

# Anglian Water

## 11C. AW REVISED DWRMP 2019 SUPPORTING TECHNICAL - CUSTOMER AND STAKEHOLDER ENGAGEMENT



Draft Determination Representation, August 2019

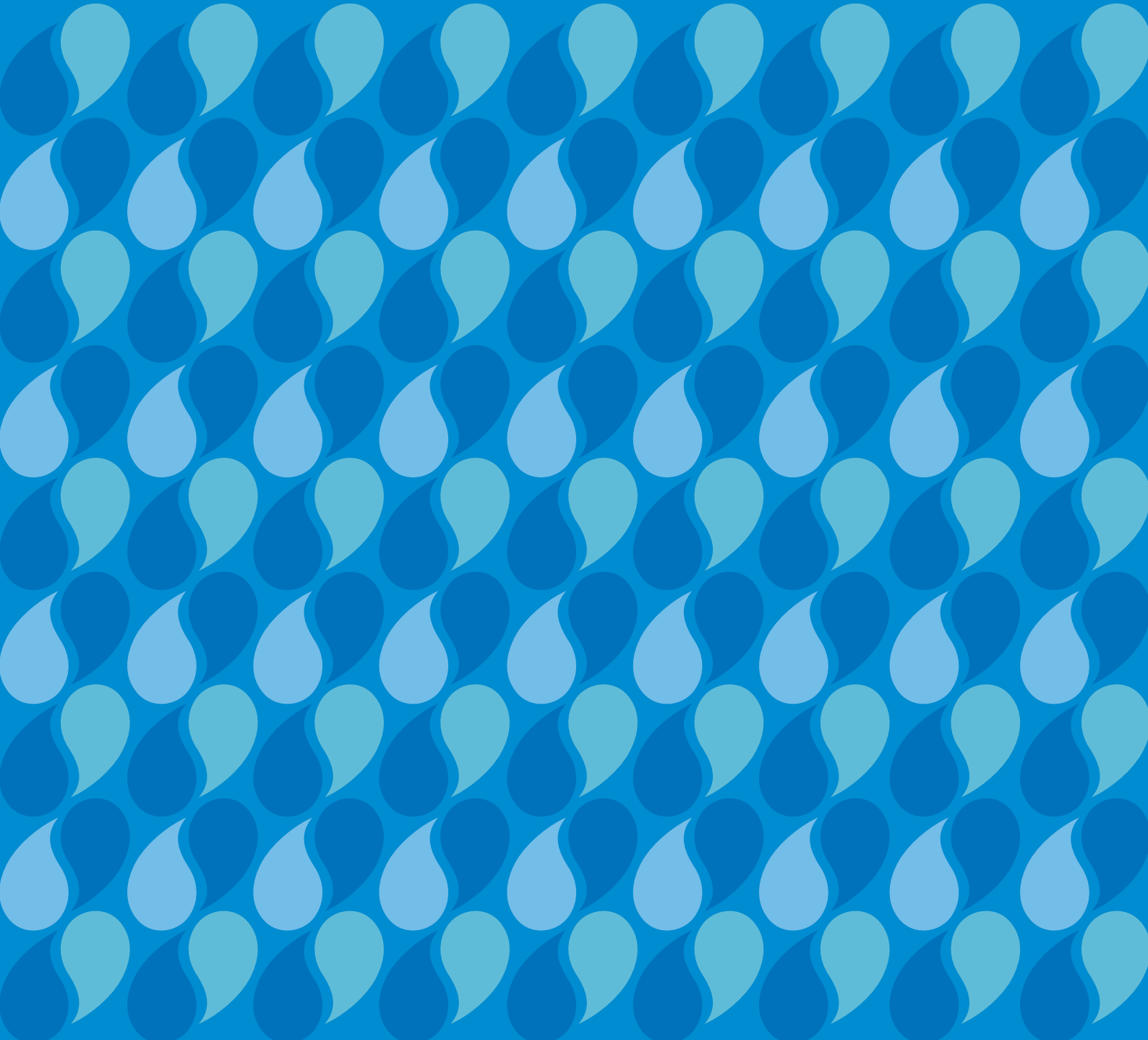


Revised draft WRMP 2019 Technical Document:



# CUSTOMER AND STAKEHOLDER ENGAGEMENT

September 2018



**This is the revised technical supporting report.**

This is a new technical document supporting the revised dWRMP. It has been written to provide an overview of customer and stakeholder engagement during development and consultation on our dWRMP. It provides the detailed evidence which underpins the conclusions from this engagement, demonstrating the direct influence on our decision making.

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# EXECUTIVE SUMMARY

We have collaborated and engaged extensively in the development of our revised dWRMP. We have listened to our customers and stakeholders and their thoughts and preferences have directly influenced our decision making. This applied both during preparation of our dWRMP and in terms of consultation feedback, which has led to our revised dWRMP.

This document provides a summary of the main consultation activities, both with customers, via a wide range of activities, and stakeholders via regulatory meetings and regional and national water resource planning groups. The document lists the main conclusions we have drawn from these activities and the evidence which underpins them.

Our customer engagement for this WRMP began in early 2016. In agreement with our Board and our Customer Engagement Forum, we developed a number of objectives including the need for co-creation of activities, clarify regarding alignment of customer interests, linking customer insight to decision making and drawing from a wide range of evidence. Our engagement has been through a number of 'channels' and includes:

- robust sampled surveys e.g. stated preference and willingness to pay studies
- sampled qualitative research and deliberative engagement e.g. focus groups, research on support for vulnerable customers
- self-selecting research and engagement activities e.g. H2OMG festival, Twitter poll

Our customer engagement had a particular focus on supply resilience and it was clear that we should improve Levels of Service in relation to lowering the risk of severe drought restrictions. In addition customers expressed a strong preference for demand management, including leakage reduction but also recognising their own role in conservation and how this could be supported by smart metering. However, customers also want to see a cost-effective balance of supply and demand options, and express a preference for higher reliability options. Customers trust us to make investment decisions and choose the mix of solutions that will be most efficient and cost effective. Customers are prepared to accept bill increases for service improvements that they value, which includes investment in drought resilience, climate change and future proofing.

The report also demonstrates how our involvement in regional and national water resource planning groups has influenced our revised dWRMP. These groups include Water Resources East and the national water Resources Long-Term Planning Framework, as well as regional abstraction groups. Our revised dWRMP is consistent with emerging regional and national strategy, including a focus on demand management, transfers and the potential for strategic supply-side options.

# 1. INTRODUCTION

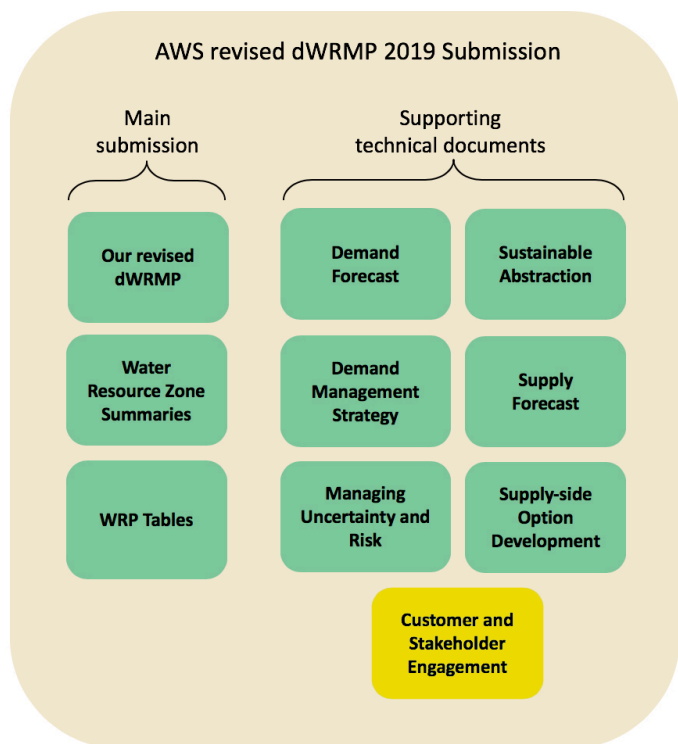
We have collaborated and engaged extensively in the development of our revised dWRMP. We feel that this is of particular importance due to material water resource challenges we face in our supply area.

This document describes the customer and stakeholder engagement programmes. The conclusions drawn from the results of our customer engagement initiatives have been central to our decision making. This document lists the conclusions, and the detailed evidence which underpins them. It provides stakeholders with a transparent link between our decision making and customer engagement.

## 1.1 The Water Resources Management Plan

Our revised dWRMP submission is comprised of several reports, as set out in the diagram below. The main submission is supported by technical documents that explain our methodologies and provide the detailed results of our analysis. This technical document explains our approach to our customer and stakeholder engagement.

Figure 1.1 Revised dWRMP 2019 Submission



## 2. CUSTOMER ENGAGEMENT

We began to develop our engagement strategy for our dWRMP and the 2019 Price Review (PR19)<sup>1</sup> in early 2016. From the outset, we knew that we had already delivered a step change in engagement for the PR14 Price Review, and that we would need to drive another step change for WRMP 2019 and PR19.

One of the first things we recognised is that we needed to enhance our approach to strategic customer engagement. We needed to shift from carrying out bespoke, or set piece engagement to support a regulatory submission, to developing and maintaining numerous diverse channels to help us understand our customers' priorities and views.

Through our work with Water Resources East, steering the publication of Water UK's Water Resources Long Term Planning Framework, and our Draft Problem Characterisation assessment (June 2016) we knew that water supply resilience was emerging as a key issue. Supply resilience is a difficult issue for people to engage with, as it is a high impact, low probability and long term issue. Consequently, people find it difficult to envisage the effects might be. Our strategy needed to reflect this challenge and provide opportunities for customers to engage effortlessly with complex strategic issues, which matter to us all.

We recognised that we already engage well with our customers. Every day customers contact us and we contact them, and we are good at dealing with these tactical contacts. An innovation we identified was to tap in to those conversations to extract strategic insight, alongside resolving tactical issues. Supporting our business plan submission, then became more about sampling the on-going conversation rather than the targeted survey approach we've seen previously.

