

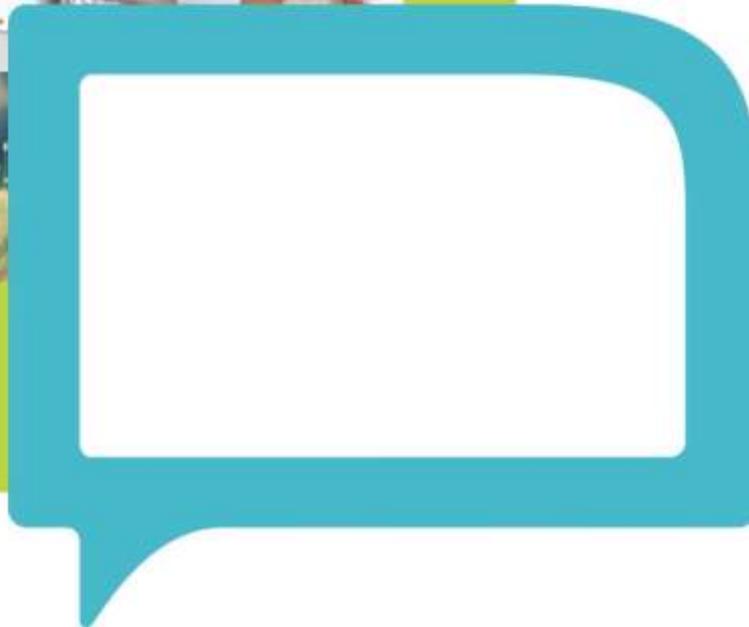


SSC PC/ODI/CAC Workshops

Summary report

Explain Market Research

April 2018



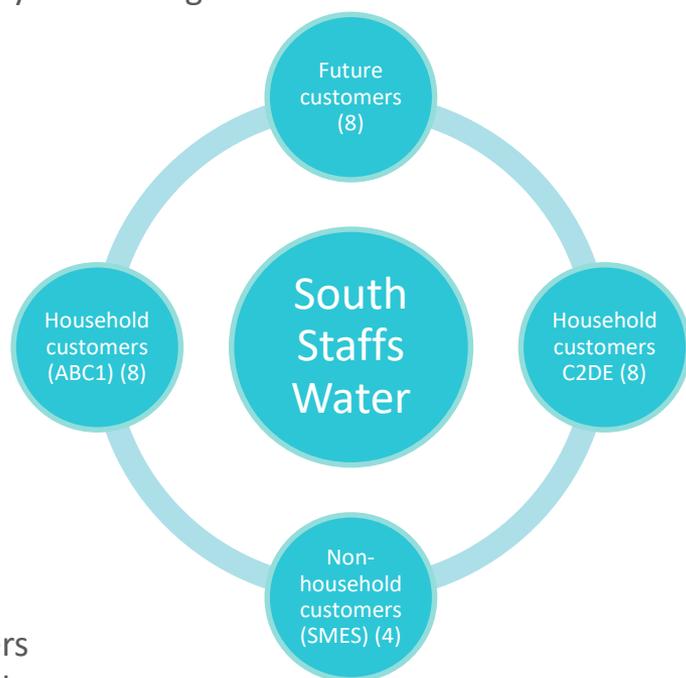
Background and objectives

Methodology overview and objectives

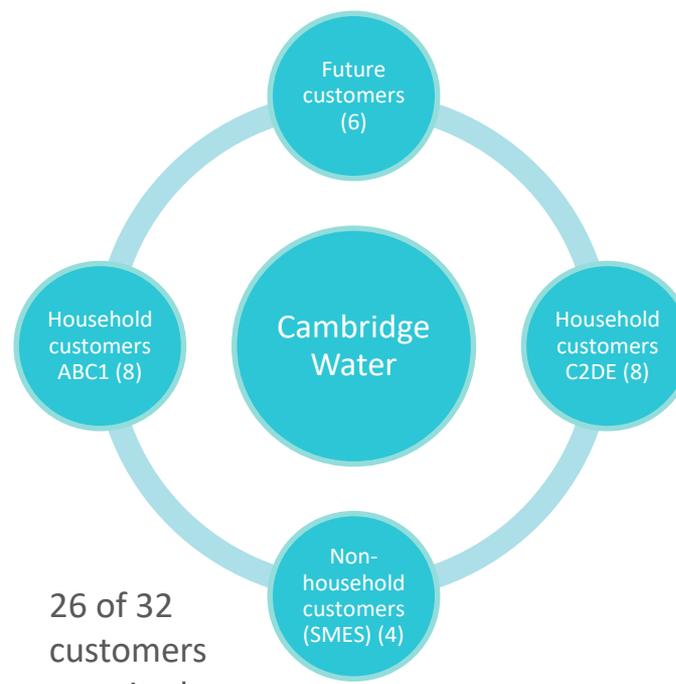
In March 2018 two customer workshops were held with SSW and CAM customers, to understand customer views on

- SSC's proposed package of performance commitments
- Views on outcome delivery incentives
- Acceptance of major investment at SSW water treatment works and proposed plan

Two customer workshops were held, each approximately 6 hours in length with the following customer types engaged. 54 customers attended in total across both regions so this feedback should be seen as indicative only at this stage:



28 of 32
customers
recruited



26 of 32
customers
recruited

Methodology overview and objectives

- In April 2018 an on-line, interactive tool was launched, designed to quantify the results from the workshops.
- Quotas were set to be representative by regional demographics. The sample includes circa 20% vulnerable customers - mix of those struggling to pay bills and non-financial vulnerabilities
- Household customer results within this report have been weighted based on regional demographics

Sample base	Household	Non-household	Total	% split
SSW	559	12	571	70%
Cambridge	224	24	248	30%
Total	783	33	819	100%

Special cost factor

Special cost factor – agree with need for the investment? (workshop voting)

- An overall majority (93%) agreement that Seedy Mill and Hampton Loade treatment works need investment

Vote option	Overall (54)		SSW Overall (28)		CAM Overall (26)	
			Count	%	Count	%
Yes	50	93%	27	96%	23	88%
No	1	2%	1	4%	0	0%
Unsure	3	6%	0	0%	3	12%
TOTAL VOTES	54	100%	28	100%	26	100%

Slightly higher agreement amongst SSW than CAM

