read, which of these two parts of the business plan is the most important to you? (Mixed HH customers 294)



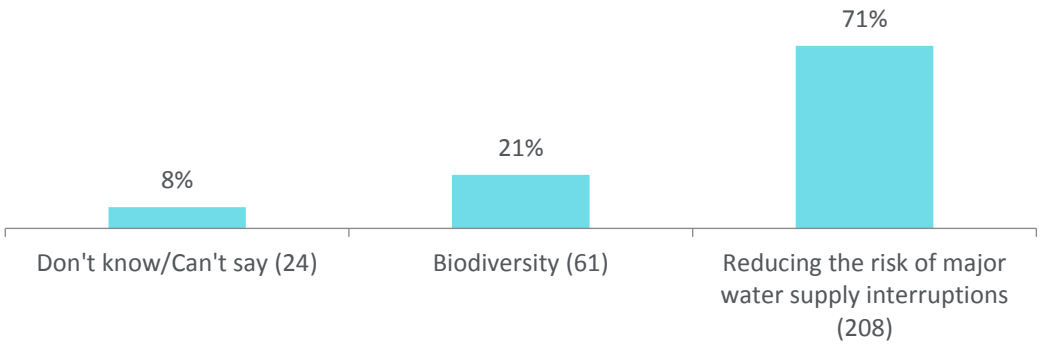
HH mixed customers

- Respondents aged 25-34 were more likely to think installing smart meters was the most important.

71% of Hafren Dyfrdwy mixed HH customers reported that they found reducing the risk of major water supply interruptions as the most important enhancement of those shown.

Similar to the previous results, mixed HH customers remained decisive in their selections here, with over 71% selecting reducing the risk of major water supply interruptions as the most important of the enhancements shown.

Based on what you have just read, which of these two parts of the business plan is the most important to you? (Mixed HH customers 294)



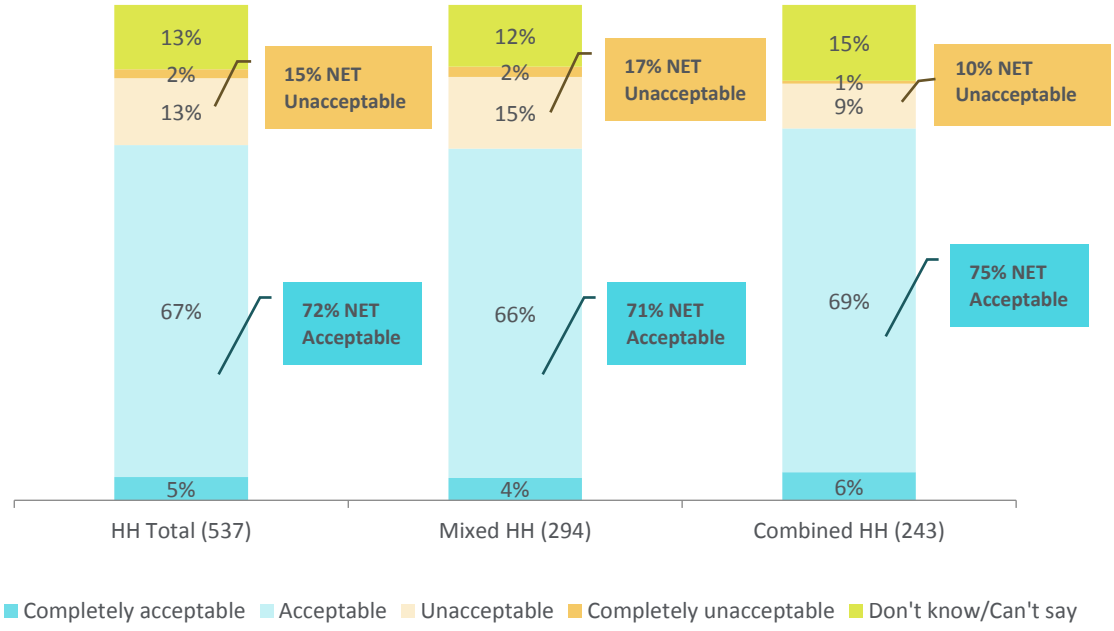
HH mixed customers

- Respondents without children in the household were more likely to think reducing the risk of major water supply interruptions was the most important.

72% of Hafren Dyfrdwy HH customers reported that they found the proposed business plan acceptable, with 15% finding it unacceptable.

Comparatively, combined HH customers were significantly more likely to find the business plan acceptable, while mixed HH customers were significantly more likely to find this unacceptable, with 17% expressing this, compared to 10% of combined HH customers. However, 72% still found the business plan acceptable overall.

Based on everything you have seen and read about Hafren Dyfrdwy's proposed business plan, how acceptable or unacceptable is it to you? (HH customers 537)



HH mixed customers

- Mixed customers aged 25-34 and those with a low current water bill were more likely to find the proposed plan acceptable.
- Those without a water meter, males and customers with a vulnerability were more likely to find the plan unacceptable.

HH combined customers

- Combined male customers were more likely to find the plan unacceptable.

Non-household customers

-90% of NHH customers found the proposed business plan acceptable (CAUTION Small base size).

Reasons for unacceptability centered around the profits of Hafren Dyfrdwy.

Many of the respondents who found the proposed plan to be unacceptable commented (at the end of the survey in the open ended question) on the profits and amount of money going to shareholders. However, respondents were unaware that Hafren Dyfrdwy has not returned a profit or paid out dividends to shareholders.

"All the options you propose are necessary, and lower dividends for shareholders would enable more of the work to be undertaken more thoroughly and more quickly" (Combined HH)

"Why should we pay these high increases to pay for inflated salaries of executives who annually underachieve and fail in their roles" (Combined HH)

"Severn Trent should cut dividends and executive pay while failing on all the metrics shown on performance. They have destroyed a once very good Dee Valley after takeover, ripping off customers who are stuck with you as unable to shop around. Sewerage and leakages are bloody shameful and you don't deserve another penny for years of neglect while paying out shareholders and top bosses" (Mixed HH)

"People are finding it very hard so any increase is very unfair. The profits your company is making for its directors and CEOs should be used for the plan as its clear they don't give a damn about the normal working class family" (Mixed HH)

Respondents also commented on specific areas Hafren Dyfrdwy should be investing in.

"Since I moved to my village 20yrs ago approximately 50 additional houses have been built with no investment in sewage system to accommodate increased volumes of sewage resulting in overflow of my toilet during last 2 years" (Combined HH)

"In my opinion all lead pipes need replacing and river water quality should be priorities and continually improved" (Combined HH)

Some respondents commented that they were disappointed by the poor performance of Hafren Dyfrdwy compared to other water companies.

"I always thought they were pretty good, but honestly those charts show a terrible performance and am very disappointed" (Mixed HH)

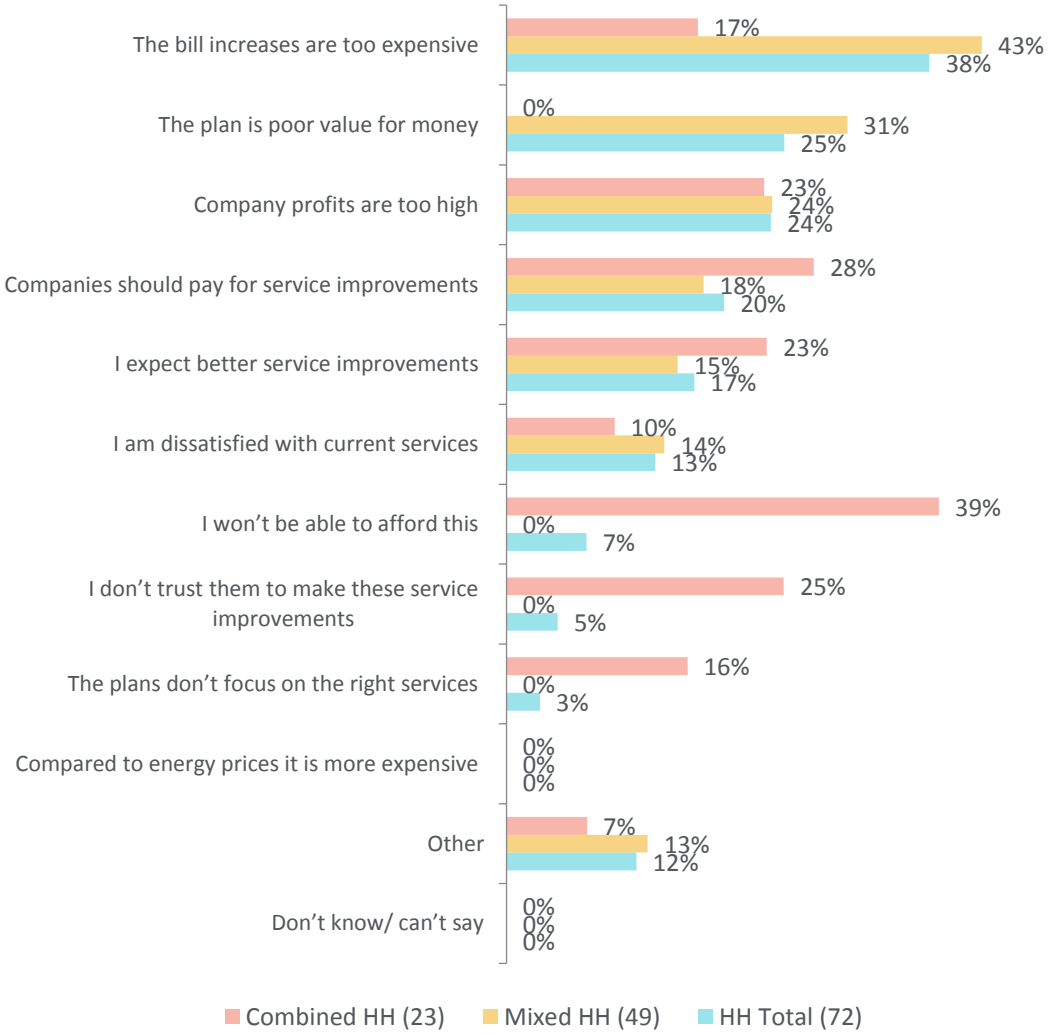
"The company is only a profit based and doesn't about standards, quality or customers! Not good at all" (Mixed HH)



38% of Hafren Dyfrdwy HH customers who found the plan unacceptable reported that they thought the bill increases were too expensive. There are notable differences between combined and mixed customers.

Respondents who thought the plan was unacceptable were asked why they felt this way. Noticeable differences were present across mixed and combined HH customers, with combined customers more likely to select that they 'can't afford this', 'don't trust Hafren Dyfrdwy to make these improvements', and that 'the plans don't focus on the right services.' Conversely, mixed HH customers were more likely to select that 'the bill increases are too expensive', 'the plan is poor value for money' and that 'they are dissatisfied with Hafren Dyfrdwy's service'.

What are the two main reasons that you feel the proposals for your water services are unacceptable? (HH customers 72) (CAUTION Small base size)



HH mixed customers

- 35-44s were most likely to think 'bill increases are too expensive'.
- Those with low combined bills were more likely to think 'companies should pay for service improvements'.

HH combined customers

-Combined customers with low bill were more likely to say 'I am dissatisifed with current services'.
-Those with a water meter were more likely to think 'companies should pay for service improvements'.

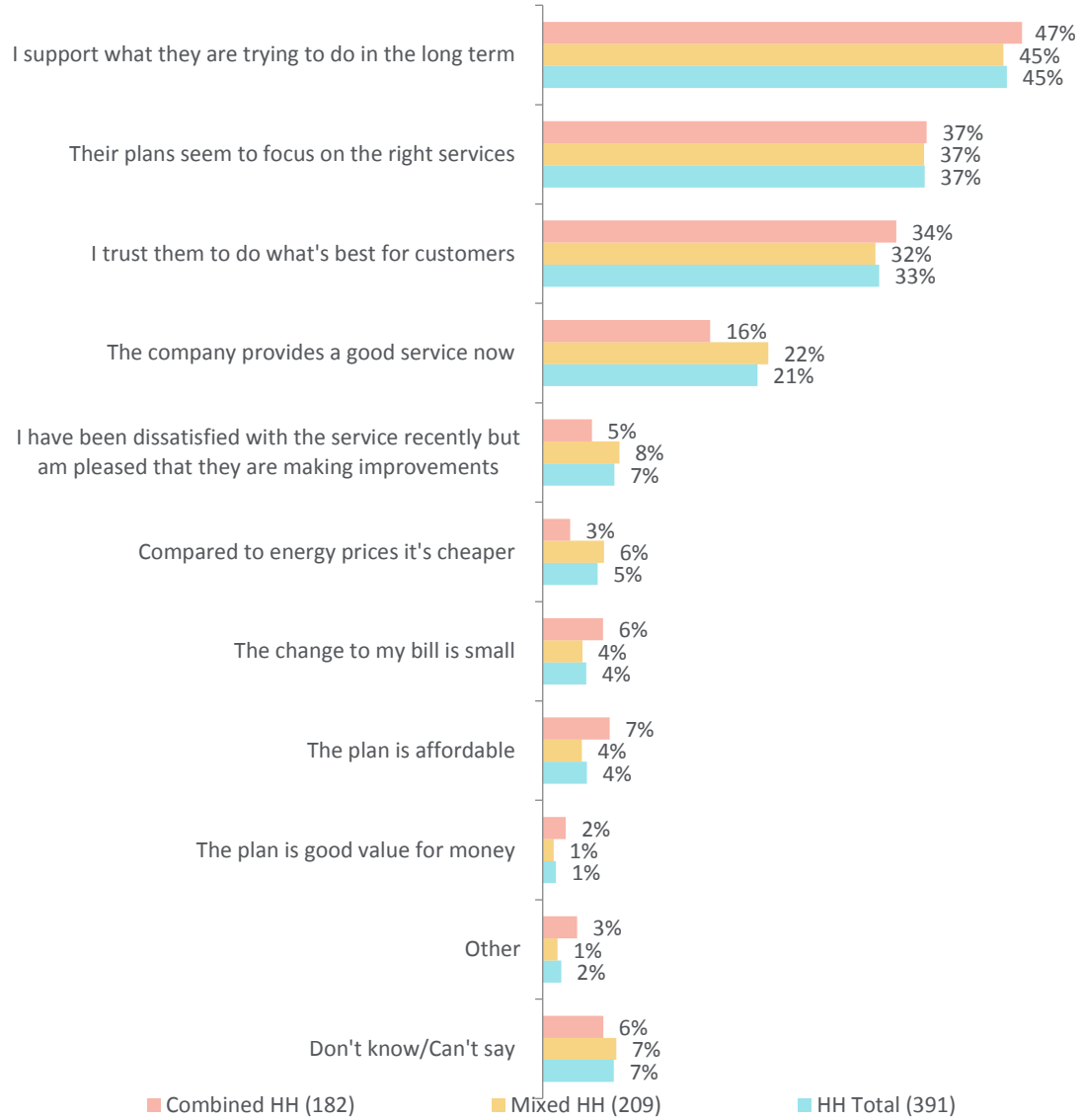
Non-household customers

-40% of NHH customers who found the proposed business plan unacceptable noted that the bill increases were too expensive, that the plans don't focus on the right services, and that 'I expect better service improvements' (CAUTION Small base size)

45% of Hafren Dyfrdwy HH customers who found the plan acceptable reported that they support what Hafren Dyfrdwy is trying to do in the long term. Mixed and combined results are consistent across most options.

Respondents who thought the plan was acceptable were asked why they thought this. Results were consistent for both mixed and combined HH customers across the most selected options, while mixed customers were more likely to select 'the company provides a good service now', that they have been dissatisfied, and that the plan is cheaper compared to energy prices. Combined HH customers were more likely to find the plan acceptable on the basis of the plan being affordable.

What are two main reasons that you feel the proposals for your water supply are acceptable? (HH customers 391)



HH mixed customers

-Mixed customers aged 75+ and those with no children in the household were more likely to say 'I support what they are trying to do in the long term'.
- Those with a low combined bill were more likely to say 'the company provides a good service now'.
- Customers without a water meter and SEG C2/DE were more likely to say 'I trust them to do what's best for customers'.
- Customers without a vulnerability were more likely to think 'I have been dissatisfied with the service recently but am pleased that they are making improvements'.
- SEG AB were more likely to think 'compared to energy prices it's cheaper'.

HH combined customers

-Age 25-44 were more likely to say 'I trust them to do what's best for customers' and 'the plan is affordable'.
-Those with a high water and sewerage bill were more likely to say 'the company provides a good service now'.
-Females were more likely to say 'the plan is affordable'.

Non-household customers

-47% of NHH customers who found the business plan acceptable noted that they think the company provides a good service now (CAUTION Small base size).