We are also required to carry out specific engagement activities to support the Price Review submission, for example, our valuation work, which acts as a proxy for price signals in a competitive market. Our engagement strategy brings together all the various elements of on-going conversations, targeted work and valuation, to present a full and rounded picture of our customers' views.

### 2.1 Our strategy

In the initial stages of developing our strategy in 2016 we agreed a number of objectives with our Board and our Customer Engagement Forum (CEF). These were then reviewed again by the CEF in March 2018 and updated. Our objectives include:

- To run a programme of engagement activities that are genuinely co-created and designed with a representative group of customers and other stakeholders (employees, CEF etc), with special attention paid to customers in circumstances that may make them vulnerable
- Demonstrate best practice customer engagement in a way that builds understanding and enables stakeholders to recognise us as a leader
- Be clear that we are interested in customers' long term priorities
- Be strategic and have a clear thread between the different elements of the programme, as well as a clear view about how customer insight will drive decision making
- Draw evidence from all the different channels through which we engage with customers and triangulate the insights

<sup>1</sup> It is important to note that we have developed a single programme of customer engagement to support the development of both the WRMP 2019 and our business plan for PR19.



To develop our customer engagement strategy we used a co-creation approach. We appointed a strategic partner, Given London, to help us with the process and provide expert engagement insight. Over several months during 2016, we held co-creation workshops with 70 customers and 200 colleagues. The messages emerging from those sessions told us that customers have very busy lives, with lots of brands and ideas competing for their attention. To break through and have meaningful engagement, we needed to ‘make sure it matters’.

Since we refreshed our strategy in autumn 2016, over 500,000 customers have been involved in 36 research projects. These ranged from exploratory qualitative studies involving a fairly small number of customers, to complex quantitative studies with

large, statistically representative samples. The initiatives were designed to:

- better understand our customer base;
- reach a large number of customers; and,
- explore more complex issues in depth.

## 2.2 Engagement activity

The engagement initiatives that are most relevant to the development of WRMP 2019 are listed in the Table 1 below (note that this table does not include a comprehensive list of all activities, for example it excludes the PR19 Main Stage Stated Preference Survey). For a full list of initiatives, please refer to the Customer Research and Engagement Synthesis Report v13.

**Table 2.1: Customer engagement initiatives most relevant to WRMP**

Type of research	Research	Date	Customers involved
Robust sampled surveys	<b>Customer Behavioural Segmentation: research report, Alto Consulting</b> Understand attitudinal differences across our customer base and develop bespoke customer segments.	Apr 2017	1,200 HH
	<b>Acceptability testing: SDS, Accent</b> Survey to explore the acceptability of our long-term strategy and customer outcomes, as set out in our Strategic Direction Statement.	Jul 2017	1,029 HH 498 NHH
	<b>Anglian Water Community Perception Study 2017-18, Alto Consulting</b> Explore customer awareness and perceptions of Anglian Water’s activities in the community and the environment.	May 2018	1,421 HH
	<b>Water Resources Second Stage Research: Stated Preference Report, ICS Consulting and EFTEC</b> Stated preference research that focuses specifically on water resource options and restrictions.	Oct 2017	1,008 HH 408 NHH
	<b>PR19 Willingness to Pay Study, Anglian Water, ICS Consulting and EFTEC</b> Explore customer priorities for a key set of water, sewerage and environmental service areas.	Feb 2018	1353 HH 500 NHH
	<b>Acceptability Testing: PCs/ODIs, Accent</b> Customer feedback on compulsory and proposed bespoke performance commitments in Anglian Water’s draft PR19 Business Plan.	Apr 2018	995 HH 500 NHH

**HH** Household

**NHH** Non household



Type of research	Research	Date	Customers involved
Purposively sampled qualitative research and deliberative engagement	<b>Customer Behavioural Segmentation: research report, Alto Consulting.</b> Follow-up qualitative interviews to explore segmentation characteristics in more detail.	Apr 2017	24 HH
	<b>Customer World Focus Groups, Given London</b> Focus groups to develop our understanding the world from a customer perspective.	Mar 2017	45 HH
	<b>Anglian Water Co-creation events, Given London</b> Focus groups to test how we should best engage customers in discussion around long-term challenges.	May 2017	70 HH
	<b>Review of our crisis management response, Given London</b> Focus groups to discuss our crisis management response with customers recently affected by a supply interruption.	May 2017	16 HH
	<b>Vulnerable Customers: Qualitative Research for Anglian Water, Accent.</b> Depth interviews that explore the concept of 'vulnerability', including how it should be defined and barriers to accessing support.	May 2017	20 HH
	<b>Anglian Water: Customers in Vulnerable Circumstance, Research Report, Community Research</b> A second study on vulnerability designed to inform a definition of vulnerability that could underpin Anglian Water's services and communications.	May 2017	20 HH
	<b>Love Every Drop Online Community Trial, Incling</b> Trial our on-line community, and discuss our long-term challenges and customer outcomes.	Jun 2017	300 HH
	<b>Drought Resilience: Exploring customer acceptance and buy-in, Incling</b> Deliberative research via our online community focused on drought resilience, severe restrictions and water resource options.	Aug 2017	70 HH
	<b>Alternative Water - customer engagement, Incling</b> Deliberative research via our online community focused on 'green water'.	Nov 2017	80 HH
	<b>Water Resources Focus Groups: Reviewing Survey Findings and Reliability, ICS and EFTEC</b> Focus groups to explore results from stated preference surveys in more detail.	Sep & Oct 2017	32 HH
	<b>Vulnerability: Qual insight from the Love Every Drop customer community, Incling</b> Deliberative research via our online community focused on vulnerability.	Dec 2017	50 HH
	<b>Financial Fairness, Incling</b> Deliberative research via our online community focused on Anglian Water's actions to keep bills low and ensuring fairness between current and future generations.	Feb 2018	80 HH
	<b>Smart Water Meters, Incling</b> Deliberative research via our online community focused on smart meters.	Dec 2018	10 HH
	<b>Water Resource Management, Incling</b> Deliberative research via our online community to test the acceptability of the dWRMP and explore consultation questions, including: should reducing demand be a priority, the extent to which customers are willing to change their behaviours, compulsory metering, approach to climate change and future proofing.	Mar 2018	80 HH
<b>PR19 Consultation Feedback, Incling</b> Deliberative research via our online community to test the acceptability of Anglian Water's draft PR19 plan.	May 2018	500 HH	

Type of research	Research	Date	Customers involved
Self-selecting research and engagement activities	<b>H2OMG: A report on our first water festival, Anglian Water</b> A week long water festival designed to grab attention and engage a large number of customers in debates about water supply resilience.	Aug 2017	33,000 HH
	<b>The touring Anglian Water Bus, Anglian Water</b> The bus visited 18 locations across the region between April and June 2017.	Summer 2017	5,100 HH
	<b>Results from Facebook and Twitter poll on 'green water', Anglian Water</b> Customers asked about green water on Facebook and Twitter.	Nov 2017	916 total
	<b>Feedback from water retailers: notes from meetings between Anglian Water and retail customers</b> A series of meetings held with five retail customers to discuss the draft PR19 plan and dWRMP.	Apr & May 2018	5 NHH

In the consultation on our dWRMP, Ofwat raised a concern that we had not enabled informed engagement on drought resilience because we had not provided customers with key information, such as bill impacts, alternative levels of service, and our comparative performance.

As already noted, early on we identified water supply resilience as a key issue. In particular, our Draft Problem Characterisation (June 2016) highlighted that decisions about appropriate Levels of Service would involve making complex trade-offs and non-monetised 'best value' considerations. We did not have any concerns over our Levels of Service for Temporary Use Bans (hosepipe bans) and Non-Essential Use Bans, as customer engagement research conducted for PR14 showed that these restrictions were not a concern or a priority area for investment. However, the same research showed that severe restrictions, such as rota-cuts and standpipes, would be an unacceptable service failure and that customers do not expect to experience them in their lifetimes.

As a result, we placed a large emphasis upon exploring the acceptability of severe restrictions with our customers. We have worked hard to ensure that engagement is as meaningful as possible, and that we have provided the sufficient information to enable informed engagement.

We discussed the potential bill impacts with customers at various points of the consultation:

- After completing the Second Stage Stated Preference Study that focussed on drought resilience and water resource options, we conducted four follow-up focus groups to explore the results in more detail. We told customers that the investment required to ensure resilience to

severe drought could cost £2 p.a. (at this stage the exact cost hadn't been confirmed). The customers in the focus groups were prepared to pay this (although note this is not robust pricing research).

- As part of the deliberative research with our online community that focussed on drought resilience and water resource options (Drought resilience: exploring customer acceptance and buy-in, Aug 2017), we informed customers that we were considering investing to increase our resilience to drought, and that this would require additional water resource options (demand and supply). We provided information about different types of water resources options (demand and supply) and discussed what options customers preferred, or if they thought we should accept the risk. We also asked customers what would be a reasonable bill increase. The most common suggestion was a 10% price rise (but other suggestions ranged from £5 - £20 per month) (although note this is not robust pricing research).<sup>2</sup>
- Following the submission of our dWRMP, we undertook further deliberative research with customers to discuss the acceptability of our Preferred Plan. We presented customers with three alternative options:
  - Investing in drought resilience (but not climate change), which would add £2.20 p.a. to the average bill by 2025;
  - Investing in drought resilience and climate change, which would add a total of £8.30 p.a. to the average bill by 2025; and
  - Future proofing our network by building additional capacity now, which would add a total of £10.00 p.a. to the average bill by 2025.

<sup>2</sup> Inklings Page 24

The majority of customers supported the future proofing option (71%) as it carries the least risk and was felt to be the most proactive (although note that this is not robust pricing research).

In the Second Stage Stated Preference Study that focussed on drought resilience and water resource options we presented customers with three alternative levels of service for severe restrictions:

- Once every 100 years;
- Once every 200 years;
- Once every 500 years; and
- Never (for practical purposes we assumed once every 1,000 years).