No significant differences between customer profiles

Agreement with investment linked to view that maintaining and improving water quality is essential

Respondents felt that advancements in technology since time of build meant improvements could be made

Cambridge customers voting Yes stated they would expect the same in the future should they require investment

Feeling from the majority that this is something SSW/CAM must do

| Those unsure or unsporting of need for investment

Comments from customers in Cambridge who voted 'unsure' for investments are as follows:

- *"I realise things need to be done but I think I need more information."* (Cambridge, Household customer, ABC1)
- *These two investments are not for Cambridge. "* (Cambridge, Household customer, ABC1)

Special cost factor – agree with need for investment? (quant online)

- In the online tool customers were shown a voice over video to inform them in an unbiased manner on the need for the investment. They were then asked to vote if they agreed with the need for the investment
- An overall majority 76% agreement that Seedy Mill and Hampton Loade treatment works need investment. A further 9% had no strong view. Only 5% said no outright
- **Informed acceptability score*: 85%**

Response	Overall - SSC	Overall NHH	CAM NHH	SSW NHH	Overall HH	CAM HH	SSW HH
Yes	76%	57%	79%	50%	78%	76%	78%
No strong opinion	9%	2%	8%		9%	6%	10%
Unsure	9%	20%	4%	25%	9%	10%	8%
No	5%	21%	8%	25%	4%	8%	4%

- **Acceptability best practice takes the numbers of customers that agree and those who have no strong opinion either way**
- **Total base size: 819, HH 783, NHH 33 - HH data weighted to reflect regional demographic profiles**

Special cost factor – agree with proposed plan? (workshop voting)

Following more details and shown the bill impact customers voted again.