68% of vulnerable Hafren Dyfrdwy HH customers reported that they found the proposed business plan acceptable, compared to 79% of those not vulnerable

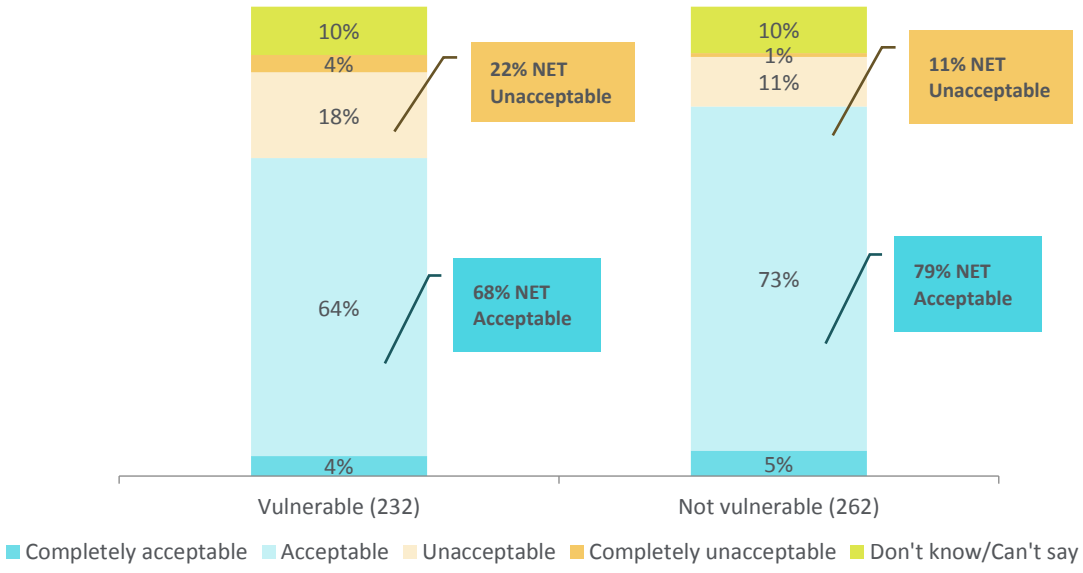
Acceptability of the proposed business plan was significantly lower among vulnerable customers / households, with 22% finding the plan unacceptable. However, 68% still found the plan acceptable.

The key reasons for not finding the business plan acceptable among combined HH vulnerable customers were that they did not trust Hafren Dyfrdwy to make the service improvements, that the bill increases were too expensive, that the plans didn't focus on the right services, company profits were too high, and that they won't be able to afford this. However, due to the small base size of those combined HH vulnerable customers who found the plan unacceptable, these differences were not significant and should be taken as indicative.

Among mixed HH vulnerable customers, the key reason for not finding the business plan acceptable, was that the bill increases were too expensive. The selection of this option was significantly higher than those not vulnerable, with 55% of vulnerable customers expressing this.

While unacceptability varied by mixed and combined HH customer types, affordability was a key reason across both groups. Relating this to the fact that vulnerable customers across these service groups were significantly more likely to have struggled financially and scored lower on the WIMD, cost appears the leading cause for a significantly lower level of acceptability among vulnerable customers.

Based on everything you have seen and read about Hafren Dyfrdwy's proposed business plan, how acceptable or unacceptable is it to you? - Vulnerable custoemrs (HH customers 537)



73% of Hafren Dyfrdwy customers classified as struggling, reported that they found the business plan acceptable, with 17% finding it unacceptable

Those struggling financially were more likely to find the proposed business plan unacceptable, but acceptance rates display only minor variations between those struggling and those managing well. However, reasons for finding the plan unacceptable vary across mixed and combined HH customers.

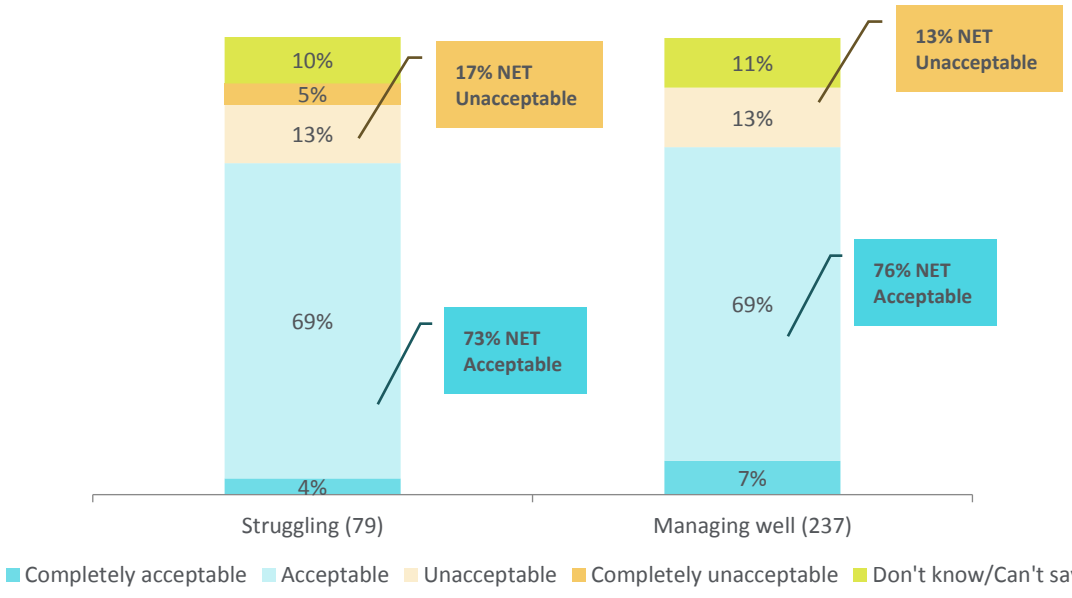
Mixed HH customers classified as struggling were significantly more likely to select that the bill increases were too expensive, with 55% selecting this option, compared to 6% of those managing well. Alternatively, those managing well found the business plan unacceptable on the basis of it being poor value for money, an opinion held by 49% of these customers.

Among combined HH customers, those classified as struggling financially were more likely to select that they were dissatisfied with current services and that company profits were too high. However, these differences were not significant.

As an advisory note, both groups have low base sizes, as finding the business plan unacceptable was a view held by a small minority of respondents, findings should be viewed as indicative due to this.

As mentioned earlier, those classified as struggling financially were more likely to have a lower weekly household income, have children in their household, and be more deprived by the WIMD standards, affordability concerns appear to be the key reason for a lower acceptance rate towards the proposed business plan.

Based on everything you have seen and read about Hafren Dyfrdwy's proposed business plan, how acceptable or unacceptable is it to you? - Financial status (HH customers 537)

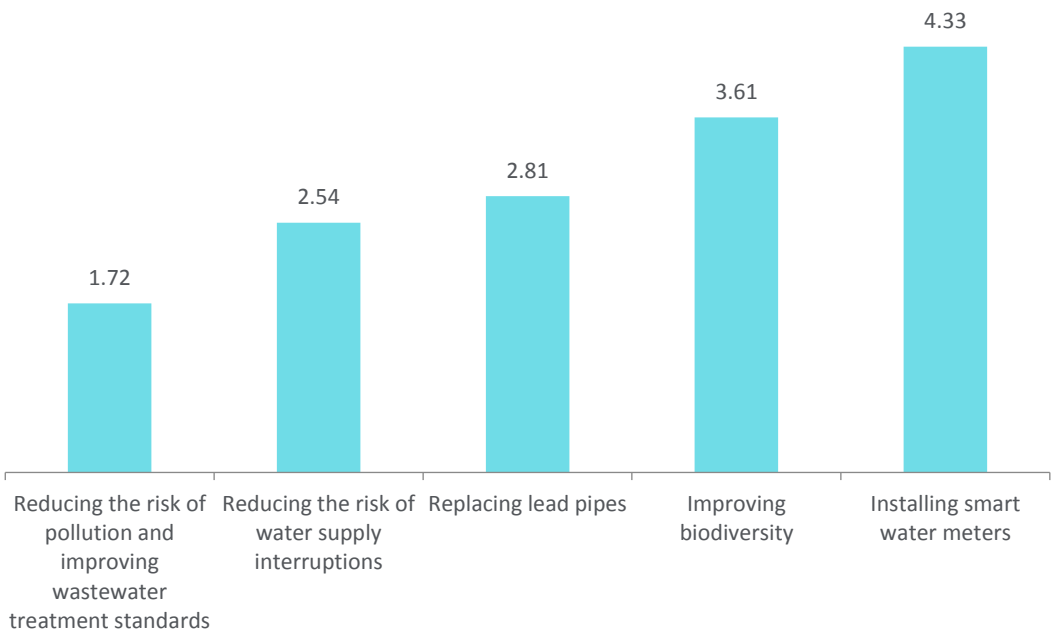


Reducing the risk of pollution and improving wastewater treatment standards was ranked as the enhancement with the highest priority among Hafren Dyfrdwy combined HH customers.

Participants were then asked to rank each of the enhancements shown against each other. Combined customers were shown five enhancements. Additionally, as one reflects the highest priority and five the lowest in this ranking scale, a lower mean score reflects a higher level of priority.

The graph below shows that combined HH customers ranked reducing the risk of pollution and improving wastewater standards as their highest priority, considerably more important than the other enhancements shown.

Please rank the main investments that are in Hafren Dyfrdwy's plan, and which have the highest impact on bills, in order of priority, with 1 being the highest priority and 5 being the lowest priority (Combined HH customers 243)



HH combined customers

- Reducing the risk of pollution and improving wastewater standards had a significantly lower mean (1.9) among those who were not vulnerable. A significantly lower mean was also found among those with a weekly household income of £1,400 to £1,999. Those WIMD classification 10-20% most deprived, had a significantly lower mean (1.39) for this metric.

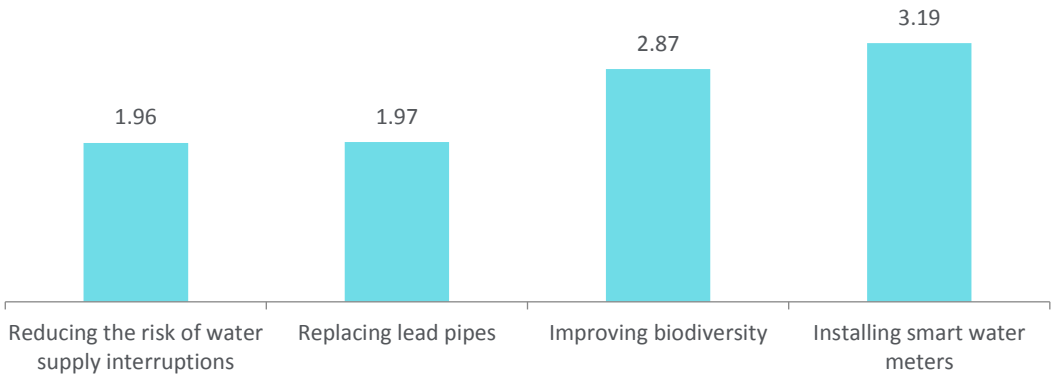
Non-household combined customers

- Replacing lead pipes returned the highest first choice selections among combined NHH customers (30%) (CAUTION Small base size).

Reducing the risk of water supply interruptions was ranked as the enhancement with the highest priority among Hafren Dyfrdwy combined HH customers.

After reviewing all the performance commitments and enhancements, mixed customers were asked to rank the four enhancements they were shown in the business plan. The results of this show that reducing the risk of water supply interruptions returned the highest priority among mixed HH customers. However, this was only marginally higher than replacing lead pipes, with both enhancements seen as priorities for Hafren Dyfrdwy among mixed HH customers.

Please rank the main investments that are in Hafren Dyfrdwy's plan, and which have the highest impact on bills, in order of priority, with 1 being the highest priority and 5 being the lowest priority
(Mixed HH customers 294)



HH mixed customers

- Reducing the risk of water supply interruptions showed a significantly lower mean (1.66) among 25-34s, when compared to 35-54s. Those with a weekly household income of £300 to £499 were significantly less likely to give a low mean, recording a mean priority rate of 2.28 for this metric.

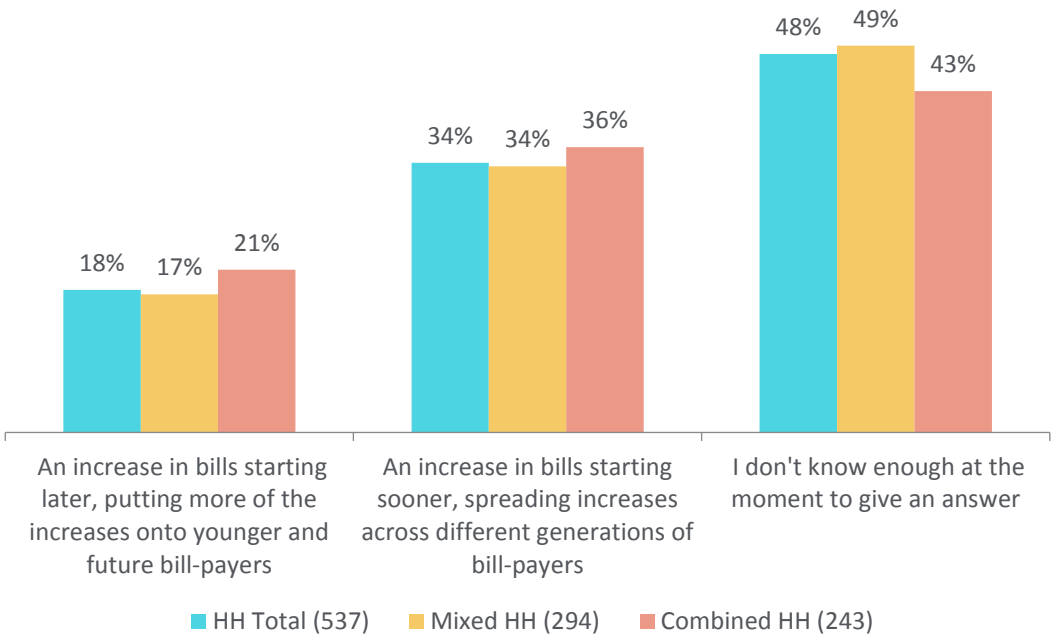
Non-household mixed customers

- Replacing lead pipes returned the highest first choice selections among mixed NHH customers (35%). CAUTION Small base size.

In regards to intergenerational fairness, 48% of Hafren Dyfrdwy HH customers reported that they did not know enough at the moment to give an answer as to when the bill increases should start

When asked when they would like the bill increases to start, most HH customers across combined and mixed groups felt that they did not know enough at the moment to give an answer. However, combined customers were significantly less likely to select this option, with differences distributed across the other two options. Overall, 34% selected an increase starting sooner.

Which one of the following options would you prefer? (HH customers 537)



HH mixed customers

- Mixed customers with no children in their household were more likely to prefer an increase in bills starting later.
- SEG C2/DE were less likely to prefer an increase in bills starting sooner.

HH combined customers

-Significance was not noted here for combined customers.

Non-household customers

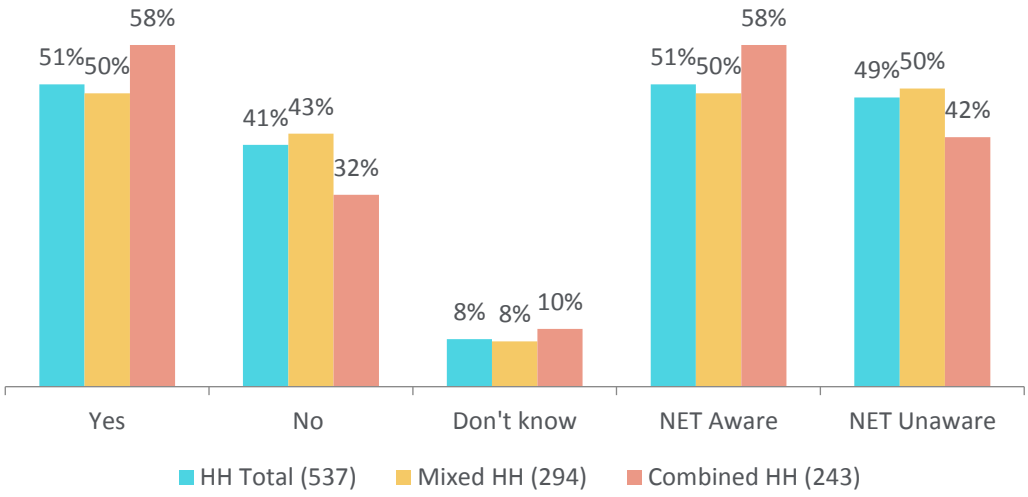
-66% of NHH customers favoured an increase starting sooner (CAUTION Small base size).