Similarly, in the PR19 Main Stage Stated Preference Survey we presented customers with alternative levels of service for severe restrictions: Once every 200 years and Never (for practical purposes we assumed once every 1,000 years).

There is limited comparative information available on the level of service for severe restrictions. The majority of companies plan to ensure resilience against the historic record and this varies between regions, except for Yorkshire Water and Southern Water who provide a 1 in 500 year Level of Service. This was discussed with customers at the follow-up focus groups to the stated preference study. The PR19 Main Stage Stated Preference Survey included the following by way of comparative information: 'The risk of drought varies between different regions. The Anglian Water region is comparatively dry with a higher risk of drought than other areas in the country.'

## 2.3 The development of revised dWRMP

In the development of revised dWRMP we have carefully reviewed the results of the customer engagement programme to inform our decision making. In Section 3.1.2 of the revised dWRMP we set out the conclusions we have drawn from the customer engagement results.

This document is designed to evidence those conclusions by showing the specific results that underpin them, thus providing assurance that customer views have been taken into account in the planning process.

Wherever possible we have drawn on the Customer Research and Engagement Synthesis report v13, dated July 2018. Note that there are subsequent versions of the synthesis report, as we will continue to update it to reflect on-going engagement activities. Where additional detail was required we have drawn directly on the reports from individual research initiatives.

## 2.4 Detailed customer engagement results

For the detailed customer engagement results refer to Appendix 1

## 3. REGIONAL AND NATIONAL STAKEHOLDER COLLABORATION

The challenges we face from drought, climate change, growth and meeting the needs of the environment are common to our neighbouring water companies, as well as to the other abstractors and users of water. To ensure that we all have access to reliable, sustainable and affordable supplies in the future, we led and will continue to support a number of collaborative water resource planning efforts. These included:

- The Water UK Long Term Planning Framework
- The Water Resource East (WRE) project, and,
- The Trent and Ouse Working Groups.

### 3.1 The Water Resources Long-Term Planning Framework

We led the work to create the national Water Resources Long-Term Planning Framework (WRLTPF), which was published by Water UK in September 2016. It is the most technically comprehensive study of national water resource availability and pressures ever completed in England and Wales.

The technical work was scoped by Anglian Water and the analysis was steered by water industry technical experts, conducted by independent consultants and peer reviewed by a panel of leading experts.

The study was undertaken in response to a Government challenge to the water industry, to understand more fully the risk of drought and what sort of solutions are required to reduce that risk. It looked across England and Wales, and considered current drought risk and how it is affected by the combined impacts of climate change, population growth and the need to reduce abstractions to protect the environment over a 50 year period. The key conclusions of this study include:

- There is a significant and growing risk of severe drought impacts, which is exacerbated by climate

change, population growth and the need to reduce abstraction to protect the environment.

- The investment needed to increase resilience is relatively modest compared with the cost of drought.
- A 'twin track' approach that includes supply enhancement, with associated transfers, as well as demand management, is the most appropriate strategic mix for the future. This includes consideration of:
  - New and emerging technologies such as smart meters, and
  - A strategic transfer from the River Trent to support storage in the Anglian region (plus onward transfer to Affinity)<sup>121</sup>.



### 3.2 Water Resources East

We recognise that the water industry cannot address the long-term challenges we face from drought, climate change, growth and environmental protection on our own. These challenges are common to all abstractors and users of water in the region. Unless they are addressed collaboratively, we cannot hope to find the most efficient, robust, and cost effectively solution that works for everyone, including the environment.

As a result, we established Water Resources East, a leading example of collaborative, multi- sector planning to address the long-term challenges and uncertainties in the East of England. Water Resources East is independently chaired, and brings together water companies, farmers, energy companies, the drainage boards, conservationists and regulators to develop a long-term, joined-up plan for water stewardship.

Using the first application of shared vision planning and robust decision making in the UK, Water Resources East is creating a more integrated approach to long-term water resource management and planning. The project has developed an overarching strategy and supporting action plan that is resilient to the challenges faced by the region, and provides a framework for individual companies' WRMPs.

<sup>121</sup> Water UK, 2016, 'Water Resources Long-Term Planning Framework 2015-2065' Summary Report



### 3.3 The Trent and Ouse Working Groups

#### The Trent Working Group

The opportunities for new consumptive abstractions in the Anglian region are limited to winter storage, which captures surplus river flows. The River Trent, however, has the potential to provide significant raw water resource to feed a number of new water resource and storage options. As such, it is a key strategic resource and it is possible that several water companies may develop options that rely on water from the Trent. However, there are many complex issues associated with the development of Trent resource, including the availability of water and the environmental and drinking water quality implications of regional transfers, and the need to protect existing abstractions, including by the power sector.

Given the above, it was important that water companies and others developed a shared understanding of these issues and a coordinated approach to the development of WRMP 2019. Consequently, we established and chaired the Trent Working Group to ensure that options for WRMP 2019 are mutually inclusive and take into account the interests of all stakeholders. The specific objectives of the WG as set out in the Terms of Reference were to develop a shared understanding of:

- The current and future availability of water resources in the River Trent
- The options available for resource development, including:
  - Storage (such as the South Lincolnshire Reservoir)
  - Transfers (such as a Trent to Ruthamford transfer and canal transfers from Birmingham to Ruthamford)
- Any related environmental issues (such as WFD no-deterioration and invasive non-native species), and
- The options available for future raw or treated water transfers and trades between sectors.

The group included representatives from Anglian Water, Severn Trent Water, South Staffordshire Water, Affinity Water, Yorkshire Water, the Environment Agency, Natural England, Energy UK and the Canal and Rivers Trust.

A draft final report was issued to the Group on 10th Nov 2017. This will be updated in due course to reflect any Trent water resources options that emerge through company specific water resource plans.

#### The Ouse Working Group

Options to use water resources in the lower Ouse system emerged during discussions between the water companies operating in the Anglian region. The Ouse Working Group was established to drive a fully coordinated and collaborative approach between all key stakeholders. The overall purpose of the Group was to develop a shared understanding of:

- Current and future resource availability in the lower Ouse systems, including the Ely Ouse Essex Transfer and Great Ouse Groundwater Development systems
- The options available for resource development in the lower Ouse systems including:
  - Storage in the lower Ouse area (for example, Fenland Reservoir), and
  - Transfers utilising the Ely Ouse and Essex Transfer Scheme.
- Outputs from the Group have been included in feasible option sets for both the Water Resources East and company dWRMPs.

### 3.4 Formal WRMP 2019 consultation

#### Pre-consultation

Through the formal pre-consultation process, we engaged with regulators, other water companies and retailers, local authorities, environmental and conservation groups and catchment partnerships. Our pre-consultation letter was sent to over 150 key stakeholders outlining the issues we are facing, and how to get involved in the consultation of our dWRMP.

We have regularly met with the Environment Agency to discuss technical methods covering a wide range of WRMP topics (table 2).

We also engaged with Ofwat during the pre-consultation period (table 3).

We also engaged with Natural England via the SEA and HRA consultation process, and held a pre-consultation meeting with them on 6th June 2017.

**Table 3.1: Methods discussion meetings between Anglian Water and the Environment Agency**

Meeting date	Research
05.05.2016	Introductions, Methods discussion process, Project plan, Schedule of meetings
08.06.2016	Draft Problem Characterisation, Development of feasible supply-side options
05.07.2016	Alignment between WRMP and Water Resources East strategy
20.09.2016	Deployable output assessment, Process for including NEP mitigation options in options appraisal, Severe drought impact assessment, Table 10
08.11.2016	Technical approach, Future schedule of meetings
05.01.2017	Process for developing the constrained options list (supply-side), Constrained options list (supply-side)
10.01.2017	Aquator model build and Water Resource Zone Integrity Assessment
17.01.2017	Climate change impact assessment, Severe drought selection, Severe drought impact assessment
24.01.2017	Constrained options list (supply-side)
27.01.2017	Constrained options list (supply-side)
02.02.2017	Problem characterisation and decision making framework, Customer engagement strategy, Valuation strategy
08.02.2017	Demand forecast
24.02.2017	Approach to 'WFD no deterioration', Incorporating WFD into the DO assessment
30.03.2017	Overview of WRMP DO assessment methodology for the supply forecast, Early DO outputs from Aquator
06.06.2017	SEA scoping report, Technical approach (including how the SEA fits in)
07.09.2017	Drought permits, EBSD modelling approach



**Table 3.2: Pre-consultation meetings with Ofwat**

Meeting date	Research
14.12.2016	WRMP masterclass
07.08.2017	Formal WRMP preconsultation meeting
21.09.2017	Follow-up call
02.11.2017	Follow-up call

## Consultation on dWRMP 2019

We published our dWRMP in January 2018. Our dWRMP was subject to the full 12-week consultation process, allowing interested stakeholders and customers to review and comment upon our proposals.

We posed six questions during the consultation, focusing on the key long-term planning challenges we face. A summary of the basis for each question and the questions themselves are given in the box below:

### Consultation on our dWRMP

#### 1. Do you agree with our approach of planning to meet local authority growth targets, or should we switch to an approach of using trend-based projections using past delivery rates?

Growth is a key challenge our WRMP sets out to meet. We have used the latest local authority growth targets to develop our strategy, ensuring there will be enough water to meet these targets. We have taken this approach because housing growth is regularly cited as a top priority for national and local Government. Of course, targets do not always turn into achieved growth and currently, in some areas, local growth targets are not quite being met.

#### 2. Are we right to prioritise demand management?

We have developed an ambitious, cost-beneficial demand management strategy that will more than offset the effects of growth. Using new technology and innovation, our strategy will unlock estimated demand savings of up to 43 MI/d by the end of AMP7 (2020-25), and 123 MI/d by the end of the planning period (2045). The success of our strategy depends on action by us and by our customers. Given the innovative nature of our approach, the savings that our strategy will deliver are uncertain.

#### 3. Should we consider compulsory metering in AMP7?

The results from multiple sources show that generally, customers are much more supportive of compulsory metering than has been the case previously. However, customers who pay measured charges tend to support compulsory metering, whereas those who pay unmeasured charges do not. We believe the higher levels of support for compulsory metering reflect the larger proportion of customers paying measured charges compared to previously, and we have not included compulsory metering in our dWRMP 2019.