Vote option	Overall		SSW Overall		CAM Overall	
			Count	%	Count	%
Yes	45	83%	28	100%	17	65%
No	3	6%	0	0%	3	12%
Unsure	6	11%	0	0%	6	23%
TOTAL VOTES	54	100%	28	100%	26	100%

100% agree with plan in SSW

SSW customers trusted that SSC had done an extensive job to find a solution

Assumption that SSW would pay for CAM was intrinsic to those accepting the plan in Cambridge

Cambridge customers who voted unsure or to disagree with the plans for investment cited the following reasons:

- Difference in size and scale of regions e.g. South Staffordshire has a larger population and therefore investments will be greater and more expensive
- Costs of living in Cambridge are higher than South Staffordshire
- Those who disagreed with the investment impacting their bill ultimately thought that investment should be approached at a local level.

Special cost factor – agree with proposed plan? (quant online)

- Customers were then given more details about the proposed plan
- An overall majority (77%) agreement that Seedy Mill and Hampton Loade treatment works need investment. A further 6% had no strong view. Only 8% said No outright
- **Informed acceptability score: 83%**
 - 14% of CAM HH customers said No to the preferred option, a similar number to the workshop
 - 6% of SSW customers also said No

Response	Overall - SSC	Overall NHH	CAM NHH	SSW NHH	Overall HH	CAM HH	SSW HH
Yes	77%	63%	79%	58%	78%	68%	81%
No strong opinion	6%	0%			6%	7%	6%
Unsure	8%	22%	13%	25%	8%	11%	7%
No	8%	15%	8%	17%	8%	14%	6%

- **Key conclusion: knowing the bill impact has no noticeable impact on customer acceptability levels in the quant on-line survey and the number of Yes votes actually increases for SSW HH customers.**
- Total base size: 819, HH 783, NHH 33 - HH data weighted to reflect regional demographic profiles

(Voting no) If you knew your bill was dropping by £8 in 2020?

- Those who voted no were asked if their answer would change if they knew their bill was dropping by £8 in 2020:
 - 58% stated that no, their answer would not change and they still would not agree with the proposed plan
 - 29% would change their mind and agree with the proposed plan with the bill reduction information in mind
 - Please note very small base size for Non-household customers

Response	Overall SSC sample	Overall household sample	Overall non household sample	Overall CAM sample	Overall SSW sample	CAM HH	SSW HH
No	58%	100%	100%	100%	56%	64%	54%
Yes	29%				30%	24%	32%
Unsure	10%				11%	9%	11%
No-strong-opinion	3%				3%	3%	3%
Base size	74	4	2	2	70	33	37

- Bases are unweighted due to smaller samples sizes.

(Voting no – CAM only) Investment from South Staffs?

- Those who voted no in Cambridge, were asked the following question:
 - *“If you knew that hundreds of thousands of customers in the South Staffs region contribute to the cost of paying for an investment in the Cambridge region in the future this will spread the cost and mean that all customers will pay less through their bills – would this change your mind?”*
- Given this information, 18% of Cambridge Water household customers stated that yes, this would change their mind
- 55% of household customers stated that this extra information wouldn’t alter their opinion
- Please note very small base size for Cambridge Non-household customers

Response	Overall SSC sample	CAM NHH	CAM HH
Yes	20%	50%	18%
No-strong-opinion	6%		6%
No	55%	50%	55%
Unsure	20%		21%
Base	35	2	33

- **As this prompt is based on an assumption of a major investment being needed in CAM which is not certain, these customers’ views should not be used towards acceptability testing.**
- **Bases are unweighted due to smaller samples sizes**

(Voting no – CAM only) Paid for by South Staffs customers?