Media awareness and sentiment

51% of Hafren Dyfrdwy HH customers reported that they have seen news/media about water and sewerage companies in the last 3 months

Awareness of water and sewerage companies in the news/media, fluctuated across customer groups, with combined customers significantly more likely to be aware of this at 58%, compared to 50% of mixed customers.

Have you seen or heard anything in the news/media about water and sewerage companies in the last 3 months? (HH customers 537)



HH mixed customers

- Mixed customers who were aged 55+, those on a water meter, males, those without a vulnerability or with no children in their household were more likely to have seen or heard anything about water companies in the past three months.

HH combined customers

-Combined customers aged 55+ or SEG AB were more likely to have seen or heard anything about water companies in the past three months.

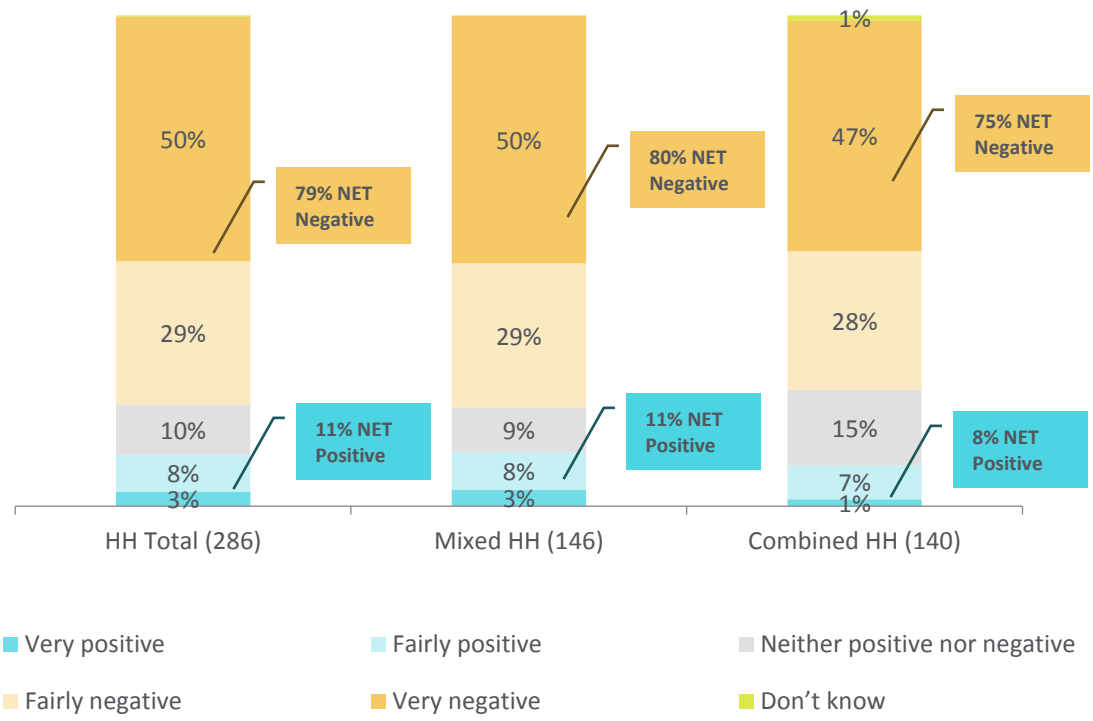
Non-household customers

-42% of NHH customers were aware of news/media coverage relating to water and or sewerage companies (CAUTION Small base size).

79% of Hafren Dyfrdwy customers that were aware of general water and sewerage media coverage reported that it was negative, compared to 11% positive.

HH customers aware of water and sewerage company media coverage gave varied responses, with combined customers significantly less likely to find the coverage they recalled as negative. However, the overwhelming majority of mixed and combined HH customers found the coverage negative.

Would you say the coverage was overall... (HH customers 286)



HH mixed customers

-Mixed customers on a water meter and males were more likely to think the coverage they had seen was positive.

HH combined customers

-Combined customers aged 25-34 and females were less likely to think the coverage was negative.

Non-household customers

-76% of NHH customers aware, recalled positive coverage (CAUTION Small base size).

47% of Hafren Dyfrdwy customers that were aware of general water and sewerage media coverage reported that they found the proposed bill increases as difficult, compared to 55% of those unaware

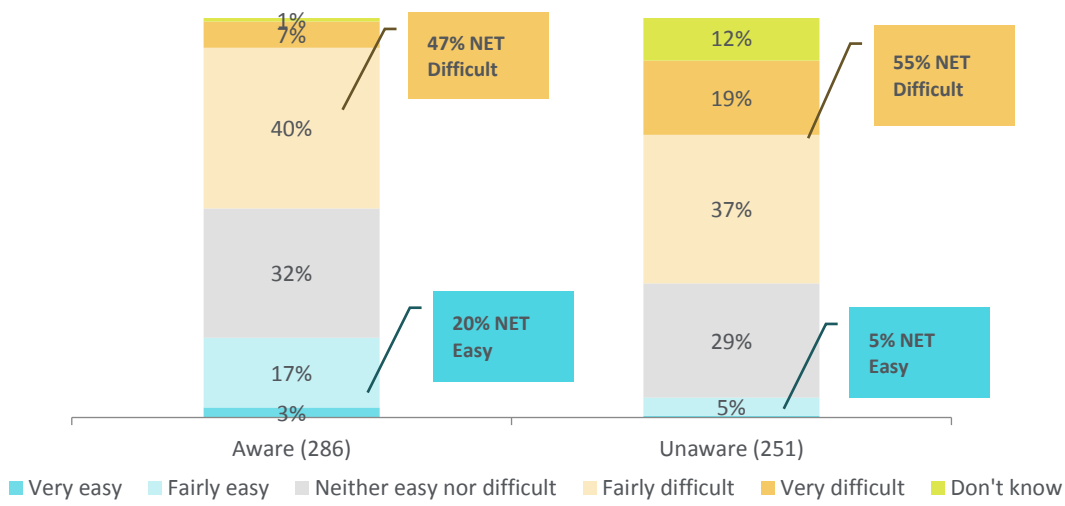
Affordability of the proposed bill increases was significantly lower among those unaware of general water and sewerage company coverage in the news/media, with 5% finding it easy to afford to 55% difficult to afford. Comparatively, 20% of those aware found the proposed increases easy to afford and 47% difficult to afford.

Among combined HH customers, those who were unaware of news/media coverage were significantly more likely to be aged 18-34 years old, more likely to have struggled to afford at least one bill in the past year, have a weekly household income of £199 or under, have children in their household, and more likely to be SEG DE.

Mixed HH customers that were unaware of news / media coverage were more likely to be 18-44 years old, struggled to afford at least one bill in the past year, difficulty in managing financially, less optimistic about their financial situation leading up to 2030, more likely to find their current water and sewerage bill difficult, more likely to be female, vulnerable, have a weekly household income of £199 or less and have children in the household. This group was also significantly more likely to be classified as Acorn Urban Adversity and WIMD 20-30% most deprived.

Being unaware of news/media coverage correlated to lower incomes, deprivation, children and their associated costs, a lower SEG and younger age. All of these lead to the cause of low affordability being linked to financial hardship, not the influence of news/media awareness explicitly.

How easy or difficult do you think it would be for you to afford these water and sewerage bills? (General media awareness) (HH customers 537)



76% of Hafren Dyfrdwy customers that were aware of general water and sewerage media coverage reported that they found the proposed business plan as acceptable, compared to 67% of those unaware

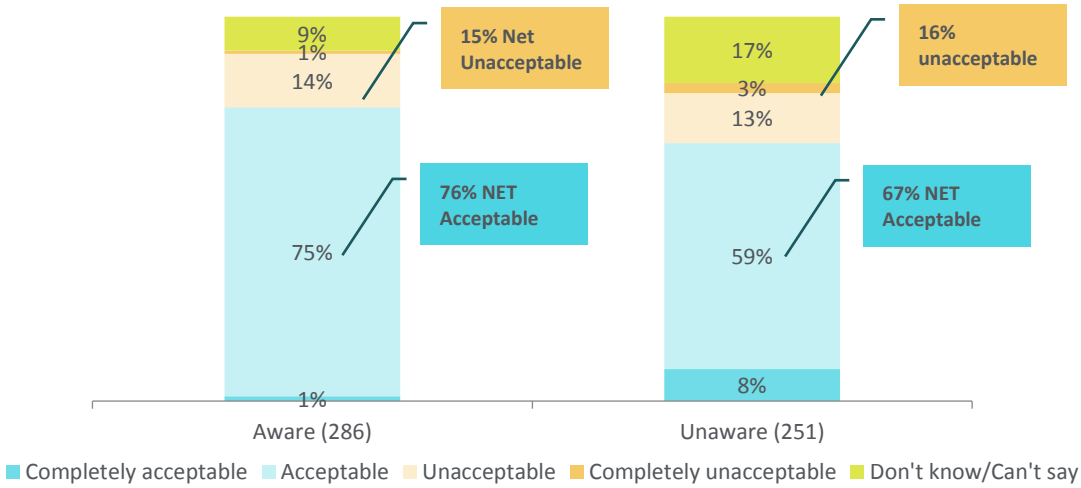
Those aware of news/media coverage of water and sewerage companies in general were significantly more likely to find the proposed plan acceptable, with 76% expressing this. However, the difference in finding the business plan unacceptable was not significant between the aware and unaware groups.

The key reason for finding the business plan unacceptable among combined HH customers unaware of news/media coverage, was that they won't be able to afford this (62%), while those aware found the business plan unacceptable on the basis that companies should pay for service improvements (42%). However, these differences were not significant.

Among mixed HH customers, the main reasons for finding the plan unacceptable among those unaware of news/media coverage were that the bill increases were too expensive (60%), significantly higher than those aware. Of those aware, 50% felt that company profits were too high, significantly higher than those unaware. However, as was present earlier in this report, customers are unaware that Hafren Dyfrdwy has not yet turned a profit, yet the sentiment of them making too much profit persists.

As noted earlier, those unaware correlated with lower incomes, deprivation, children and their associated costs, a lower SEG and younger age. This matched with the main concerns of both mixed and combined HH customers unaware of news/media coverage being price points, the lower acceptability appears related to affordability.

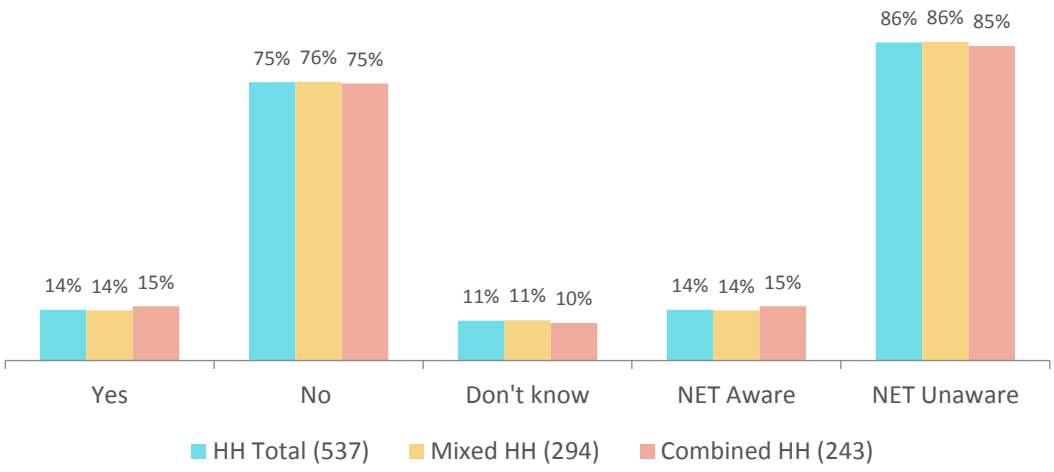
Based on everything you have seen and read about Hafren Dyfrdwy's proposed business plan, how acceptable or unacceptable is it to you? (General media awareness) (HH customers 537)



14% of Hafren Dyfrdwy HH customers reported that they were aware of Hafren Dyfrdwy in the news / media last 3 months

Awareness of Hafren Dyfrdwy in the news/media was consistent across customers with minor variations present between combined and mixed customer groups.

Have you seen or heard anything in the news/media about Hafren Dyfrdwy in the last 3 months? (HH customers 537)



HH mixed customers

-Mixed customers who were male were more likely to have seen anything in the news/media about Hafren Dyfrdwy in the past 3 months.

HH combined customers

-Significance was not noted here for combined customers.

Non-household customers

-50% of NHH customers were aware of Hafren Dyfrdwy in the news/media in the past three months (CAUTION Small base size)

47% of HH customers that were aware of Hafren Dyfrdwy in the news/media in the last 3 months reported that the coverage was negative

The proportion of media / news coverage about Hafren Dyfrdwy that was recalled as negative varied between customer groups, with 45% of mixed HH customers recalling negative coverage, compared to 54% of combined HH customers.

Would you say the coverage was overall...
(HH customers 76) (CAUTION SMALL BASE SIZE)



HH mixed customers

- Mixed customers aged 25-34 were most likely to find the coverage to be positive.
- SEG AB were most likely to find the coverage to be negative.

HH combined customers

-Combined customers aged 25-34 or from SEG DE were most likely to find the coverage to be positive.

Non-household customers

-88% of NHH customers found the Hafren Dyfrdwy coverage to be positive (CAUTION Small base size).

48% of Hafren Dyfrdwy HH customers that were aware of them in the news/media in the last 3 months reported that they found the proposed bill increases as difficult to afford

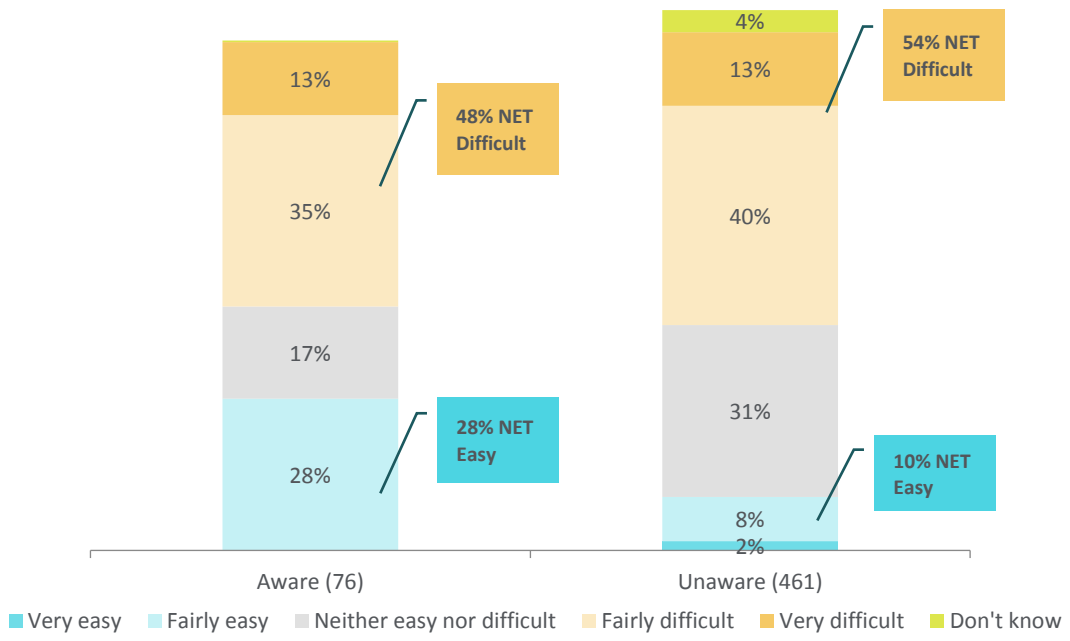
Those unaware of Hafren Dyfrdwy in the news/media were more likely to find the business plan difficult to afford and were significantly less likely to find it easy to afford than those aware.

Among combined HH customers, those unaware of Hafren Dyfrdwy in the news/media were significantly more likely to have struggled with their current water and sewerage bill, and more likely to be SEG DE.

Mixed HH customers unaware were characterised by being significantly less likely to be managing well financially, more likely to be female, more likely to have a weekly household income of £200 to £299, and more likely to be Acorn Urban Adversity.

Significance among both HH unaware customer groups was reflective of existing affordability limitations, namely a lower income and financial difficulties, leading to a lower ease of affordability of the proposed bill increases.

How easy or difficult do you think it would be for you to afford these water and sewerage bills? (Hafren Dyfrdwy media awareness) (HH customers 537)



73% of HH customers that were unaware of Hafren Dyfrdwy in the news/media in the last 3 months reported that they found the proposed business plan, compared to 63% of those what were aware

Unlike general news/media awareness of water and or sewerage companies, HH customers aware of Hafren Dyfrdwy were less likely to find the proposed business plan acceptable, with 31% finding it unacceptable, compared to 13% of customers unaware, a significant difference.