#### 4. We have used the scheme selection in the Adaptive Planning Scenario to identify opportunities to 'future proof' our Plan against potential AMP8 sustainability reductions, by increasing option capacity. Should the investment programme that we deliver include this additional investment?

We have used the scheme selection in the Adaptive Planning Scenario to identify opportunities to 'future proof' our Plan against potential AMP8 sustainability reductions, by increasing option capacity. It would cost an additional £88 million to 'future proof' our Plan, which equates to an additional bill impact of around £1.70 per annum on average customer bills by 2025.

#### 5. Our Plan is designed to increase our resilience to drought, so that no customers are exposed to a risk of rota-cuts and standpipes in a severe drought event. Is this an acceptable strategy?

Our Plan is designed to increase our resilience to drought, so that no customers are exposed to a risk of rota-cuts and standpipes in a severe drought event. The investment required to increase resilience to drought is relatively modest, and equates to approximately £2.20 per annum on the average household bill by 2025 (assuming the other factors that influence bills remain unchanged).

#### 6. Should we delay investment in climate change?

Climate change is one of the key strategic risks our business faces. As a result, we have decided to adopt the Environment Agency's 2017 method for calculating the impact of climate change. Using this method shows that there would be a sizeable impact of climate change on the deployable output (DO) in 2024-25. One option is to defer this impact and the associated investment needed until 2029-30. Doing so would remove circa £300 million from the AMP7 investment programme, which equates to a bill increase of around £6.10 p.a. on average customer bills by 2025 (assuming the other factors that influence bills remain unchanged).

We also consulted extensively with our customers on the acceptability of our dWRMP using a range of methods. These activities were linked directly to our wider PR19 customer engagement programme.

**Table 3.3: Summary of customer engagement**

Method	Summary
Focus groups	Seven focus groups held across the region including Hartlepool, with attendees drawn from diverse groups including vulnerable customers.
Online community	<p><b>dWRMP</b> Deliberative research via our online community to test the acceptability of the dWRMP and explore consultation questions, including: should reducing demand be a priority, the extent to which customers are willing to change their behaviours, compulsory metering, approach to climate change and future proofing.</p>
	<p><b>PR19 (draft plan)</b> A community of 500 customers was taken through a six-week programme of activities. Consultation topics were reviewed in detail, to produce a mixture of qualitative research results and votes on key questions.</p>
Acceptability research	Quantitative survey of 1,600 households including Hartlepool and 500 non-household customers, with robust representative sample quotas, looking in detail at the consultation topics.
H <sub>2</sub> OMG	In August 2017 we held a week-long water festival in Norwich called H2OMG, where 33,000 visitors were able to interact with fairground themed attractions, all based on the water resource challenges we face, to elicit customers preferences in how we should tackle them.
H <sub>2</sub> O Let's Go	Tour with electric vehicle around our region to 14 sites. The main method of engagement was our 'Be the Boss' <sup>5</sup> tool. 'Be the Boss' was also promoted through My Account home page, and directly to 330,000 customers via email.
Stakeholders	Stakeholder summary prepared and sent to 378 VIP stakeholders.
Retailers	As part of regular meetings with retailers, we asked a series of questions about the outline plan. Five retailers' meetings took place during the consultation window.
Customer Board	Meeting held in April 2018, where responses to the Customer Board's top 10 questions on the plan were presented.

<sup>5</sup> 'Be the Boss' was designed as an interactive, fun, digital engagement channel to consult with customers on the key questions in our outline plan.

## Consultation question responses

The consultation question responses showed strong overall support for our dWRMP approach, particularly our use of local authority growth targets, prioritisation of demand management and our proposed investments in adaptive planning and drought resilience.

The table below summarises the consultation responses by question.

**Table 3.4: Summary of consultation question responses**

Question	Summary
1	All respondents agreed that local authority growth targets were the most appropriate data source for our demand forecasts. Some respondents added it would be beneficial to work with local authorities and to monitor housing delivery throughout the five year planning cycle.
2	All respondents but one <sup>6</sup> agreed that we should prioritise demand management strategies. Some respondents emphasised the importance of continuing to develop supply-side options to mitigate forecasted deficits, particularly in the longer term.
3	Respondents had a range of views on compulsory metering. Local authority responses generally either agreed that water meters should remain voluntary, emphasised the need for more evidence of the benefits of compulsory metering, or declined to comment. Other stakeholders, including the water retail companies and the NFU, supported the introduction of compulsory metering.
4	All respondents supported investment in our Adaptive Plan to 'future proof' our strategy against identified uncertainties. Some respondents added that it would be beneficial to review the need for adaptive planning investments on an on-going basis.
5	All consultation responses agreed with our proposed strategy to increase resilience to drought.
6	Most respondents believe that investment in climate change should not be delayed. Their responses highlighted that postponing investment may increase the risk of prohibitive restrictions (e.g. rota cuts and standpipes). The need to spread long-term investments over time to avoid spikes in bills was also highlighted.  Some respondents commented that there were also merits for delaying investment, as it would allow more time for evidence to be collected, potentially leading to a more effective longer-term plan.

## Wider feedback on our dWRMP

More detailed feedback on our dWRMP from the Environment Agency and Ofwat showed support for our ambition to improve resilience to drought and do the right thing for our customers and the environment in the long-term. Both welcomed our demand management proposals to reduce leakage and per capita consumption. Our engagement work with our regional partners via WRE was praised and encouraged to continue.

Our regulators also identified areas where further development and explanation was required. Our supply forecast, including the timing of climate change impacts and sustainability reductions, coupled with the selection of an updated, single Preferred Plan were identified as the most significant development areas. See table overleaf for further detail.

<sup>6</sup> Huntingdonshire District Council commented that supply and demand options should be given equal priority.

**Table 3.5: Main areas of development identified from our dWRMP consultation**

Supply Forecast	Preferred Plan
<ul style="list-style-type: none"> <li>• Clarity on risks to security of supply, including delay of showing the impacts of climate change and incorporation of changes to time-limited licences that are due to be reappraised in 2022.</li> <li>• Clarification of hydrological yield and deployable output from Hall WTW.</li> <li>• Clarification of bulk transfers required by neighbouring companies and their impacts on our plan.</li> <li>• Further detail on sustainability reduction risks faced by neighbouring companies and their impact.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved justification of investment decisions to provide customers with confidence that they have a secure supply of water at all times and that the environment is protected.</li> <li>• Improved justification of our chosen investment plan (demand and supply), to demonstrate our solutions are appropriate, have considered key uncertainties and are deliverable within proposed timelines (including customer support).</li> <li>• Set out our approach to manage uncertainty and deliverability risk associated with our proposed 2020-25 investment programme.</li> <li>• Further detail on our plans to develop shared resources that may benefit other water companies and non-water companies.</li> </ul>

# APPENDIX 1: DETAILED CUSTOMER ENGAGEMENT RESULTS

## About Resilience

### Report conclusion 1.1:

Our customers told us that ensuring that supply meets demand is one of our most important 'core' services. We should be planning for the long-term and taking preventative action to build resilience to future challenges.

### Underpinning evidence:

- 'Across multiple qualitative research and engagement activities, customers and stakeholders express general support for preventative action and long-term planning to build resilience.'<sup>3</sup> (Evidence from pre autumn 2016 research).
- The Acceptability research on the Strategic Direction Statement found: 'Of Anglian Water's six major challenges, planning for the future was ranked 2nd in order of importance (seen as important by 86% of customers). In the same research, customers were introduced to Anglian Water's 10 outcomes. Supply meets demand was ranked as the second most important outcome after safe clean water.'<sup>4</sup>
- In the online community trial: 'When asked to rank Anglian Water's four ambitions in the main trial, "making the East of England resilient from drought and flooding" was voted top priority by two thirds of customers. These issues were seen as likely to affect everyone in the region on a personal level. Tackling resilience was regarded as Anglian Water's core remit.'<sup>5</sup>
- 'When (five of) Anglian Water's retail customers were asked to prioritise between the company's four long-term ambitions, some assigned equal priority to several of the ambitions. However overall, "make the East of England resilient to the risk of drought and flooding" was ranked first.'<sup>6</sup>
- 'The online community activities specifically focused on drought resilience revealed that not all customers realised Anglian Water plans 25 years or more ahead to tackle resilience threats and balance supply and demand. Knowing this increased perceptions of it as a proactive and forward-thinking company. However it also meant that customers placed more trust in and responsibility on the company to maintain the water supply in the event of a drought, as they had now been forewarned.'<sup>7</sup>

### Report conclusion 1.2:

Many customers were surprised to learn about current drought risk and were not previously aware of the severe restrictions that could be implemented during a drought.

### Underpinning evidence:

- 'Some customers at the co-creation events were surprised to find out that water is not an infinite resource; they believed that the water cycle means water cannot run out. ... Many customers at the focus groups also had little understanding that their own water supply was at risk. For these customers, water scarcity was a problem associated with other countries, rather than the UK. The online community research that specifically focused on drought resilience confirmed that droughts were associated with "dry countries", and that most customers had not previously considered how likely they were to experience a drought.'<sup>8</sup>
- In the PR19 stated preference survey, the percentage of household customers who had previously heard of rota-cuts and standpipes was 21% and 45% respectively.<sup>9</sup> The percentage of non-household customers who had previously heard of rota-cuts and standpipes was 42% and 53% respectively.<sup>10</sup>

<sup>3</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 132

<sup>4</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v1-12, Page 161

<sup>5</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 132

<sup>6</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 133

<sup>7</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 134

<sup>8</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 132

<sup>9</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Page 44

<sup>10</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Page 53



- ‘At the “testing the water” stall at the H2OMG event, customers were told that in a really severe drought there would be no water from the tap and they would have to collect all their water from a central point. Customers were asked if they had heard of this. Of the 1678 customers who completed a survey, 49% said no, 40% said yes, and 11% said they were not sure.’<sup>11</sup>

### Report conclusion 1.3:

They [customers] were particularly concerned about standpipes, which they view as a gross failure and completely unacceptable in a modern country like Britain.