Among combined HH customer aware, 70% felt that companies should pay for service improvements, while 43% of those unaware felt that they won't be able to afford this.

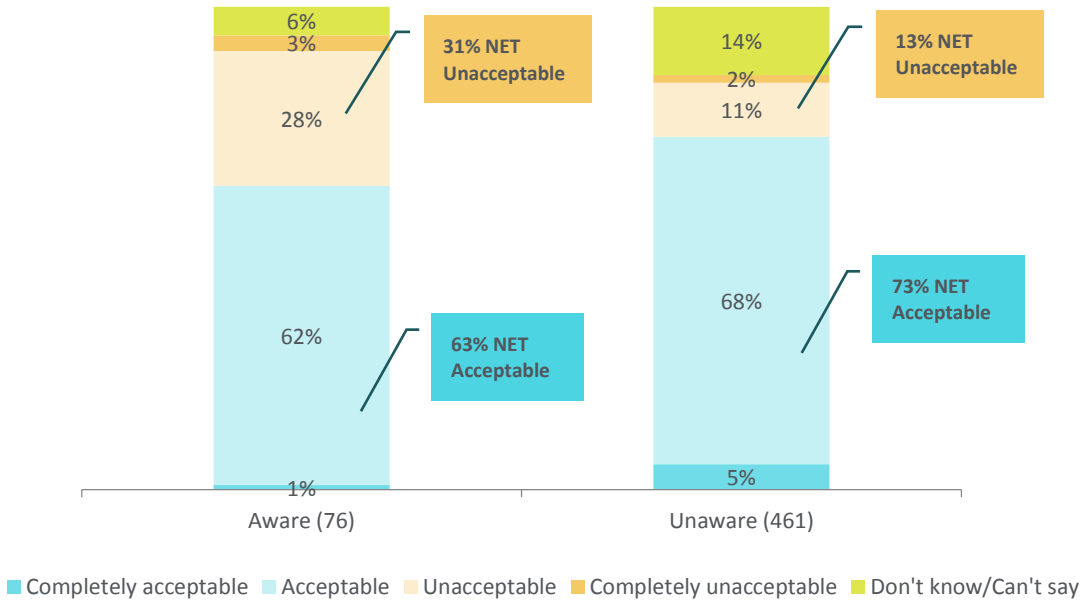
Mixed HH customers that were unaware felt that the bill increases were too expensive (48%), while 53% of those aware were significantly more likely to think that company profits were too high. Again, customers were not aware that Hafren Dyfrdwy has not yet turned a profit.

Those aware, across combined HH customers, were significantly more likely to be Acorn Comfortable Communities. Mixed HH customers aware were significantly more likely to be aged 55-74 years old, managing well financially, male, have a weekly household income of £300 to £499, Acorn Rising Prosperity and WIMD 50% least deprived.

On this basis, awareness of Hafren Dyfrdwy in the news/media correlated to a lower acceptability of the proposed business plan, with a relationship present between awareness, financial affluence and sentiments that companies should pay for the increases on the basis of profits being too high.



Based on everything you have seen and read about Hafren Dyfrdwy's proposed business plan, how acceptable or unacceptable is it to you? (Hafren Dyfrdwy media awareness) (HH customers 537)

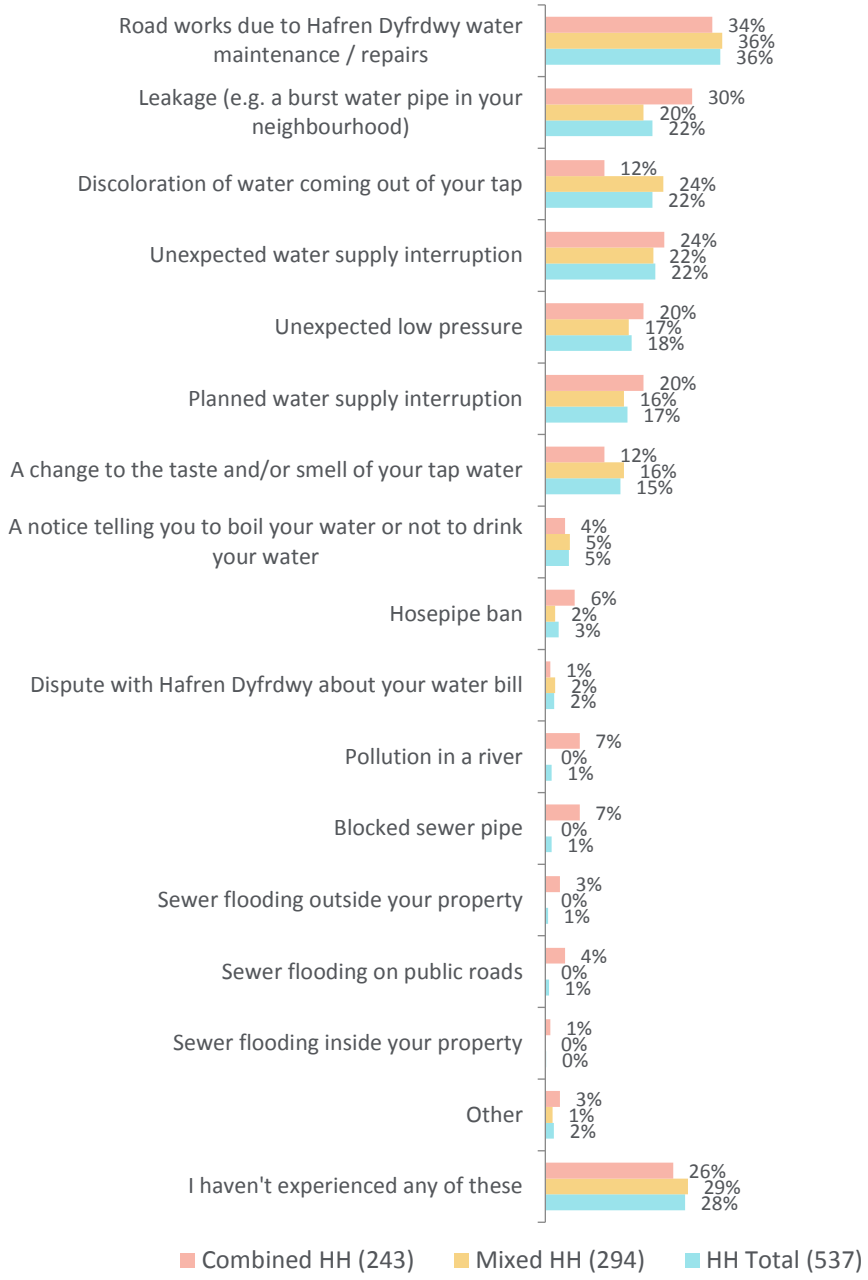


Experience of service failure

36% of Hafren Dyfrdwy HH customers reported that they have experienced road works due to Hafren Dyfrdwy water maintenance / repairs

Customers were then asked if they had experienced any service failure in the past two years. Although results were consistent across most service failures, mixed HH customers were significantly more likely to have experienced discoloration of water, while combined HH customers were more likely to have experienced leakage.

Have you experienced any of the following with Hafren Dyfrdwy in the past 2 years? (HH customers 537)



HH mixed customers

-Mixed customers who were metered, with a weekly household income of up to £199, children in the household, ACORN Affluent Achiever, and WIMD 20-30% most deprived were more likely to have expereinced roadworks.

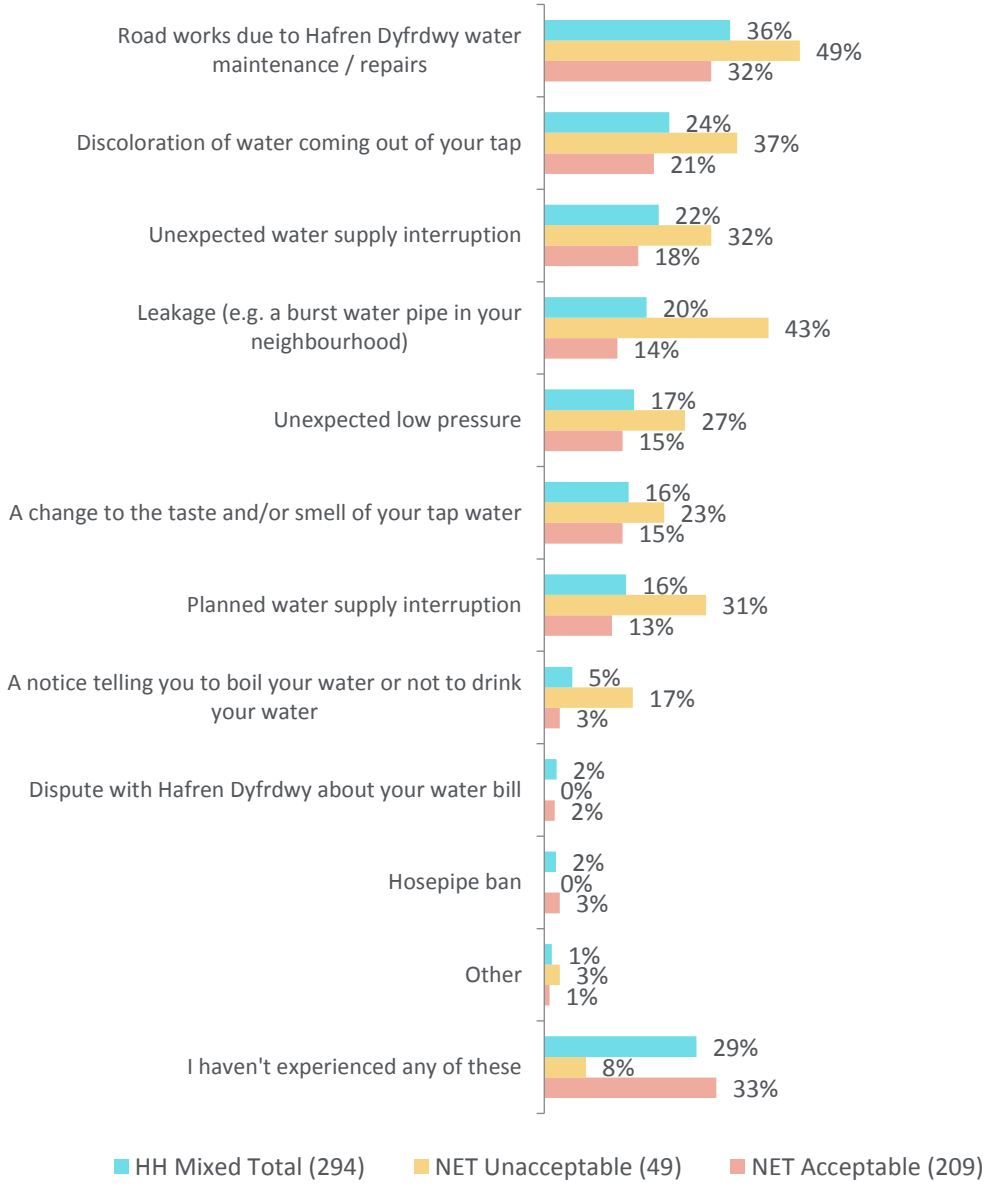
HH combined customers

-Combined customers with a weekly household income of £700 to £900 were more likely to experience roadworks.

49% of Hafren Dyfrdwy mixed HH customers that found the business plan unacceptable, reported that they have experienced road works due to Hafren Dyfrdwy water maintenance / repairs

Mixed HH customers who found the business plan unacceptable were significantly more likely across seven of the ten options (excluding other and I haven't experienced any of these) to have experienced service failures. Beyond road works, 43% of those finding the business plan unacceptable had experienced leakage. Finding the business plan unacceptable may be influenced by experiences of service failures, as only 8% of those finding the plan unacceptable had not experienced any service failures, compared to 33% of those finding the plan acceptable.

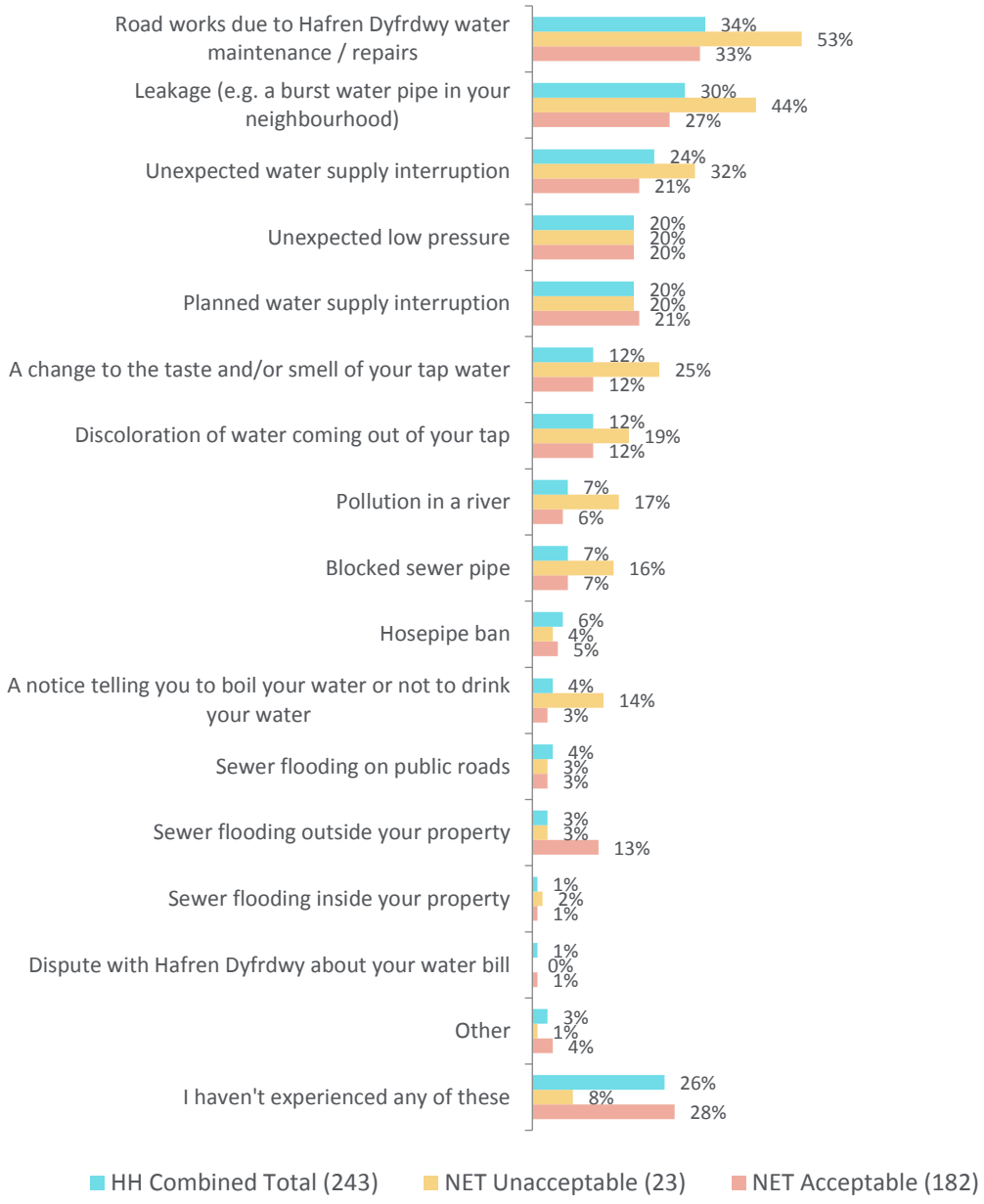
Have you experienced any of the following with Hafren Dyfrdwy in the past 2 years? (Mixed HH customers 294)



53% of Hafren Dyfrdwy combined HH customers that found the business plan unacceptable, reported that they have experienced road works due to Hafren Dyfrdwy water maintenance / repairs

Combined HH customers that found the business plan unacceptable were more likely to have experienced the majority of service failure options. However, only the experience of a notice telling you to boil your water or not to drink your water, was significantly higher. Not experiencing any service failures was significantly lower among those who found the business plan unacceptable.

Have you experienced any of the following with Hafren Dyfrdwy in the past 2 years? (Combined HH customers 243)



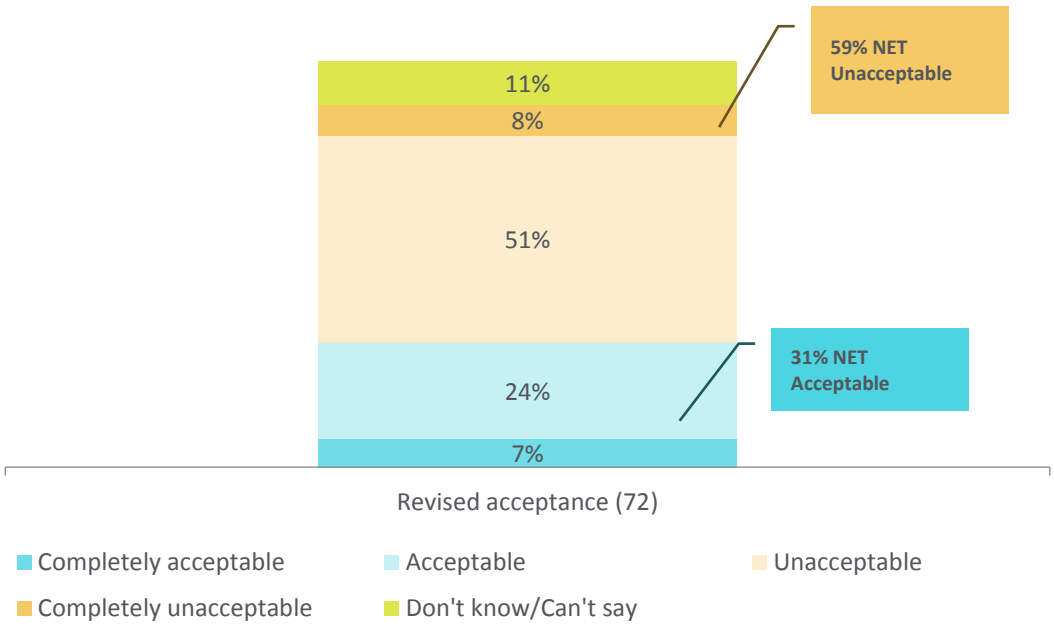
Acceptance revisited

31% of Hafren Dyfrdwy HH customers that previously found the business plan unacceptable, reported that they found the proposed business plan acceptable after reviewing additional information

HH customers were shown the affordability support that Hafren Dyfrdwy will be offering customers in 2025-30. This was inclusive of the social tariff (Here2Help) and wider support. This was done to gauge whether acceptance of the plan would change in the light of this additional information. As a note for comparison, earlier acceptance of the plan was 72% for HH total, 71% for mixed HH customers and 75% for combined HH customers.

The below graph does show an increase in acceptance of the plan following the additional information displayed, among those who had found the plan unacceptable at the first instance. This did differ on the basis of mixed or combined HH customers, with 33% of mixed and 19% of combined customers that previously found the plan unacceptable, now finding it acceptable.

Bearing this in mind, how acceptable or unacceptable is Hafren Dyfrdwy's proposed business plan to you?
(HH total unacceptable at business plan first instance - 72)
(CAUTION SMALL BASE SIZE)



HH mixed customers

- Revised acceptance, overall, was significantly higher among HH mixed customers who have a life stage vulnerability (I or another member of my household am/is over the age of 75 years old, or I or another member of my household is a new parent), when compared to those with a communications vulnerability or any vulnerability in general. Significance was also noted among those with a weekly household income of £300 to £499, and WMID 20-30% most deprived.

HH combined customers

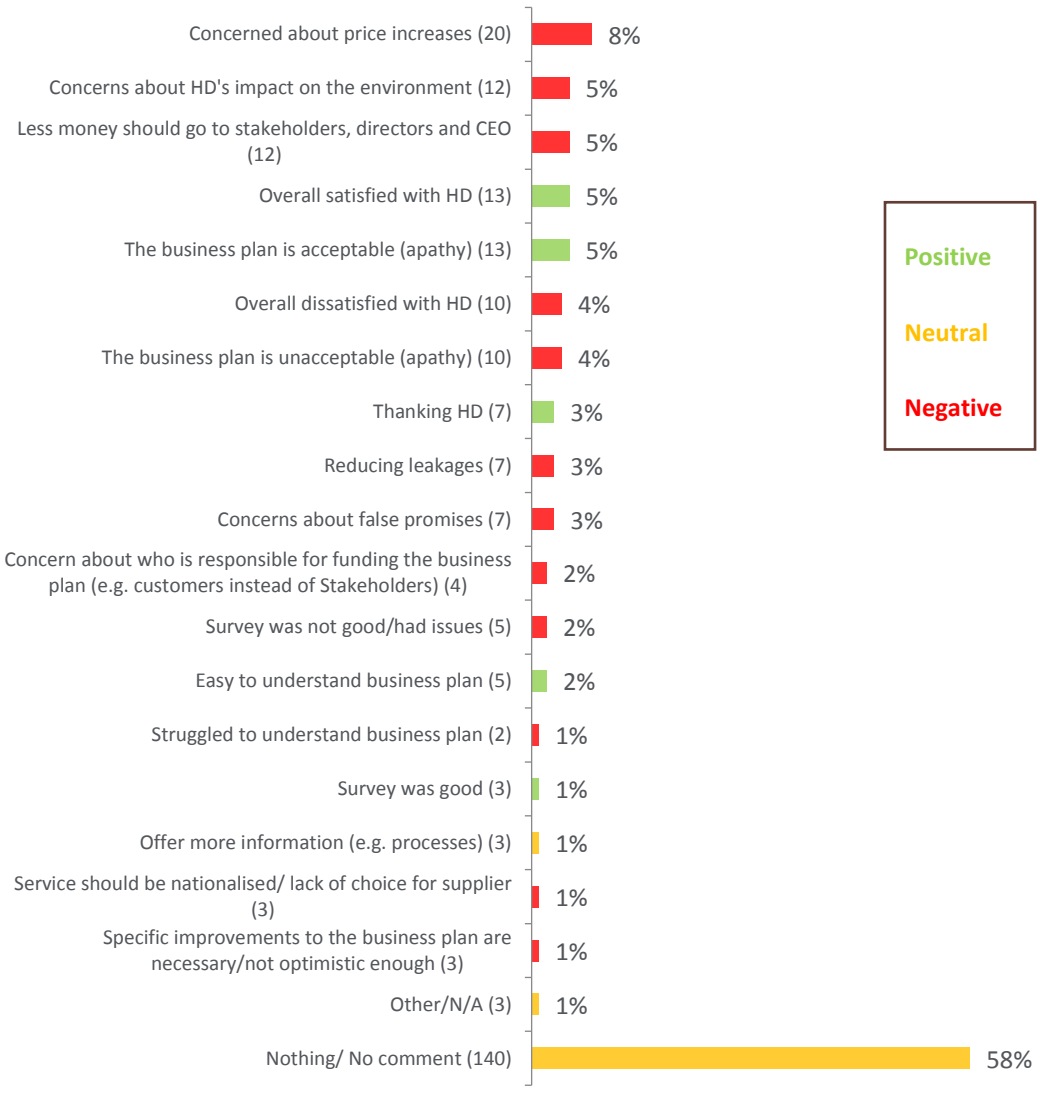
- Acceptance was significantly higher among female HH combined customers.

Additional comments and concerns

8% of Hafren Dyfrdwy combined HH customers reported that they were concerned about price increases

Additional comments for Hafren Dyfrdwy from combined HH customers show that just under 6 in 10 had no additional comments to offer. Of those who did leave a comment, the plurality noted that they were concerned about the price increases outlined in the business plan, with further comments relating to Hafren Dyfrdwy's environmental impact and that they felt less money should go to shareholders, directors and the CEO.

Finally, if you have any further comments about Hafren Dyfrdwy's 2025-2030 business plan, or about this survey, please leave them here. Please type your response in the box below
(Combined HH customers responding to this question 243)



Open responses represented evidence of concerns around price and company profits

Respondents were asked if they had any further comments about Hafren Dyfrdwy's 2025-2030 business plan. The themes identified within these comments reflect responses to the previous questions, with many combined customers commenting on their concerns about the price increases.

"According to your projections, our water bills will more than double in the next few years. This is completely unacceptable, no matter what is in your business plan. You need to re-think this" (Combined HH)

"I feel that the water prices are high enough without going up" (Combined HH)

Respondents also commented on shareholder dividends and executive pay, believing that profits should contribute to the proposed improvements. It is clear from these comments that customers were unaware that Hafren Dyfrdwy has not yet made a profit or resulted any dividend to shareholders.

"Reduce the payout to shareholders to fund improvements as they have benefited most over the years" (Combined HH)

"I would like Hafren Dyfrdwy to directly link renumeration of its board of directors, and any dividend payments to its shareholders, to meeting the targets you have set" (Combined HH)

Others were concerned about Hafren Dyfrdwy's impact on the environment, particularly with regards to sewage being released into rivers and seas.

"River/sea pollution seems to be a major problem at the moment and it is really worrying how widespread it is" (Combined HH)

"Worried about sewage outflow into rivers" (Combined HH)

Some respondents however commented on their satisfaction with Hafren Dyfrdwy and the service they provide.

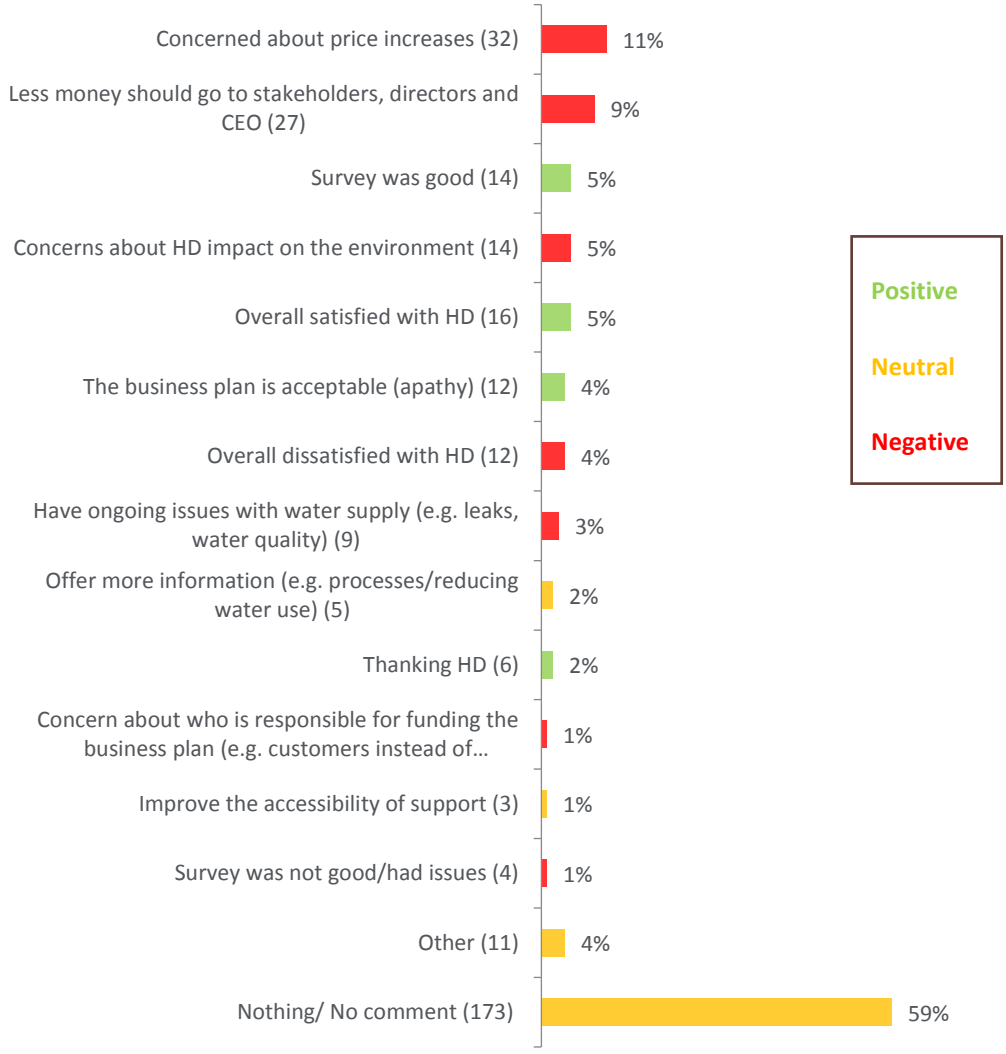
"Always a great customer service" (Combined HH)

"So far we have found the company to be good and accessible" (Combined HH)

11% of Hafren Dyfrdwy mixed HH customers reported that they were concerned about price increases

Similar to combined customers, the majority of mixed HH customers did not wish to offer any further comments on Hafren Dyfrdwy or the survey in general. However, over one in ten mentioned that they were concerned about the price increases, higher than the 8% of combined HH customers. Just under one in ten also felt that less money should go to shareholders, directors and the CEO, higher than the 5% of combined HH customers. Resultantly, mixed HH customers appear to have a higher level of grievances than combined HH customers. As noted with combined HH customers, respondents did not appear to be aware that Hafren Dyfrdwy has not made a profit or returned any dividends to shareholders, yet comments of this nature were still present.

Finally, if you have any further comments about Hafren Dyfrdwy's 2025-2030 business plan, or about this survey, please leave them here. Please type your response in the box below
(Mixed HH customers responding to this question 294)



Open responses represented evidence of concerns about the cost-of-living crisis and dividends

Similar themes were presented amongst mixed customers as combined customers, with many combined customers commenting on their concerns about the price increases, particularly with the cost-of-living crisis.

"I understand that services need to be improved and that costs money, I think the costs should be phased in slowly as the cost-of-living crisis is already making it very difficult for the vast majority of people, not just those on low incomes" (Mixed HH)

"Difficult to increase prices at the moment due to the cost of living crisis" (Mixed HH)

Respondents also commented on shareholder dividends and executive pay, believing that profits should contribute to the proposed improvements. It is clear from these comments that customers were unaware that Hafren Dyfrdwy has not yet made a profit or resulted any dividend to shareholders.

"I think you should stop giving money to shareholders who are already rich and not be asking ordinary people to be paying higher bills. It is outrageous that raw sewerage is being released into rivers, killing all the wildlife and we should not have to pay for your mistakes and incompetence with not dealing with leaks. I am appalled by the abuses to the environment that have occurred while millions of pounds are being paid out to shareholders instead of dealing with these issues" (Mixed HH)

"I think top management is paid too much, also too much is siphoned off to pay shareholders instead of spending on infrastructure to our supply system" (Mixed HH)

Others were concerned about Hafren Dyfrdwy's impact on the environment, particularly with regards to sewage being released into rivers and seas.

"Need to invest from profits on fixing leaking pipes and ensure no sewage release in sea / rivers" (Mixed HH)

"Really concerned about the number of water leaks and the sewage passing into our water ways and oceans" (Mixed HH)

Some respondents however commented on their satisfaction with Hafren Dyfrdwy and the service they provide.

"I have always found Hafren Dyfrdwy a very good company, I have never had any issues speaking with your staff, who always seem very helpful" (Mixed HH)

"I was surprised by Hafren Dyfrdwy's poor ranking as I have always been very satisfied by the service provided" (Mixed HH)

ST Classification: UNMARKED



explain

“Research should never be just for knowledge – it should be for progress”

Conclusions

A holistic review of the actionable insights.

Conclusion

Affordability of proposed 2025-30 bills

12% of customers overall found the proposed bill increases easy to afford, with 51% finding it difficult.

Mixed HH customers aged 35-44, those with a medium or high bill, unmetered customers, and customers with any vulnerability were significantly more likely to find the proposed bill increase difficult to afford. Customers with children in the household and females were significantly less likely to find the proposed bill increase easy to afford. Combined HH customers with a weekly household income of up to £199 were significantly more likely to find the proposed bill increase difficult to afford.

A number of comments from customers related to their inability to afford the proposed water and sewerage bill increases, with many outlining their current economic difficulties with mention of the increasing cost of outgoings. Other respondents expressed their need for financial support and help from their water company, as well as noting that their bills were already high and that the projections would make them too high.

Mixed customers were asked specifically about their water bill and the affordability of this. Results for this showed that ease of affordability was consistent with the results for the water and sewerage bill affordability question. Those aged 35-44, those on a high water bill, unmetered, females, with a weekly household income of up to £199, those with children in their household and WIMD 20-30% most deprived were significantly more likely to find their proposed water bill increases as difficult to afford.

Customers struggling to manage financially were significantly more likely to find the proposed bill increases difficult to afford, with 91% finding it difficult, compared to 31% of those managing well. Financial difficulties in respect to difficulty in affording the proposed bill increases related to current financial hardships across income, deprivation, associated costs of children, and current bill difficulties prior to the proposed increase.

A number of customers across both mixed and combined HH groups, that found the proposed bill impact as difficult to afford, were also present across a number of demographics metrics that could potentially be associated with individual affluence. Among combined HH customers that found the proposed bill increases difficult to afford, 43% said they hadn't struggled to pay at least one household bill in the past year, 36% were Acorn Comfortable Communities, 60% were WIDM classification 50% least deprived and 43% were SEG ABC1. Among mixed HH customers, 37% said they hadn't struggled



to pay at least one household bill in the past year, and 39% were WIDM classification 50% least deprived. As these groups would be associated with ease in affording the increased bill amounts, external factors unrelated to a legitimate ability to afford the bill impact may have influenced the selections of these respondents.