### Underpinning evidence:

- ‘Research suggests that severe water restrictions (such as rota cuts and standpipes) are one of the most unwanted of all service failures. The Stated Preference study indicates that customers are willing to pay to avoid these failures and don’t expect to experience them in their lifetime. The results show that a rota cut every 100 years (with expected duration of two to eight weeks) has the same impact as a hosepipe ban once every 10 years (with expected duration of four to six months). This shows that acceptability of rota cuts and standpipes is extremely low.’<sup>12</sup> (Evidence from pre autumn 2016 research)
- The online community activities specifically focused on drought resilience found that: ‘Customers were much more concerned about “severe” measures that could drastically affect their quality of life (and potentially customer safety).’<sup>13</sup>
- ‘... having no tap water felt too extreme, and was rejected by most customers and viewed as a failure of government and water companies. Customers were particularly concerned about the potential impact of not having tap water on health, and the way in which street level supply would be managed to avoid chaos and crime.’<sup>14</sup>
- ‘Non-households have strong preferences for both improving and avoiding deterioration in the

current level of service of risk of both rota cuts and no tap water [standpipes].’<sup>15</sup>

- ‘Households have strong preferences for both improving and avoiding deterioration in the current level of service of risk of no tap water [standpipes].’<sup>16</sup>
- In the PR19 Stated Preference Survey, the percentage of household customers who said that rota-cuts and standpipes would affect them (‘Quite a lot’, ‘A lot’ or ‘Severely’) were 72% and 86% respectively.<sup>17</sup> The percentage of non-household customers who said that rota-cuts and standpipes would affect them (‘Quite a lot’, ‘A lot’ or ‘Severely’) were 71% and 81% respectively.<sup>18</sup>
- The follow-up focus groups to the Water Resources Stated Preference Survey focus groups found that: ‘There was incredulity from many in the groups that this restriction [standpipes] could ever occur. Questions were asked about investment and management of the infrastructure, and whether Anglian Water was doing enough on leakage to get into this situation. ... Customers said that such a restriction could just about be tolerated for ‘a few days’ but there were concerns about this leading to civil disobedience and riots. ... Respondents recognised that this type of restriction would severely impact daily routines with people not being able to work and children not going to school. Anything over a week would be a problem. ... In the most extreme situations, and while the restriction was in place, people would try to relocate to unaffected areas where they had family or friends. ... As with rota cuts there were the same concerns about hospitals, the elderly and those medically dependent on water. There was even more concern about the elderly because they could not be expected to queue up in the street to collect bottles of water.’<sup>19</sup>
- In the Water Resources Stated Preference survey, while 79% of household customers and of 68% non-household customers felt that a 2-3 day duration of standpipes would be acceptable, only 2% and 5% felt that a 2 month duration would be acceptable.<sup>20</sup>

<sup>11</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 144

<sup>12</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 142

<sup>13</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 143

<sup>14</sup> Sophie Ahmad, Aug 2017, Customer Research and Engagement Synthesis report v1-12, Page 92

<sup>15</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Page v

<sup>16</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Page v

<sup>17</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Page 44

<sup>18</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Page 54

<sup>19</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Annex 9, Page 486

<sup>20</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Final Version, Pages 50 & 59

- ‘The main choice task in the Water Resources restrictions survey quantified how improved and deteriorated levels of service for each type of restriction impact on customers (relative to a base situation, and expressed as odds ratios). The research confirmed that household customers have strong preferences for avoiding deterioration and for improvements in relation to no tap water. ... There were no statistically significant differences between preferences for restrictions among household customers by socio-economic grade. A similar picture emerges when the data is segmented by Anglian Water customer segment.’<sup>21</sup>

#### Report conclusion 1.4:

Generally they [customers] felt that rota-cuts should also be avoided, but they were less concerned about them [compared to standpipes] because they anticipate being able to stockpile water when supplies are available. However, there is evidence to suggest that customers underestimate the impacts of rota-cuts. Firstly, many customers assume they would be able to stockpile water when the restriction was lifted. In the event of a rota-cut, we would prohibit stockpiling of water for all but essential needs. However, in practice there would be little that we could do to prevent it, and this would undermine the effectiveness of the restriction.

Secondly, some customers may assume that they would be able to continue with their normal daily routines and schools and businesses would remain open. In the event of a severe drought we would of course do everything possible to minimise disruption. If rota-cuts were implemented it is, however, extremely unlikely that schools could remain open and many businesses would have to close. When this was explained to customers in the deliberative research there was much concern expressed about the impact on families.

#### Underpinning evidence:

- ‘The [post survey] focus groups showed that customers have very clear views on how they feel about hosepipe bans, non-essential use bans and no tap water. Rota cuts was found to be more difficult for customers to say how they feel as it depends on how far reaching the restrictions are, and how the restrictions are administered in practice. ... Ultimately the acceptability and willingness to pay to avoid these depends on

how much of the basic day to day activities they can continue to do – both in terms of using water for washing, toilet flushing, etc., and the wider impact on their life (work, school) and community as a whole. Water off for an extended time each day which has a limited impact on daily life was found to be annoying and inconvenient but overall manageable. But once the rota cut affects more daily activities these are more akin to the no tap water situation, and should be treated as such in planning for the future.’<sup>22</sup>

- In the PR19 stated preference survey, while 53% of household customers and of 48% non-household customers felt that a 2-3 day duration of rota-cuts would be acceptable, only 4% and 7% felt that a 2 month duration would be acceptable.<sup>23</sup>
- ‘Before completing the main choice task in the Water Resources restrictions survey, customers were also asked for their views on how acceptable it would be to experience each type of restriction (in terms of expected frequency). ... Results for rota cuts show that a significant minority might find more frequent events acceptable (44%), but another group feel these should never happen (25%). These results are inverted for no tap water. On average, however, results suggest that acceptable levels for rota cuts and no tap water are above current levels of service.’<sup>24</sup>
- ‘Households hold preferences for improving or avoiding deterioration in the current levels of service for ... rota cuts but these are weak in comparison to standpipes.’<sup>25</sup>
- ‘Non-households have strong preferences for both improving and avoiding deterioration in the current level of service of risk of both rota cuts and no tap water [standpipes].’<sup>26</sup>
- ‘Customers ... felt that rota cuts were severe enough to be avoided. Their primary concern was about sanitation (being able to flush the toilet). They were also concerned about the impact of rota times on particular customer groups (such as those working night shifts, and on the elderly and vulnerable, and on families). However, they were reassured that emergency services will still operate, and felt that with sufficient planning and communication the experience may be bearable for a short time.’<sup>27</sup>

<sup>21</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 148

<sup>22</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Page 72

<sup>23</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Version, Pages 50 & 59

<sup>24</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 147

<sup>25</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Pg v

<sup>26</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Pg v

<sup>27</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 142

- ‘Concerns and questions arise across all customer groups. How will the vulnerable and elderly be cared for? Who will pay for childcare while children are off school? How will families stay clean? What about shift workers who miss their slot?’<sup>28</sup>
- ‘People spontaneously mentioned that they would stockpile water during rota cuts, even though they would be asked not to do so. They stated it would not stop them from saving some water as it was “just human nature” to prepare in this way.’<sup>29</sup>
- When asked about the potential impacts of rota-cuts on his business, one industrial landlord stated: ‘Having done it once before [experienced restrictions living in Hong Kong in the 1960s] we would get many containers around fill them up when the restriction was lifted and I think we could probably manage the toilets because the men would often use the bushes, the ladies there are only two or three up there anyway so I imagine if I had a few buckets next to the toilets that would be sufficient.’<sup>30</sup>
- visiting parks and pools) might be impacted, and in relation to farming and food production.’<sup>32</sup>
- ‘The online community activities specifically focused on drought resilience found that measures such as hosepipe bans and non-essential use bans don’t feel overly detrimental to customers, although customers had some concerns about the potential impact of non-essential bans on local businesses and employment.’<sup>33</sup>
- On average, for both household and non-household customers: ‘The acceptable frequency of restrictions is in line with the current level of service for hosepipe bans and non-essential use bans.’<sup>34</sup>
- In the PR19 stated preference survey, the percentage of household customers who said that hosepipe bans and non-essential use bans would affect them ‘Not at all’ or ‘Not much’ were 73% and 73% respectively.<sup>35</sup> The percentage of non-household customers who said that hosepipe bans and non-essential use bans would affect them ‘Not at all’ or ‘Not much’ were 62% and 58% respectively.<sup>36</sup>

#### Report conclusion 1.5:

They [customers] are, however, satisfied with the current Level of Service for hosepipe bans and non-essential use bans and don’t see these restrictions as a priority area for investment.

#### Underpinning evidence:

- ‘Before completing the main choice task in the Water Resources restrictions survey, customers were also asked for their views on how acceptable it would be to experience each type of restriction (in terms of expected frequency). While some household customers thought it was acceptable for hosepipe bans and non-essential use bans to occur more frequently, the average response was in line with current service levels.’<sup>31</sup>
- In the follow-up focus groups to the stated preference study: ‘household customers expressed little concern about the impact of hosepipe bans on their day to day life. There was more concern about non-essential use bans, especially among younger people whose leisure activities (e.g.

#### Report conclusion 1.6:

Once customers understood that we have a long-term plan to balance supply and demand, they placed more responsibility on us to maintain supplies during a drought. They did not feel we should ignore a known risk, especially when we have a range of solutions to mitigate it.

#### Underpinning evidence:

- ‘The online community activities specifically focused on drought resilience revealed that not all customers realised Anglian Water plans 25 years or more ahead to tackle resilience threats and balance supply and demand. Knowing this increased perceptions of it as a proactive and forward-thinking company. However it also meant that customers placed more trust in and responsibility on the company to maintain the water supply in the event of a drought, as they had now been forewarned.’<sup>37</sup>

<sup>28</sup> Incling, August 2017, ‘Drought resilience: Exploring customer acceptance and buy-in’, Page 19

<sup>29</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Annex 9, Page 186

<sup>30</sup> Nera, 2017, Macroeconomic Analysis of Drought Impacts, Page 27

<sup>31</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 147

<sup>32</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 147

<sup>33</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 143

<sup>34</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Pg v

<sup>35</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Page 44

<sup>36</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Page 54

<sup>37</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 134

**Report conclusion 1.7:**

However, customers will not support bill increases to reduce drought risk unless they can see that we are fulfilling our responsibilities. This includes doing everything we can to save water, giving customers the tools to save water (and therefore money) and investing in additional supply where required.