Business plan components

51% of all HH customers selected **appearance, taste and smell of water** as the most important water related performance commitment of the business plan. Sewage related performance commitments saw 54% of combined HH customers select **pollution of rivers** as the most important performance commitment.

Customers were asked to rank the enhancements on a scale of one to five, with one being the highest priority and five being the lowest. Resultantly, among combined HH customers, the enhancement with the lowest mean (lowest equates to better as it is closer to one, which relates to a higher priority) was **reducing the risk of pollution and improving wastewater treatment standards**, with a mean score of 1.72. Among mixed customers, reducing the **risk of water supply interruptions** returned the lowest mean score of 1.96. However, **replacing lead pipes** was only marginally second, with a mean score of 1.97.

Acceptability of proposed business plan

72% of HH customers found the business plan acceptable overall.

Many customers that found the plan unacceptable commented on the proposed plan in relation to the company profits and profits being distributed among investors/shareholders/ the CEO. However, these customers remained unaware that Hafren Dyfrdwy has not yet turned a profit or distributed dividends to executive/investors/stakeholders/the CEO. Additional comments related to other areas that Hafren Dyfrdwy should be investing in, as well as disappointment of their poor performance across performance commitments.

Vulnerable customers were significantly more likely to find the plan unacceptable at 22%, compared to 11% of those not vulnerable. The key reason among this group was that they found the bill increases too expensive, this was consistent across combined and mixed HH vulnerable customers. Expense was seen as a key reason for not accepting the business plan, as vulnerable customers were significantly more likely to be financially struggling, be deprived and have a lower weekly household income.

Acceptability among those struggling financially was 73%, with this group significantly more likely to find the proposed plan unacceptable (17%), compared to those managing well (13%). However, reasons for higher unacceptability varied across mixed and combined HH groups. Among mixed HH customers, reasons for higher unacceptability revolved around the bill increases being too expensive, significantly so, with 55% selecting this option. However, mixed HH customers managing well were more likely to find the plan poor value for money (49%). Combined HH customers classified as



struggling were more likely to be dissatisfied with current services and that company profits were too high, but this difference was not significant.

Cost was mentioned as a key reason overall and those struggling correlated with lower weekly incomes, children and their associated costs and a higher deprivation level, unacceptability of the proposed business plan appeared to be reflective of cost to the individual, with notions of grievances toward company profits, despite Hafren Dyfrdwy not actually making a profit.

Key reasons for acceptance, overall, were supporting what Hafren Dyfrdwy is doing in the long term (45%), and that their plan seems to focus on the right services (37%).

In relation to intergenerational fairness, 34% of HH customers overall selected for a bill increase starting sooner, while 48% felt that they did not know enough at the moment to give an answer. Among mixed HH customers, those with no children in their household were more likely to prefer an increase starting later, while SEG C2 and DE were less likely to prefer an increase starting sooner, when compared to other SEG groupings.

Media impact

Those unaware of general water and or sewerage company news/media coverage were significantly less likely to say they would find the proposed bill increases easy to afford with only 5% of HH customers finding the plan easy to afford, compared to 20% of those aware. Those unaware were more likely to have financial issues, lower household incomes and higher levels of deprivation. Although being unaware of media coverage correlated with less affluence, the leading cause of low affordability among this group related to current financial circumstances, not the influence of news/media awareness explicitly.

Acceptability among HH customers that were unaware of news/media coverage was significantly lower (67%) than those aware (76%). The key reason for finding the business plan unacceptable among unaware combined HH customers was that they won't be able to afford this (62%), while those aware found the business plan unacceptable on the basis of 'companies should pay for service improvements' (42%), but these differences were not significant. As being unaware of news/media coverage correlated to financial issues, lower incomes, and deprivation, individual financial circumstances appear to have influenced the acceptability of the proposed plan.

Awareness of Hafren Dyfrdwy in the news/media returned a higher ease of affordability among HH customers overall, with 28% finding it easy, compared to 10% of those unaware. Significance among those unaware was reflective of existing affordability concerns and financial issues, particularly a lower income, leading to a lower affordability of the proposed bill increases.



Among those aware of Hafren Dyfrdwy in the news/media, 63% found the plan acceptable, while 73% of those unaware found the plan acceptable. While awareness resulted in a higher affordability, it conversely resulted in a lower acceptability rate. Those aware were significantly more likely to be a higher Acorn classification, higher weekly household income and lower deprivation levels. Awareness in this instance appears to have influenced acceptability of the proposed plan, on the basis of company profits being too high, and that companies should pay for the service improvements.

Experience of service failure

Among mixed HH customers, the experience of a service failure correlated to a higher unacceptability rate of the proposed business plan, with those finding the plan unacceptable being significantly more likely to have experienced seven out of ten service failures. Additionally, only 8% of those finding the plan unacceptable had not experienced any service failures, while 33% of those finding the plan acceptable had not experienced any service failures.

While combined HH customers who found the business plan unacceptable were more likely to have experienced the majority of service failure, this was only significant for a notice telling you to boil your water or not to drink your water. However, those finding the business plan unacceptable were significantly less likely to have not experienced any service failures (8%), compared to 28% of those finding the plan acceptable.

Acceptance revisited

At the end of the survey HH participants were shown additional information regarding financial support that would be available between 2025 to 2030 for customers who would need it, and the acceptability question was repeated. The initial acceptance levels were 72% overall for HH customers, 71% for mixed and 75% for combined.

After being shown the additional information, 31% of customers, overall, that found the plan unacceptable, now found the plan acceptable. Although only three in ten customers, the additional information had a positive effect on the acceptance of the business plan among those that previously found it unacceptable.



Final conclusion

Acceptability of the proposed business plan was high at 72% for HH customers overall, highest among combined HH customers at 75%, and 71% for mixed HH customers. Key reasons for finding the plan acceptable were supporting what Hafren Dyfrdwy are trying to do in the long term among both combined HH customers (47%) and mixed HH customers (45%). Key reasons for finding the plan unacceptable were that the bill increases were too expensive, with 38% of HH customers expressing this. Vulnerable customers were more likely to find the plan unacceptable, with the key reason being that the bill increases were too expensive (55%), this was reflective of vulnerable customers being more likely to have struggled with a household bill and be more deprived by WIMD metrics. Among those struggling financially, the key reason for not accepting the business plan was that the bill increases were too expensive (55%), and much like vulnerable customers, this result was reflective of existing financial difficulties, costs associated with children and being more deprived by WIMD metrics.

Overall, 12% of Hafren Dyfrdwy HH customers found the proposed bill increases plan easy to afford, with 51% finding it difficult. The key reasons for finding the proposed increases difficult to afford were that current financial and economic difficulties, related to the high cost of living and its impact on outgoings, leaving less disposable income to afford bill increases. Among vulnerable customers and those struggling financially, low affordability was related to lower household incomes, deprivation and existing difficulties in affording current water and or sewerage bills.

NHH customers were more likely to find the plan acceptable, and easy to afford. Overall, when results are weighted across the customer base, 79% of customers find the plan acceptable.



“Quality is not an act; it is a habit”

Appendices

Supporting documentation can be found in this section.

Appendices

Contents

- Appendix 1 – Respondent profile

Supplementary documents

The additional appendices for this report are offered as supplemental documents, with the purpose of each and title outlined below:

- Appendix 1 – Weighted data table (HH Mixed)
- Appendix 2 – Unweighted data table (HH Mixed)
- Appendix 3 – Weighted data table (HH Combined)
- Appendix 4 – Unweighted data table (HH Combined)
- Appendix 5 – Unweighted data table [NHH]
- Appendix 6 – NHH questionnaire
- Appendix 7 – HH Combined questionnaire*
- Appendix 8 – HH Mixed questionnaire*

**As HH customers requesting a postal survey received the same survey as those completing in an online format, with minor changes to aid in reading in a physical format, this has not been included on the basis of inconsequential differentiation from the HH questionnaire included in these appendices.*

All questionnaires are also available in either the English or Welsh language.





“The best vision is insight”

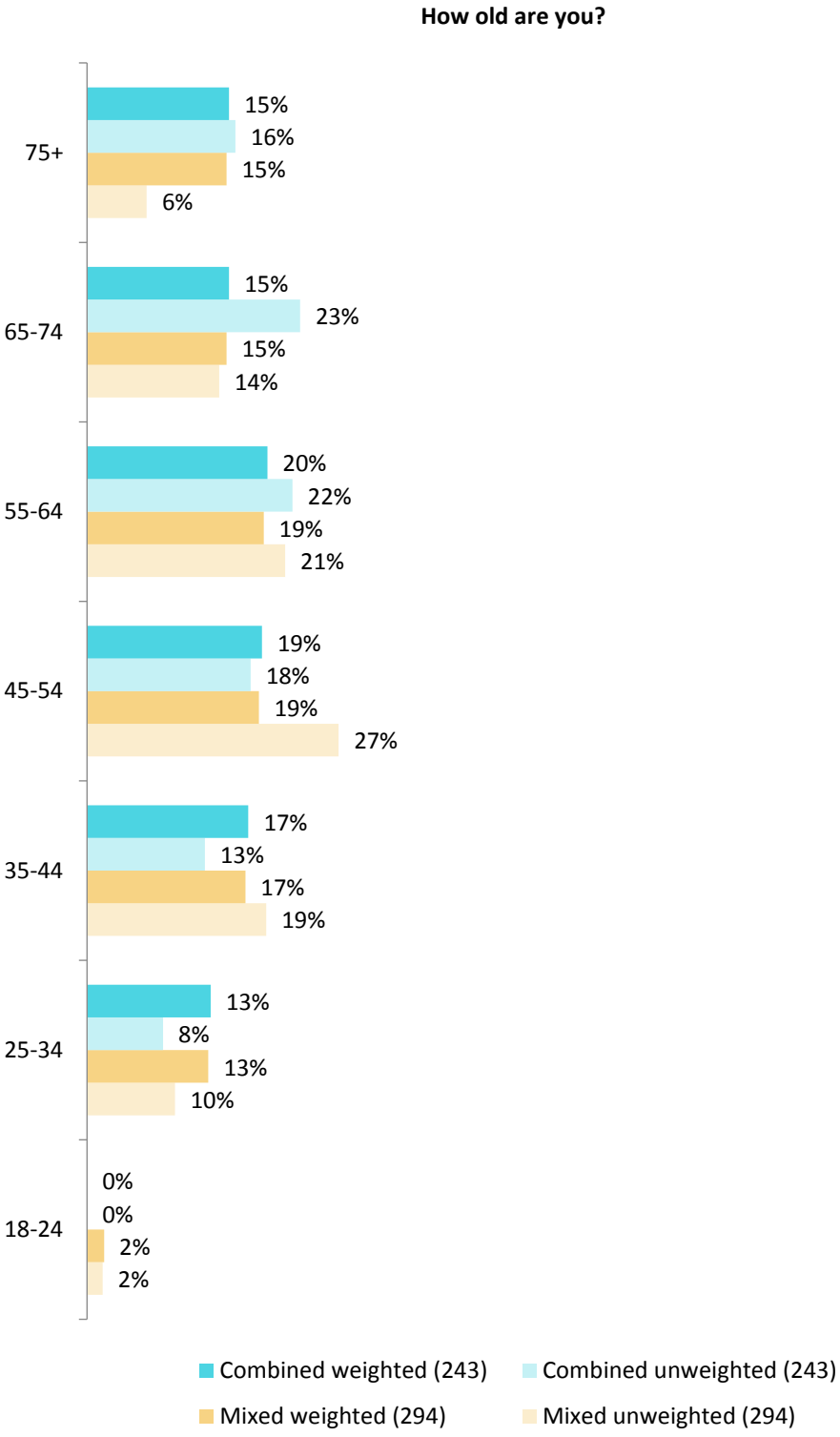
Respondent profile

An overview of the profile of respondents who participated in the research.

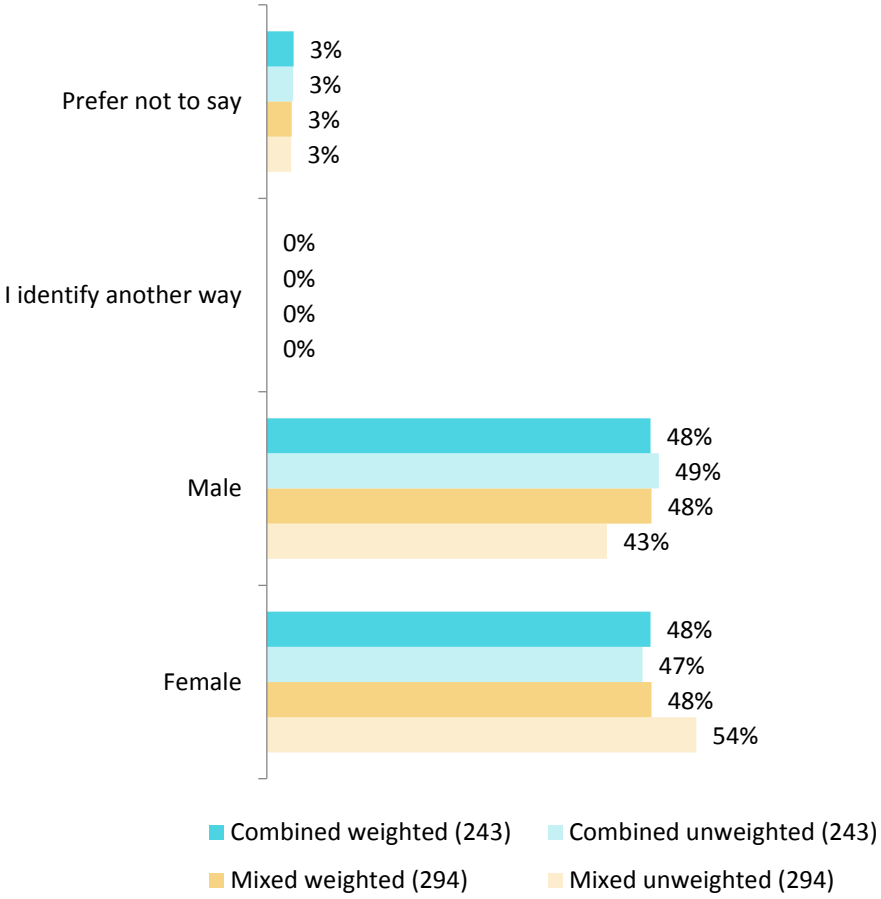
Appendix 1 – Respondent profile

The survey was completed on a self-select natural fallout basis. Due to this and the requirement that the data must be reflective of the demographic profile of the Hafren Dyfrdwy region, weighting was applied to HH customers in order for this to be the case. Weighted and unweighted data for demographics can be seen below.

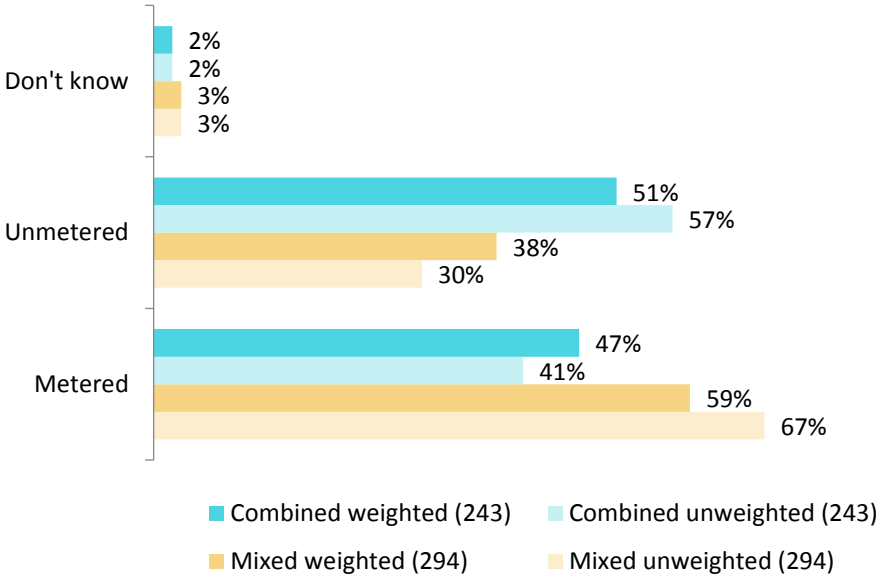
Household demographics



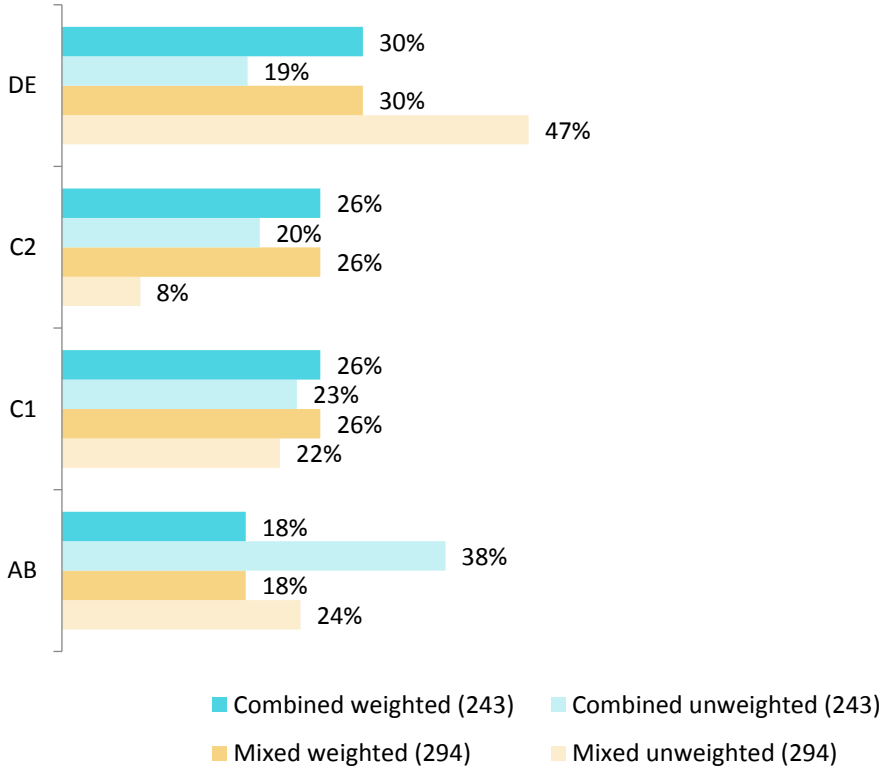
In which of the following ways do you identify?



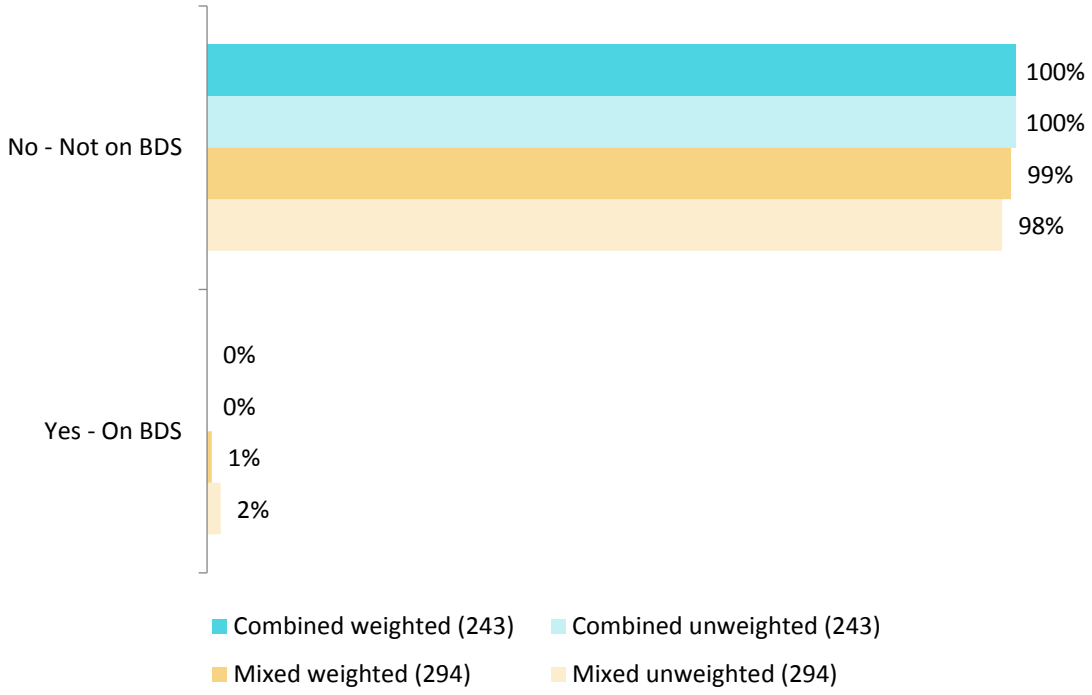
Are you currently charged for water through a meter?