**Underpinning evidence:**

- ‘Many customers who took part in qualitative research and consultation appear prepared to pay a little more to tackle future challenges. However this was usually dependent on monies going to support improvement (not profit) and Anglian Water ‘doing their bit’ to tackle leaks and safeguard the service for the future.’<sup>38</sup> (Evidence from pre autumn 2016 research)
- ‘In principle, customers are willing to pay more themselves to help fund resilience measures, however this is contingent on Anglian Water “doing its bit” to address the issues too.’<sup>39</sup>
- ‘Accepting a rise in cost is dependent on seeing change come from AW as well. AW has to guarantee that extreme measures won’t need to happen. AW has to give them the tools to help save water, and therefore money. AW has done all they can to reduce wasted water. AW has invested in greater water supply options.’<sup>40</sup>
- ‘The online community activities specifically focused on drought found that customers view the solution to drought as a shared responsibility between customers (who need to change their behaviour) and Anglian Water (which needs to invest in infrastructure, fix leaks and support behaviour change, for example by introducing compulsory metering). Customers spontaneously suggested ways to avoid drastic measures, for example by implementing hosepipe bans sooner and more frequently at the first signs of a drought. However, customers felt it was important for businesses to be asked to change their behaviour too, as it was perceived that action by householders alone was unlikely to be effective.’<sup>41</sup>

**About Water Resource Options****Report conclusion 2.1**

Customers do not want a deterioration in service and all water resource options (including both demand management and supply-side) were preferable to an increase in restrictions. The one exception being sea tankering, which customers did not perceive to be a credible option.

**Underpinning evidence:**

- ‘All options are preferred to “have more restrictions”, as customers do not want a deterioration in service.’<sup>42</sup>
- ‘It should be stressed that Import Water [sea tankering] was removed from the survey as this was found by customers in the testing process to be non-credible and was undermining the credibility of the survey. This option was disliked by customers as wasteful and would likely have a negative value; but as it was removed from the study this was not quantified.’<sup>43</sup>

**Report conclusion 2.2**

Generally, customers prefer options that make best use of existing resource and infrastructure, as opposed to options that involve developing new resources.

**Underpinning evidence:**

- ‘Respondents also expressed views that as well as reliability, the use of existing infrastructure, as well as existing resources, could also shape and drive the options ranking.’<sup>44</sup>
- ‘Customers generally prioritise demand options over new water resource options, preferring interventions that avoid perceived wastage (leakage reduction and recycle/reuse sewage), promote efficiency (provide water saving devices) and make use of existing resources (store water underground/aquifer storage and recovery and extend existing reservoirs).’<sup>45</sup>

<sup>38</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 154

<sup>39</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 155

<sup>40</sup> Incling, August 2017, ‘Drought resilience: Exploring customer acceptance and buy-in’, Page 24

<sup>41</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 143

<sup>42</sup> ICS and Eftec, 2017, *Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report*, Page viii

<sup>43</sup> ICS and Eftec, 2017, *Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report*, Page 90

<sup>44</sup> ICS and Eftec, 2017, *Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Annex 9 Page 475*

<sup>45</sup> ICS and Eftec, 2017, *Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report*, Page viii



### Report conclusion 2.3

The above explains a clear preference for demand management, particularly leakage reduction. Even when customers understood that our leakage performance is industry leading, and that reducing leakage does not reduce bills, it remains an emblematic issue and a priority for investment.

#### Underpinning evidence:

- ‘Across evidence sources (both qualitative and quantitative) there is a strong message from customers that they want Anglian Water to take steps to conserve water, especially if customers are going to be asked to save more water themselves.’<sup>46</sup> (Evidence from pre autumn 2016 research)
- ‘It is clear from the reviewed evidence that customers are very concerned about leaks. In the PR14 Willingness to Pay survey leaks were the second most frequently reported service incident (in the past 5 years) for both household and business respondents. Qualitative research suggests leakage is an “emblematic issue” for water companies (a sign that the company isn’t “doing their bit”). Customers also regard leaks as wasteful of a precious natural resource. Across evidence streams, some customers also worry that if the company doesn’t mend leaks this may be a disincentive to customers to save water.’<sup>47</sup> (Evidence from pre autumn 2016 research)
- ‘Multiple sources of evidence in this wave of research and engagement confirm that customers are very concerned about leakage, and regard this as their key priority for improvement. Leakage is regarded as an unnecessary waste of a precious resource. Alongside changing weather patterns, it is also seen a key reason for the region’s water supply becoming depleted.’<sup>48</sup>
- ‘Both household and non-household customers have strong preferences for leakage reduction over new resource options such as desalination or water transfers from other regions.’<sup>49</sup>
- ‘At the “magnet maze” stall at the H2OMG event, customers were asked for their views on eight deficit reduction measures and asked to pick their top three. Tackling leakage was the most popular choice, picked by 22% of customers.’<sup>50</sup>
- ‘In the second Community Research study on vulnerability (which explored customer reactions to Anglian Water’s draft PR19 business plan), customers were introduced to three options for investment, with associated bill impacts. ... The majority ... supported the £4 charge to support improvements in leakage, as they didn’t want water going to waste and felt the additional cost was minimal.’<sup>51</sup>
- ‘As part of a series of conversations with Anglian Water staff, retail customers were asked if they felt Anglian Water should set themselves a target to reduce leakage still further/continue to be the leading performer in the industry in this respect. All (five) retailers agreed the company should do this, although one felt this decision should be subject to an analysis of the costs involved.’<sup>52</sup>
- ‘In the main online community trial, customers felt the company’s commitment to reducing leakage should take pride of place in communications from Anglian Water, as it should be the company’s priority.’<sup>53</sup>
- ‘Results from the online community, and online activities specifically focused on drought resilience, confirm that it is important to customers that Anglian Water does its bit to conserve water, including by investing in prompt restoration of leaks.’<sup>54</sup>
- ‘The consultation feedback on Anglian Water’s draft PR19 plan with customers from the online community found that, overall, participants supported the plan. Customers were particularly reassured that leaks and bursts were being addressed. ... The consultation found that this ambition [leakage reduction underpinned by smart meters] “delights” customers and taps into their expectations in this area. Anglian Water’s industry leading performance is also considered something to be proud of.’<sup>55</sup>

<sup>46</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 171

<sup>47</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 171

<sup>48</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 172

<sup>49</sup> ICS and Eftc, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Page viii

<sup>50</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 173

<sup>51</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 173

<sup>52</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 174

<sup>53</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 176

<sup>54</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 172

<sup>55</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 177

**Report conclusion 2.4:**

Our customers have been clear that we must fulfill our responsibilities and take steps to conserve water before we can ask customers to save more water themselves. This includes reducing leakage and influencing others (such as landlords and developers) to support water efficiency.

**Underpinning evidence:**

- ‘Participants in qualitative research and engagement activities were keen to know that Anglian Water was working in partnership to tackle pressures on the water system; there was particular support for the company to work with developers and social landlords to ‘design-in’ water efficiency measures.’ (Evidence from pre autumn 2016 research)<sup>56</sup>
- Customers who took part in the main online community trial were not sure of the extent to which the company can or does influence new home development. However, they see a potential opportunity for Anglian Water to influence the planning system to ensure appropriate land use, and to work with developers to integrate sustainable technology into new homes.<sup>57</sup>
- ‘In the online community activities focused on alternative water, customers also agreed that a focus on new builds would be a natural starting point to implement “green water”. New builds were seen as a good testing ground for new technology (the learning from which can eventually be used to retro-fit older properties).<sup>58</sup>
- ‘In the consultation on Anglian Water’s draft PR19 plan with customers from the online community, participants were introduced to the proposed performance commitment on developer satisfaction (D-MeX). Most participants liked the notion of a two-way, collaborative, relationship with developers.<sup>59</sup>
- ‘Some participants in qualitative research and engagement activities expressed some frustrations about this issue (some people felt there would have been less of a need for a ban if more had been done to conserve water already in the treatment system).<sup>60</sup> (Evidence from pre autumn 2016 research relating to 2012 hosepipe ban)

- ‘Multiple evidence streams identify that customers and stakeholders want clear evidence the company is doing their bit to tackle leaks (rather than simply imposing restrictions on them).<sup>61</sup> (Evidence from pre autumn 2016 research)
- The online community activities specifically focused on drought resilience found that customers would expect proof that the company is doing everything possible to save water before implementing severe restrictions.<sup>62</sup>
- ‘The online community activities specifically focused on drought resilience revealed that not all customers realised Anglian Water plans 25 years or more ahead to tackle resilience threats and balance supply and demand. Knowing this increased perceptions of it as a proactive and forward-thinking company. However it also meant that customers placed more trust in and responsibility on the company to maintain the water supply in the event of a drought, as they had now been forewarned.<sup>63</sup>

**Report conclusion 2.5:**

Customers told us that they are willing to play their part by reducing their consumption, and accept that they have a responsibility to conserve water.

**Underpinning evidence:**

- Anglian Water’s Wave 4 Weather Sponsorship Branding Tracking survey explored customers’ willingness to make changes to their lifestyle in order to save water. Across the four waves of the survey, between 80% and 90% agreed or completely agreed that they would be willing to make changes in their lifestyle in order to save water and therefore save money.<sup>64</sup> (Evidence from pre autumn 2016 research)
- ‘The Business-to-Business survey asked Anglian Water’s customers to say how important they consider it to ‘reduce their business’s water usage’. Almost all participants (96%) said it was quite or very important to do so, a higher proportion than in previous waves (wave two: 89%; wave one: 87%).<sup>65</sup> (Evidence from pre autumn 2016 research)

<sup>56</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 160

<sup>57</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 161

<sup>58</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 161

<sup>59</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 161

<sup>60</sup> Sophie Ahmad, Jul 2017, Customer Research and Engagement Synthesis report v13, Page 142

<sup>61</sup> Sophie Ahmad, Jul 2017, Customer Research and Engagement Synthesis report v13, Page 142

<sup>62</sup> Incling, 2017, Drought resilience, Exploring customer acceptance and buy-in, Page 19

<sup>63</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 134

<sup>64</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 164

<sup>65</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 164



- ‘Household and business customers participating in qualitative research indicate that they often have a mix of motivations for saving water, including price, environmental beliefs, and a general dislike of waste.’<sup>66</sup> (Evidence from pre autumn 2016 research)
  - ‘Multiple evidence streams (both quantitative and qualitative) suggest that many customers are prepared to do more to save water. More tailored advice from Anglian Water, low cost or free devices (or help in installing these), and greater evidence of payback in bills are some of the things that customers say would encourage further saving.’<sup>67</sup> (Evidence from pre autumn 2016 research)
  - ‘Prior to completing the main choice task in the options survey for the Water Resources Second Stage research, customers were presented with a list of potential demand and supply-side options for supplying more water or managing water use, and asked to pick their top three, and the options that should not be used. Among household customers, after the most popular choice, leakage reduction, providing incentives and education to save water was among the most popular options.’<sup>68</sup>
  - Findings from the main online community trial, and the online activities on drought resilience, suggest that customers do feel they have a responsibility to conserve water. However, they want to know more about the behaviours that will have the biggest impact. Behaviour change will only feel motivating if customers feel it will make a difference.’<sup>69</sup>
  - ‘In the co-creation workshops, customers expressed the view that targeting water conservation messages at the next generation would be sensible; children and young people were often regarded as the “educators” of the rest of the family.’<sup>70</sup>
  - ‘There was a consistent theme in terms of the elements that customers would like to see more of from Anglian Water in their Strategic Direction Statement, including more information on how the company will support customer education and behaviour change.’<sup>71</sup>
  - ‘In the consultation on Anglian Water’s draft PR19 plan with customers in the online community, participants were introduced to the company’s plans to help customers to reduce their water use through education programmes and help with water saving devices or equipment. ... The consultation found that a five litres per customer per day reduction felt reasonable to participants and the focus on behaviour change was appealing.’<sup>72</sup>
- Report conclusion 2.6:**
- There was a lot of spontaneous interest from customers in using smart meters to help them to save money by reducing their consumption. Smart meters were seen as central to behavioural change and expected to be the norm in the future.
- Underpinning evidence:**
- ‘In the online community activities on smart water meters, customers identified that one of the key benefits of having a smart meter was providing data that could be used by parents to teach children about how much water is used in various household activities, and how much this costs.’<sup>73</sup>
  - ‘When asked to imagine their lives in 2050, customers who took part in the online community trial felt that smart meters will be the norm. They felt that by this point in time, most functions in the home will be controlled by automatic sensors or via mobile devices, reducing the need for active interaction with appliances.’<sup>74</sup>
  - ‘Results from the online community trial also suggest that having an App/smart meter is associated with multiple benefits, primarily for the customer, who is better able to reduce usage and cost.’<sup>75</sup>
  - ‘In the Acceptability testing on the Strategic Direction Statement, one of the areas that customers consistently said they wanted to see given greater emphasis was technology/smart metering.’<sup>76</sup>

<sup>66</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 165

<sup>67</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 165

<sup>68</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 166

<sup>69</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 166

<sup>70</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 168

<sup>71</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 170

<sup>72</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 170

<sup>73</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 168

<sup>74</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 144

<sup>75</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 112

<sup>76</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 114

- ‘Several pieces of research and engagement suggest that money and opportunities to save are likely to be key motivators for encouraging customers to change their behaviour.’<sup>77</sup>
- ‘In the focus group with Hartlepool Water customers, participants were keen to see the company do more to help customers save water and money, for example by raising awareness of the benefits of being on a meter. Participants also suggested the development of a water App to help customers manage their own water use...’<sup>78</sup>
- ‘At the H2OMG water festival, customers who visited the information desk were asked to vote on the question “do you want a smart meter?” In total, 1012 customers cast a vote and 72% said yes, 16% said no, and 12% said they were not sure. (However, note, this was not robust quantitative research).’<sup>79</sup>
- ‘The leaders of the co-creation events found that smart meters were one of the most talked about ideas that customers came up with for encouraging behaviour change and engaging customers in debates about scarcity. Customers liked the idea of being informed about water use in real time. The online community trial also found that many customers were now pushing for smart meters and smarter billing.’<sup>80</sup>
- ‘The research also found that in an ideal world, customers want real-time data that tells them exactly where and when they are using water and which activities use the most, and which can help instantly identify a leak. However, if real-time data is not possible, participants felt weekly data would be useful to identify patterns.’<sup>81</sup>

### Report conclusion 2.7:

The results from multiple sources show that, generally, customers are much more supportive of compulsory metering than has been the case previously. However, customers who pay measured charges tend to support compulsory metering, whereas those who pay unmeasured charges do not. We believe the higher levels of support for compulsory metering reflect the larger proportion of customers paying measured charges compared to previously.

Note: Differences in questions and survey design make it difficult to make direct or conclusive comparisons across pre and post autumn 2016 research.

### Underpinning evidence:

- Evidence from recent research and engagement suggests most customers are supportive of metering, because it offers the potential to save money, focuses minds on reducing consumption, and is perceived as fairer. However, customers are not uncritical of meters and metering.’<sup>82</sup>
- ‘In much recent research and engagement, the issue of compulsory metering seems to divide opinion.’<sup>83</sup>
- ‘Customers prefer compulsory metering to this being optional. This may be driven by the large proportion of respondents that had meters fitted (71%). This profile reflects Anglian Water’s customer base.’<sup>84</sup>
- ‘The online community trial found that overall customers were strongly supportive of having meters in all households, to increase awareness of water use and decrease consumption. The online community activities focused on water resource management also found that most customers now bought into compulsory metering, with the key motivation being fairness. This reason was also emphasised in other research, including at one of the future customer workshops.’<sup>85</sup>
- ‘The Twitter poll held as part of the H2OMG water festival, just 51% of the 2924 customers who took part agreed that all homes should have a meter fitted, while 30% disagreed, and 19% said they were not sure. At the “magnet maze” stall at the same event, customers were asked for their views on eight deficit reduction measures and asked to pick their top three. Compulsory metering was only the fourth most popular choice, picked by 12% of customers.’<sup>86</sup>
- ‘A vast majority of the customers who took part in the online activities on water resource management agreed that a strategy that works towards 95% coverage of meters by 2035 felt achievable and realistic. Participants felt this

<sup>77</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 167

<sup>78</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 167

<sup>79</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 112

<sup>80</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 112

<sup>81</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 113

<sup>82</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 109

<sup>83</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 110

<sup>84</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Final Report, Page viii

<sup>85</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 110

<sup>86</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 110

would also have the benefit of giving Anglian Water better data on which to plan and manage future demand. A minority of participants disagreed. Some were concerned about the impact of the goal on the vulnerable (who may be hit with higher bills after switching to a meter). Others said that 2035 felt too far away, and wanted Anglian Water to do more sooner.<sup>87</sup>

- ‘The online activities focused on drought resilience found that if Anglian Water decides not to make meters compulsory, customers will expect to see other proof of water saving investments that are more effective than just encouraging high water users to reduce their usage.’<sup>88</sup>

### Report conclusion 2.8:

The reliability<sup>89</sup> of water resources options is an additional important consideration to customers, and generally they prefer options that are described as having ‘higher’ reliability, as opposed to ‘medium’ or ‘lower’ reliability. For example, in the Water Resources stated preference survey all options were defined as either ‘higher’, ‘medium’ and ‘lower’ reliability. Overall, leakage reduction was the highest ranked option. However, when leakage was described as ‘lower’ reliability, it was less preferable to some supply-side options described as ‘medium’ or ‘higher’ reliability (including water reuse and reservoir extensions).

### Underpinning evidence:

- ‘Reliability plays a key part of how customers assess the options. Customers have a strong preference for options that are more reliable.’<sup>90</sup>

### Report conclusion 2.9:

Although customers express a preference for demand management, they also want to see a cost-effective balance of supply and demand options. When it was explained to customers that there are cheaper alternatives to leakage reduction, many felt that while leakage reduction is important, affordability should also be a key consideration.

### Underpinning evidence:

- ‘In one of the future customer workshops,

students pointed out that population growth would be associated with increased demand and decreased or rationed supply. They felt Anglian Water should deal with this by: encouraging reduced use (e.g. through education initiatives); increasing supply (e.g. through desalination and building more reservoirs); and use of advanced technology to manage the water system and re-use sewerage.’<sup>91</sup>

- ‘Confirming the results of other research, in the consultation exercise, a majority of participants supported the proposed additional investment in leakage. The notion of Anglian Water investing more to continue to be a leader in this area felt motivating. However, participants didn’t want to see their bills continue to rise simply because the company wants to “be the best”. The proposal was supported so long as the additional investment was around £4 per household per year. A potential rise of £20 felt too high.’<sup>92</sup>
- ‘Customers want a plan that is a balance of supply and demand options – driving the right behaviours is key, but there is too much risk to focus on reducing demand alone.’<sup>93</sup>
- ‘Leaks should be prioritised but not at customers’ expense. [Customers] expect AW to fix as many repairs as possible but not to the extent to which money could be better spent on other solutions (especially in light of cheaper alternatives). Not all are willing to accept an increase in bill cost to fund further repairs – perceptions are that it is AW’s remit is to keep the infrastructure sound. It will be difficult to convince customers that the only way more repairs can happen is with a price rise for customers when other solutions are available.’<sup>94</sup>

### Report conclusion 2.10:

Finally, many customers also recognise our expertise and trust us to make complex investment decisions, and choose the mix of solutions that will be most efficient and cost effective.