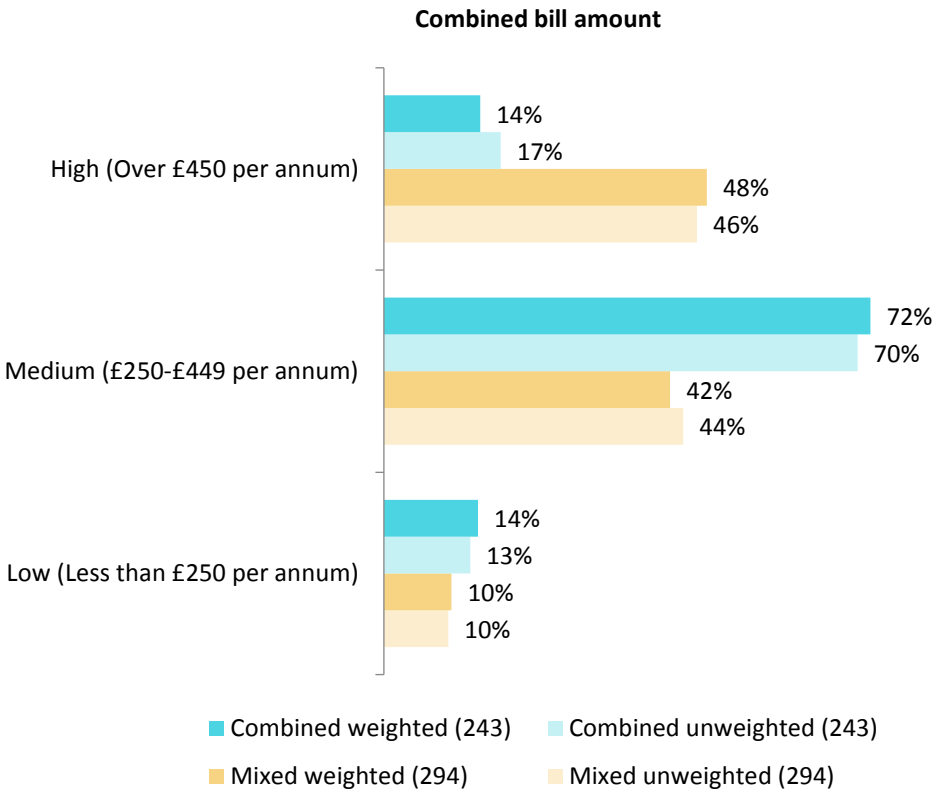


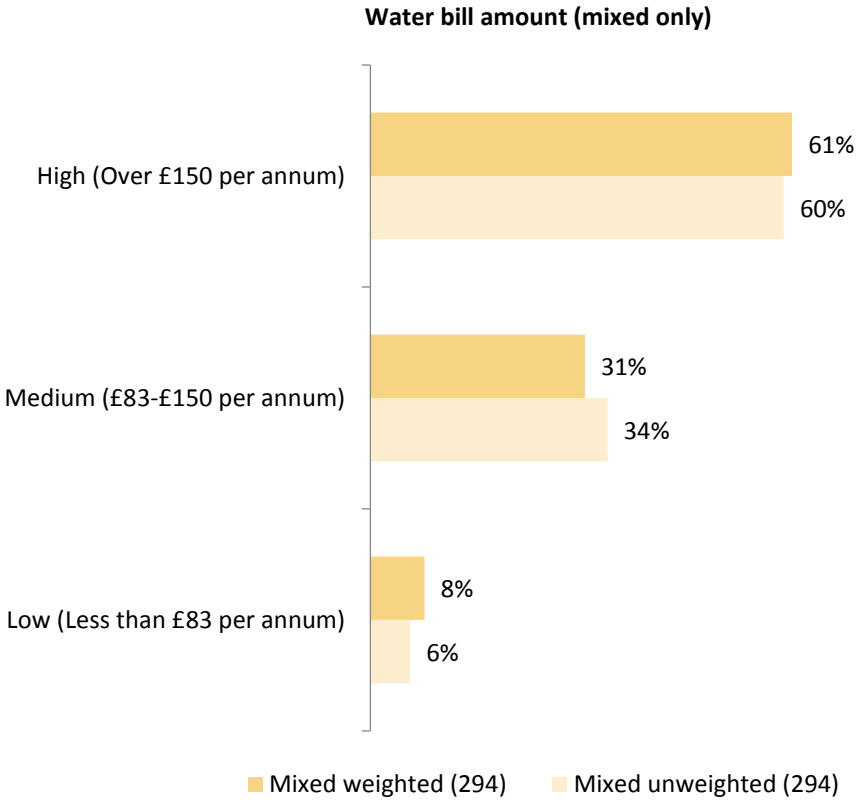
SEG

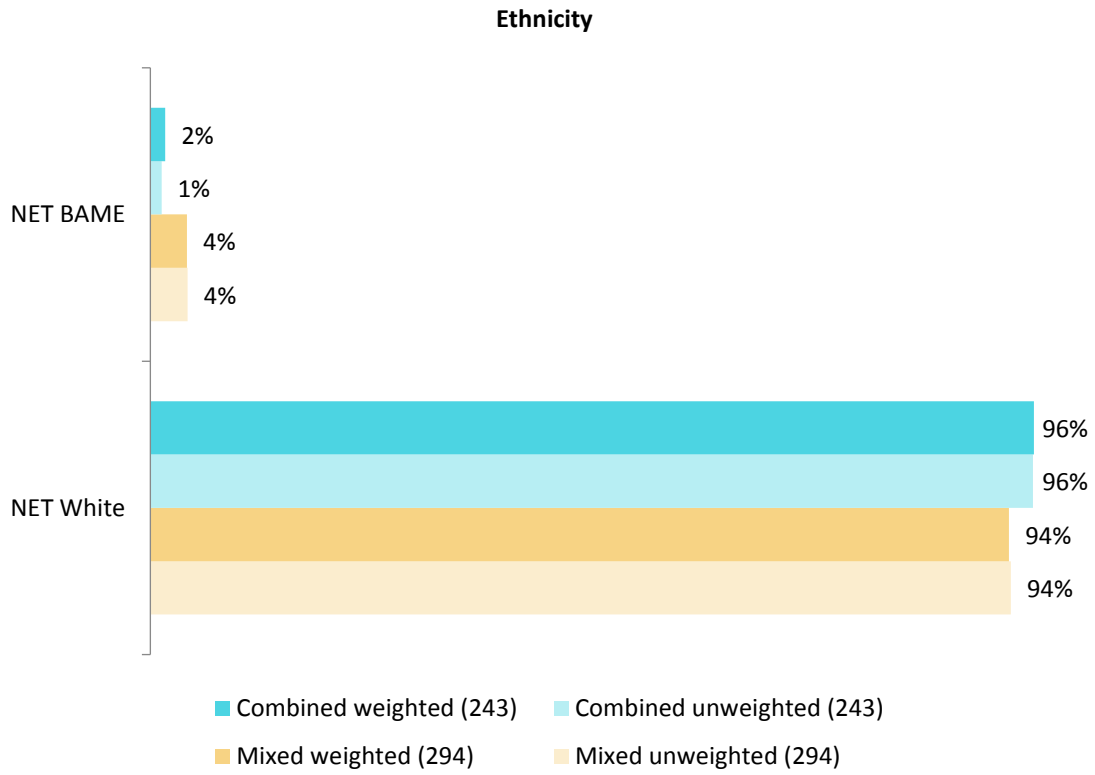


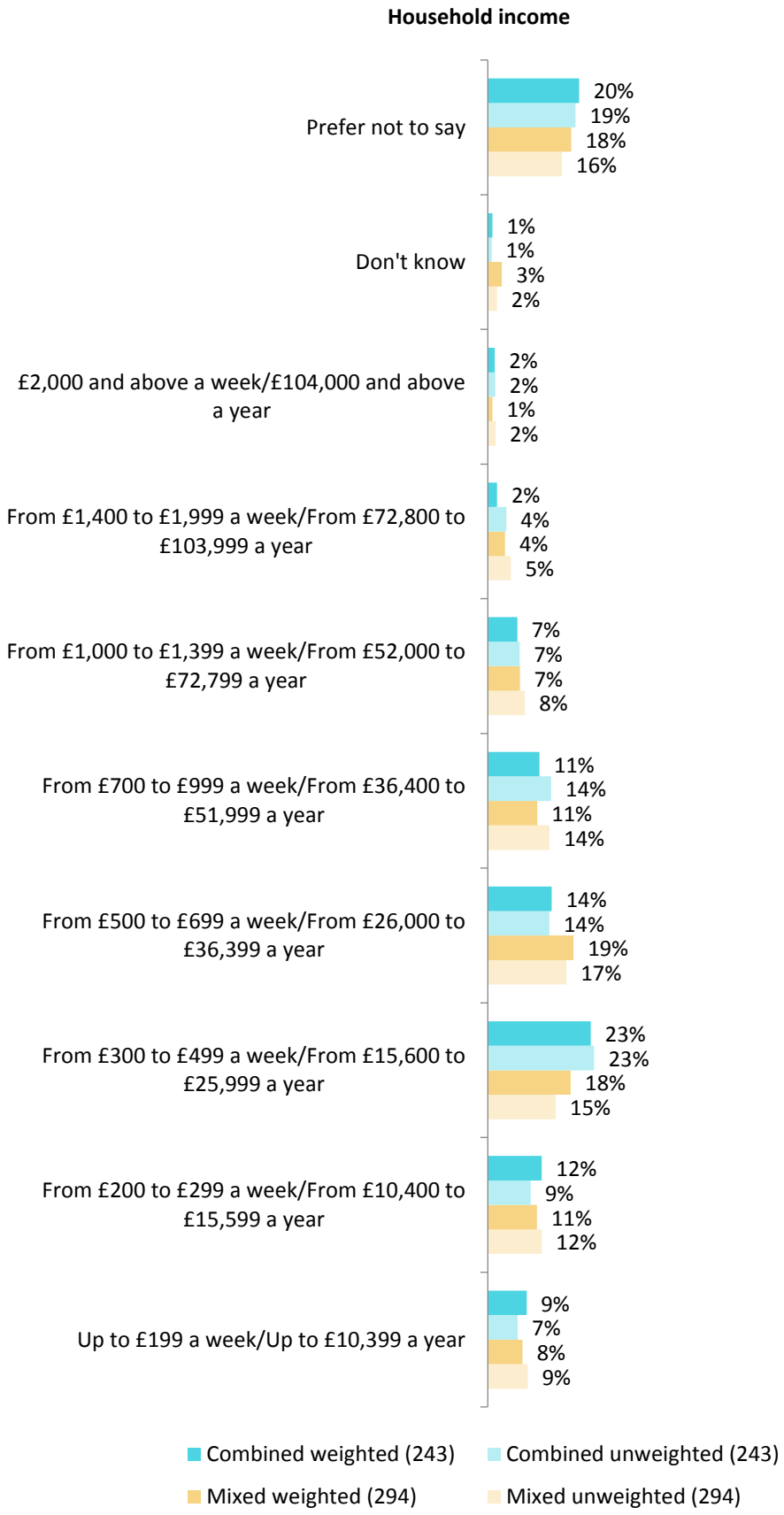
BDS Status



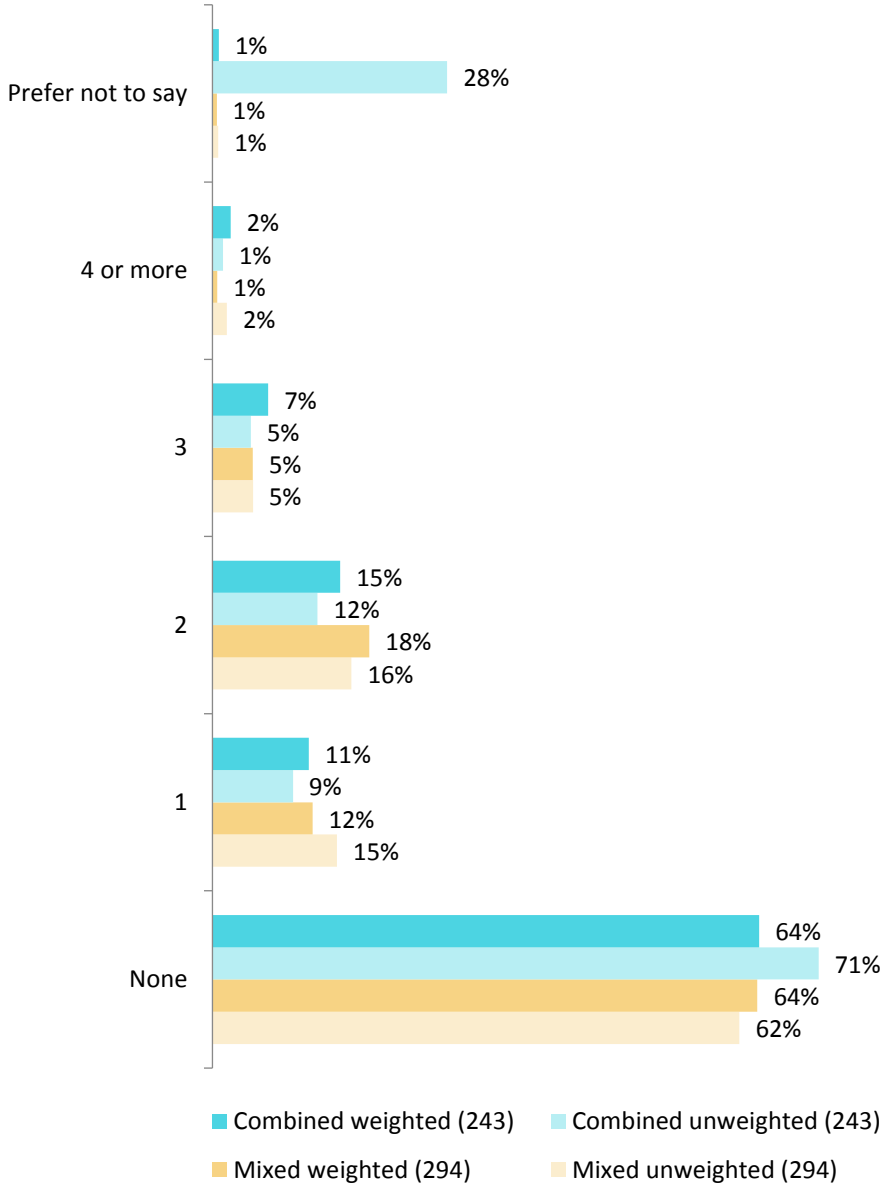

Combined bill amount
High (Over £450 per annum)
14%
17%
48%
46%
Medium (£250-£449 per annum)
72%
70%
42%
44%
Low (Less than £250 per annum)
14%
13%
10%
10%
Combined weighted (243)
Combined unweighted (243)
Mixed weighted (294)
Mixed unweighted (294)

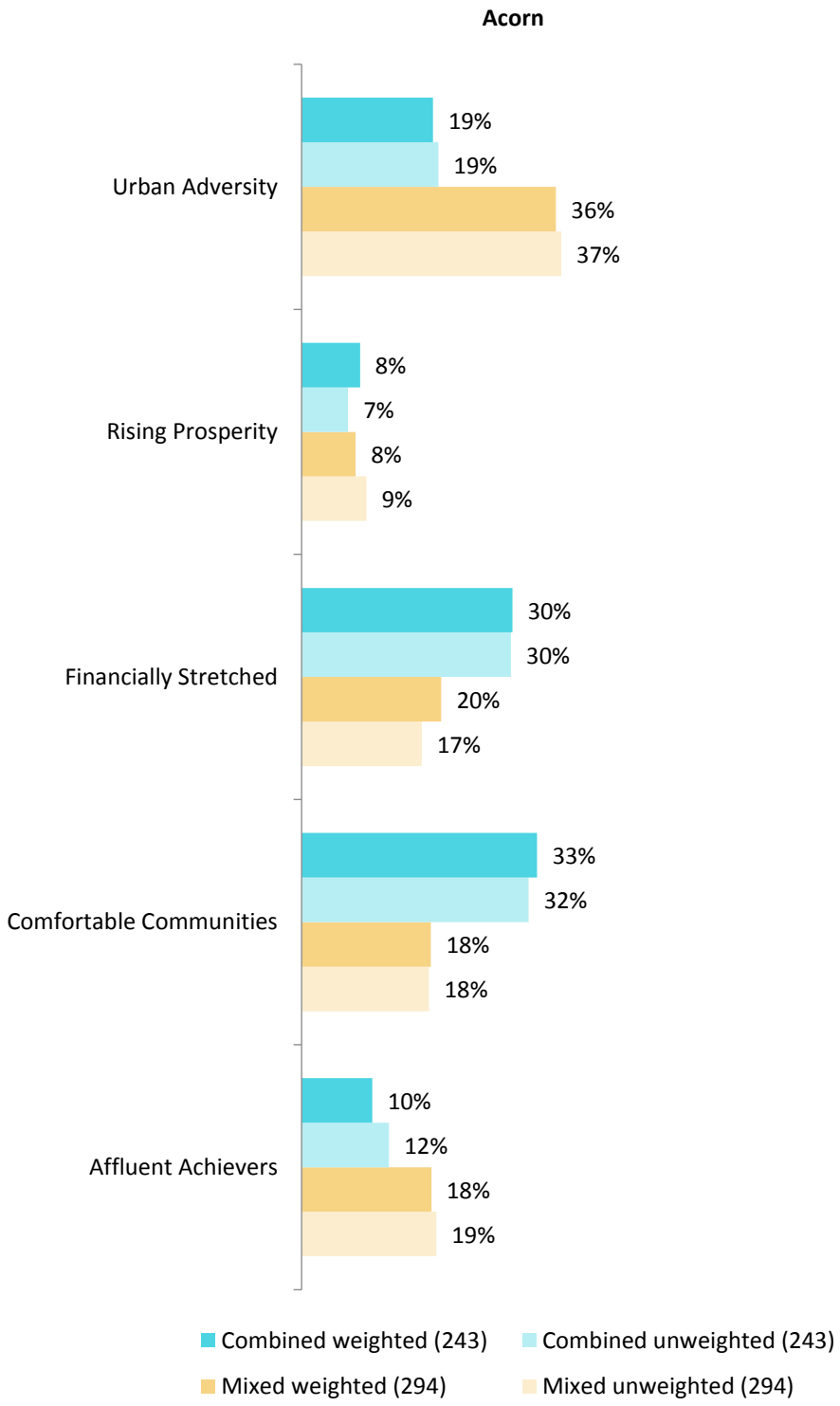

Water bill amount (mixed only)
High (Over £150 per annum)
61%
60%
Medium (£83-£150 per annum)
31%
34%
Low (Less than £83 per annum)
8%
6%
Mixed weighted (294)
Mixed unweighted (294)

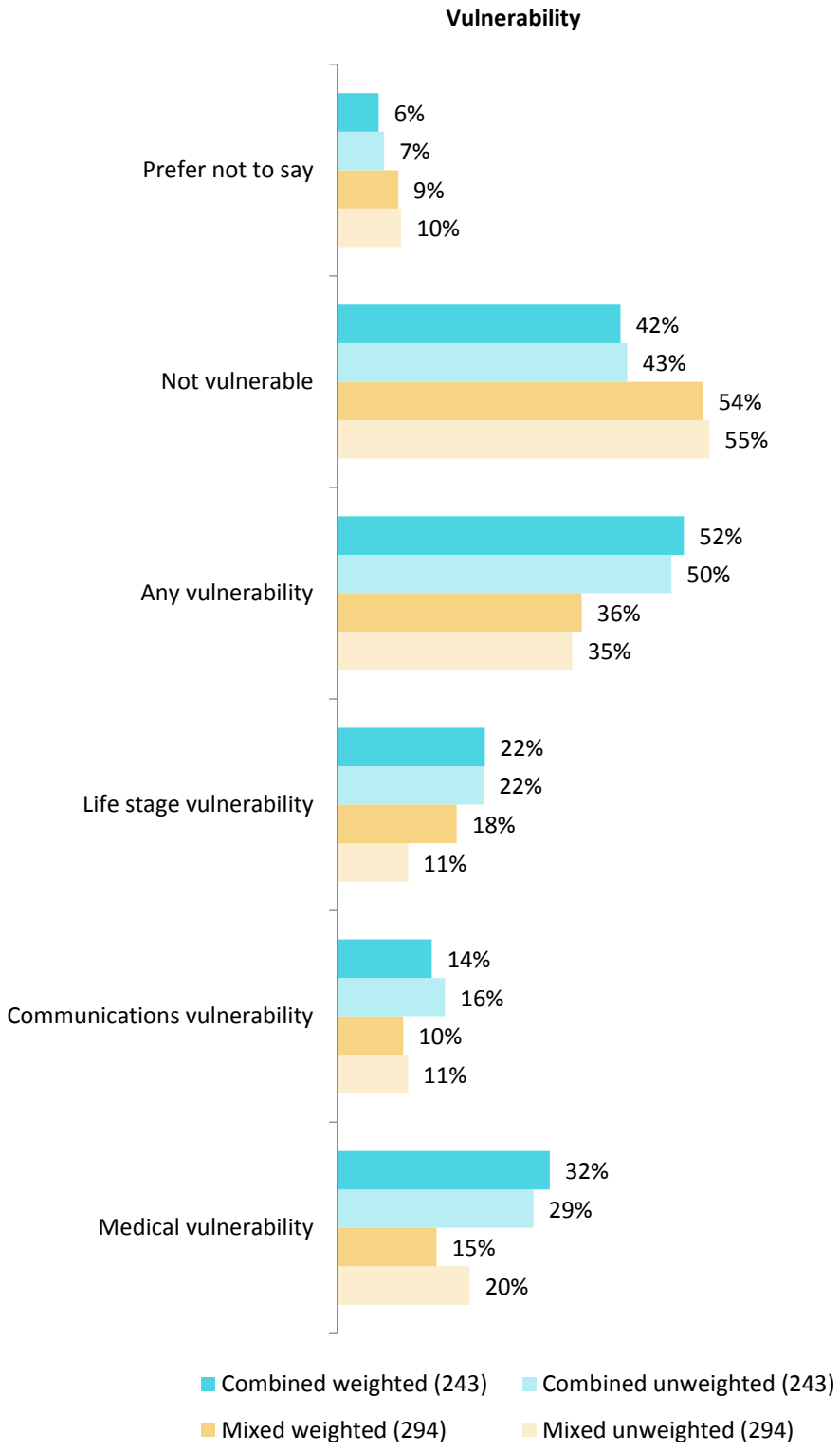

Ethnicity
NET BAME
2%
1%
4%
4%
NET White
96%
96%
94%
94%
Combined weighted (243)
Combined unweighted (243)
Mixed weighted (294)
Mixed unweighted (294)

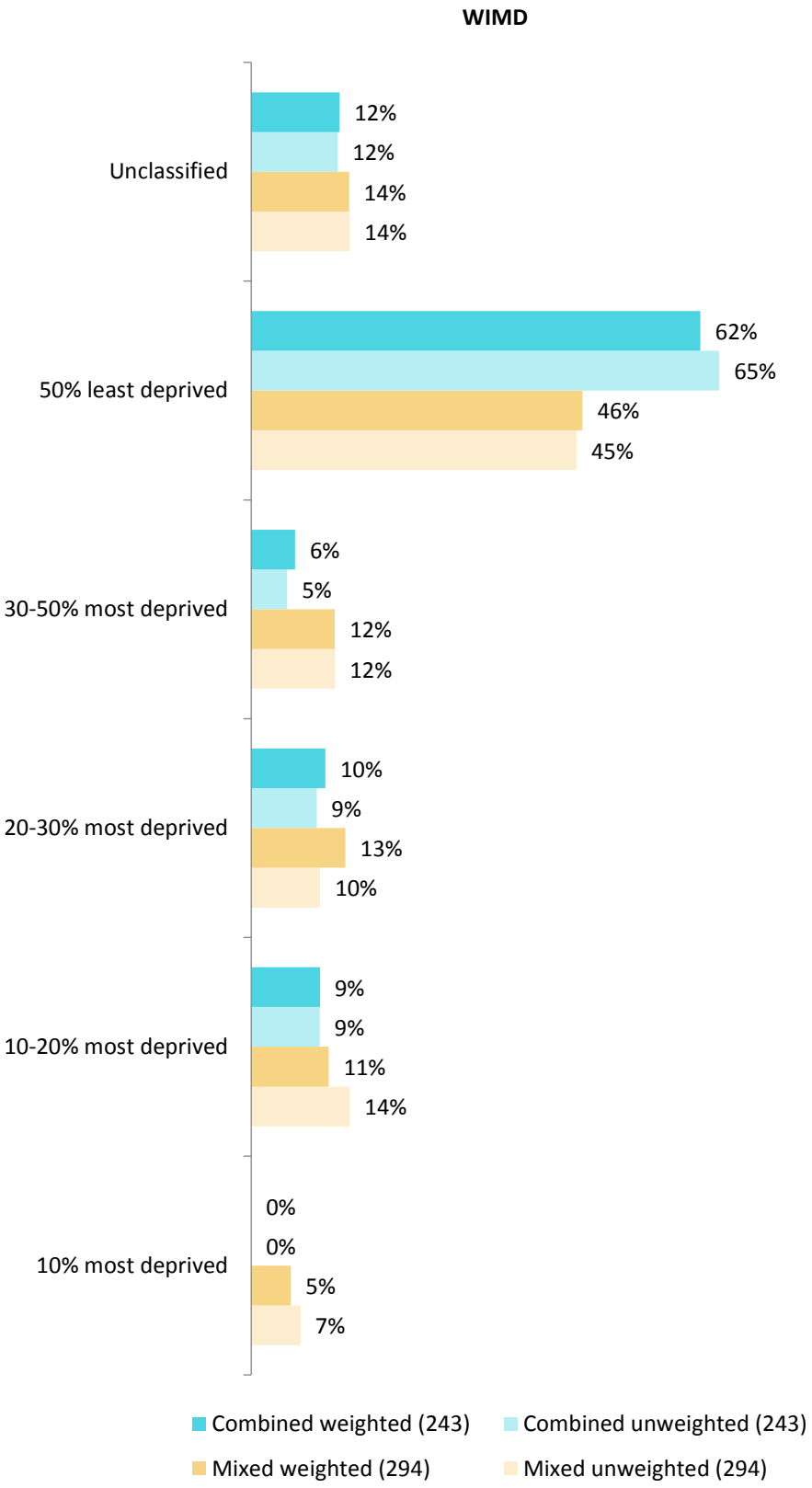

Household income
Prefer not to say
20%
19%
18%
16%
Don't know
1%
1%
3%
2%
£2,000 and above a week/£104,000 and above a year
2%
2%
1%
2%
From £1,400 to £1,999 a week/From £72,800 to £103,999 a year
2%
4%
4%
5%
From £1,000 to £1,399 a week/From £52,000 to £72,799 a year
7%
7%
7%
8%
From £700 to £999 a week/From £36,400 to £51,999 a year
11%
14%
11%
14%
From £500 to £699 a week/From £26,000 to £36,399 a year
14%
14%
19%
17%
From £300 to £499 a week/From £15,600 to £25,999 a year
23%
23%
18%
15%
From £200 to £299 a week/From £10,400 to £15,599 a year
12%
9%
11%
12%
Up to £199 a week/Up to £10,399 a year
9%
7%
8%
9%
Combined weighted (243)
Combined unweighted (243)
Mixed weighted (294)
Mixed unweighted (294)

Children in household




Acorn
Urban Adversity
19%
19%
36%
37%
Rising Prosperity
8%
7%
8%
9%
Financially Stretched
30%
30%
20%
17%
Comfortable Communities
33%
32%
18%
18%
Affluent Achievers
10%
12%
18%
19%
Combined weighted (243)
Combined unweighted (243)
Mixed weighted (294)
Mixed unweighted (294)


Vulnerability
Prefer not to say
6%
7%
9%
10%
Not vulnerable
42%
43%
54%
55%
Any vulnerability
52%
50%
36%
35%
Life stage vulnerability
22%
22%
18%
11%
Communications vulnerability
14%
16%
10%
11%
Medical vulnerability
32%
29%
15%
20%
Combined weighted (243)
Combined unweighted (243)
Mixed weighted (294)
Mixed unweighted (294)


WIMD
Unclassified
12%
12%
14%
14%
50% least deprived
62%
65%
46%
45%
30-50% most deprived
6%
5%
12%
12%
20-30% most deprived
10%
9%
13%
10%
10-20% most deprived
9%
9%
11%
14%
10% most deprived
0%
0%
5%
7%
Combined weighted (243)
Combined unweighted (243)
Mixed weighted (294)
Mixed unweighted (294)

Author: Kathryn Allen & Thomas Waldron

Figure check: Sam Cornmell

Report check: Kirsty Laing

Final sign off: Rebecca Crinson