### Underpinning evidence:

- ‘Recent research and engagement also confirms that Anglian Water is a reasonably well trusted brand.’<sup>95</sup>

<sup>87</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 111

<sup>88</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 111

<sup>89</sup> The term ‘reliability’ refers to the certainty over option yield or saving. For example, how confident are we that a reservoir option will achieve the expected 100MI/d yield, or a water efficiency option will deliver 10 MI/d of water savings.

<sup>90</sup> ICS and Eftec, 2017, *Anglian Water, Water Resources Second Stage Research, Stated Preference Final Report*, Page viii

<sup>91</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 161

<sup>92</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 177

<sup>93</sup> ICS and Eftec, 2017, *Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Annex 9*, Page 475

<sup>94</sup> Incling, August 2017, ‘Drought resilience: Exploring customer acceptance and buy-in’, Page 28

<sup>95</sup> Sophie Ahmad, Jul 2018, *Customer Research and Engagement Synthesis report v13*, Page 40

- ‘Other recent research suggests some customers would like the company to just “get on with it” and would not welcome greater responsibility for making decisions about these issues [resilience challenges].’<sup>96</sup>
- ‘The online community research that focused on drought resilience found that customers recognise they aren’t the experts and trust Anglian Water to choose the mix of solutions that will be most efficient and cost effective.’<sup>97</sup>
- ‘However, while some groups of customers in vulnerable situations are facing extremely challenging financial pressures, the two studies exploring vulnerability suggest that water bills are not often top of these customers’ minds. They tend to be much more concerned about rent and other utility bills (gas and electricity), which are higher and fluctuate more.’<sup>101</sup>
- ‘The analysis of social and digital media for the period 1st February 2017-31st January 2018 also found that money and bills were a key talking point.’<sup>102</sup>

## About Bill Impacts

### Report conclusion 3.1:

Many of our customers are feeling under financial pressure and are very concerned money in general. However, there is evidence that suggests rent and other utility bills tend to be much more of a concern than water bills, because they are higher and tend to fluctuate more.

#### Underpinning evidence:

- ‘In the Acceptability research on the Strategic Direction Statement, customers were introduced to Anglian Water’s six major challenges (climate change, population and economic growth, environmental protection, affordability and customer expectations, planning for the future, and markets, structure and financing of the industry). Customers felt the most important was affordability and customer expectations (89% saying this was important).’<sup>98</sup>
- ‘One of the key findings from the customer world focus groups was that life feels tough for most customers at the moment. Many customers are very concerned about money, alongside other concerns.’<sup>99</sup>
- ‘Reflecting national trends, the initial Community Research study found that many customers in vulnerable situations were struggling with unreliable or fluctuating income, which made it more difficult to plan for monthly direct debits and to supply the evidence to prove eligibility for some low-income reductions.’<sup>100</sup>

- ‘Results from the Community Perception Survey for this year (2017/18), indicate that 48% of household customers agreed with the statement that “Anglian Water is a company that provides a service that is value for money” (n=1334). Similar results were found in previous years (50% in 2015/16, 49% in 2016/17).’<sup>103</sup>
- ‘The segmentation research revealed that across the whole customer base, 76% of customers rarely or never experience difficulty in paying their water bill. Eighteen percent sometimes experience difficulties, and just 3% always or often experience difficulties.’<sup>104</sup>

### Report conclusion 3.2:

Customers are prepared to accept bill increases for service improvements that they value. This includes investment in drought resilience, climate change mitigation and future proofing. However, there is a big difference between the attitudes of more affluent customers and less well-off customers.

#### Underpinning evidence:

- ‘Evidence from this wave of research and engagement suggests that customers support investment to protect the water system and promote greater resilience. In principle, customers are willing to pay more themselves to help fund resilience measures, however this is contingent on Anglian Water “doing its bit” to address the issues too. Some evidence suggests there may be differences between customer groups in their willingness to pay for measures to boost resilience.’<sup>105</sup>

<sup>96</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 134

<sup>97</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 159

<sup>98</sup> Sophie Ahmad, Aug 2017, Customer Research and Engagement Synthesis report v1-12, Page 75

<sup>99</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 90

<sup>100</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 90

<sup>101</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 91

<sup>102</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 92

<sup>103</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 91

<sup>104</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 93

<sup>105</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 155



- In the follow-up focus groups to the stated preference study: ‘Customers were prepared to pay an extra £2 to bring the level of service for standpipes in line with the rest of the industry, particularly if this was a one-off payment and they could be reassured that it would definitely be allocated to this issue.’<sup>106</sup>
- Both the Water Resource Options and Restrictions stated preference surveys included a package question. The mean WTP results were as follows:
  - HH customers: £34.23 p.a. (restrictions) and £29.50 p.a. (options). The results show that household customers allocated the greatest percentage of this to complaints on aesthetics of tap water, followed by leakage and interruptions. The percentage they allocated to preventing drought restrictions was 14% (restrictions) and 11% (options).
  - NHH customers: 19.5% change in bill p.a. (both restrictions and options). The results show that non-household customers allocated the higher percentage points to leakage. The percentage they allocated to preventing drought restrictions was 12% (restrictions) and 17% (options).<sup>107</sup>
- The Restrictions stated preference survey included an improvement in the Level of Service for rotacuts (from 1 in 100 years to 1 in 200 years) in the package question (the options survey focused on hose-pipe bans). The mean WTP result for the package question was £34.23/hh, and of this 14% (£4.67/hh) was allocated to preventing drought restrictions.<sup>108</sup>
- In the Restrictions survey, household customers in the AB segments allocated £50.78 to the package question, whereas customers in the C2 and DE segments allocated £26.45.<sup>109</sup>
- ‘The online community research that focused specifically on drought resilience found that over 80% of the (70) customers who took part said “yes” to investment to ensure a consistent water supply to homes during a period of drought. ... The most common suggestion from customers was a 10 percent increase in the bill, but other suggestions ranged from £5-£20 per month (but note this was not robust pricing research).’<sup>110</sup>
- ‘Evidence cited in the Board debrief report on the strategy development process also suggests household customers were happy to pay between 10% and 20% more in their bill to avoid serious problems in the future. (However, this was also not robust pricing research.)’<sup>111</sup>
- ‘In the segmentation research, customers were asked which of the following options for reducing drought risk they preferred: paying more now to develop new sources of water; taking big steps to reduce the water they use at home so supplies go further; pursuing both of these options; or doing nothing (and accepting there will be restrictions in some years). Across the whole sample, there was stronger support for pursuing both options (38%, the top choice) and for reducing water use (33%); there was less support for paying more (10%) or doing nothing (14%). However, the research revealed differences in attitudes among customers. For example, the “comfortable and caring” group (26% of the customer base) were more likely to choose the “both” option (49%), while “eco-economisers” (14% of the customer base) were less likely to opt for paying more now to develop new sources of water (3%). ... At the “wheel of fortune” stall at the H2OMG event, customers were asked the same question. Of the 1100 customers who voted, the greatest number supported the option to take big steps now to reduce the water they use, followed by the option to do this and also to pay more (the “both” option). There was less support for the options to pay more in bills (alone) and to do nothing. Customers were asked the same question as part of a Twitter poll carried out in support of the H2OMG event. Of the 4334 customers who took part, the largest proportion (47%) chose the “both option”. Nine percent said they didn’t want to do anything, 17% said they wanted to use less water now, and 27% said they wanted to pay more and increase investment now. (Note, neither activities constitute robust quantitative research that provides insight into the distribution of views across the customer base).’<sup>112</sup>
- ‘In the online activities on water resource management, household customers were presented with three investment options for the future, each of which would impact on their bill: protecting against drought but not climate change (costing £2.20 per customer per year by

<sup>106</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 148

<sup>107</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Pages 22-28

<sup>108</sup> ICS and Eftec, 2017, Anglian Water, Water Resources Second Stage Research, Stated Preference Report Final Report, Pages 22-28

<sup>109</sup> ICS and Eftec, 2018, Anglian Water, Water Resources Second Stage Research, Stated Preference Report v4, Page 27

<sup>110</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v1-12, Page 155

<sup>111</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v1-12, Page 155

<sup>112</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v1-12, Page 156

2025); protecting against drought and climate change (costing £8.30 per customer per year by 2025); and future-proofing plans by building larger water capacity than is needed right now to protect against climate change risk (costing £10 per customer per year by 2025). The research found that the maximum investment, “future-proofing”, option garnered the most support. In the context of the annual bill, customers said that £10 did not feel like a great deal of money to protect the water system against future risks.<sup>113</sup>

- ‘The consultation exercise on the draft PR19 plan with participants from the online community found that, overall, customers felt the “future proofing” measures set out in the plan justified proposed bill increases.’<sup>114</sup>
- ‘In a poll carried out as part of the consultation exercise, participants were again presented with three investment scenarios, with associated bill impacts: a minimum investment scenario (with an associated annual bill of £412); a scenario in which the company invests in either environmental improvements or climate change (with a bill of £422); and a scenario in which they invest in both (with an annual bill of £433). Overall, most customers supported option three (the maximum investment position).’<sup>115</sup>

### Report conclusion 3.4:

There is a strong link between affordability and water efficiency. As already noted, customers want Anglian Water to support them to save money by reducing their consumption.

### Underpinning evidence:

- ‘Accepting a rise in cost is dependent on seeing change come from AW as well. ... AW has to give them the tools to help save water, and therefore money.’<sup>116</sup>
- ‘Results from the online community trial also suggest that having an App/smart meter is associated with multiple benefits, primarily for the customer, who is better able to reduce usage and cost.’<sup>117</sup>
- ‘Several pieces of research and engagement suggest that money and opportunities to save are likely to be key motivators for encouraging customers to change their behaviour.’<sup>118</sup>

<sup>113</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v1-12, Page 156

<sup>114</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v1-12, Page 159

<sup>115</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v1-12, Page 160

<sup>116</sup> Incling, August 2017, ‘Drought resilience: Exploring customer acceptance and buy-in’, Page 24

<sup>117</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 112

<sup>118</sup> Sophie Ahmad, Jul 2018, Customer Research and Engagement Synthesis report v13, Page 167