- Those who voted no were asked if their answer would change if this investment was only being paid for by South Staffs Customers (please note small sample sizes)
 - 49% stated no, their answer would not change
 - However 39% of stated that they would change their answer to ‘Yes’ based if the investment was being paid for by South Staffs Water customer only
- Please note very small base size for Cambridge Non-household customers

Response	Overall SSC sample	CAM NHH	CAM HH
Yes	40%	50%	39%
No-strong-opinion	6%	-	6%
No	49%	50%	49%
Unsure	5%	-	6%
Base	35	2	33

- Since this will not be the case in reality the customers who changed their views should not be included in the acceptability testing
- Bases are unweighted due to smaller samples sizes.

Special cost factor – approach to measures (quant online)

Customer were informed about why a Performance Commitment is needed for the WTW investment plan and asked to vote on their preference

- *We are looking at a couple of additional measure that will return a proportion of the project cost back to customers through their bills over the period 2030 – 2035 in the following situations:*
- *If the agreed works are not delivered on time*
- *If the agreed works are not delivered in full - eg we only deliver the planned works at one of the Water Treatment Works*

58% of customers think that SSC should use both methods and use a ‘OTIF’ score for the PC – no strong regional variations seen.

Response	Overall	Overall NHH	CAM NHH	SSW NHH	Overall HH	CAM HH	SSW HH
They should use both measures	58%	57%	79%	50%	59%	63%	58%
Only use the measure if works not delivered in full	16%	2%	8%	0%	17%	18%	17%
Only use the measure if works overrun	13%	33%	4%	42%	12%	10%	13%
I don't think either options are good but there should be something in place	6%	1%	4%	0%	6%	5%	7%
The company should not have a measure in place	5%	7%	4%	8%	5%	4%	5%

- **Total base size: 819, HH 783, NHH 33 - HH data weighted to reflect regional demographic profiles**

Special cost factor – proposed performance commitment (workshop voting)

Customers were informed about the need for a performance commitment to protect them if the programme was not delivered on time and then asked a follow up question on when they thought an ‘underperformance payment’ should kick in for SSC

Voting option	Overall		SSW Overall		CAM Overall	
			Count	%	Count	%
Up to 3 months	12	22%	3	11%	9	35%
Up to 6 months	14	26%	4	14%	10	38%
Up to 1 year	16	30%	12	43%	4	15%
No penalty	11	20%	8	29%	3	12%
No vote	1	2%	1	4%	0	0%
TOTAL VOTES	54	100%	28	100%	26	100%

No overall majority for any proposed penalty to kick in

Up to 1 year favoured in SSW (43%)

Up to 6 months favoured in CAM (38%)

Minority suggested alternative, which included measuring the quality of the work itself and the impact this has had on water quality

Special cost factor – proposed performance commitment (quant online)

For those customers selecting one of the voting options that contained an ‘on time’ performance commitment they were then asked a follow up question on when an ‘underperformance payment’ should kick in for SSC

- The highest vote was for up to a **3 month** delay before the penalty kicked in (29%), with 26% saying 6 months.
- CAM customers slightly more demanding when the penalty kicks in – potentially driven by the fact that they are not benefiting from the investment and so would like more certainty of a bill rebate if anything goes wrong.

Response	Overall	Overall NHH	CAM NHH	SSW NHH	Overall HH	CAM HH	SSW HH
Up to 3 months	29%	48%	55%	46%	28%	31%	27%
Up to 6 months	26%	26%	20%	27%	27%	33%	25%
Up to 1 year	15%	11%	15%	9%	15%	17%	14%
Unsure	20%	8%	5%	9%	21%	14%	23%
No penalty	9%	8%	5%	9%	9%	5%	10%

Note that in the on-line tool customers were less informed without the in-depth discussions.

Total base size: 594, HH data weighted to reflect regional demographic profiles

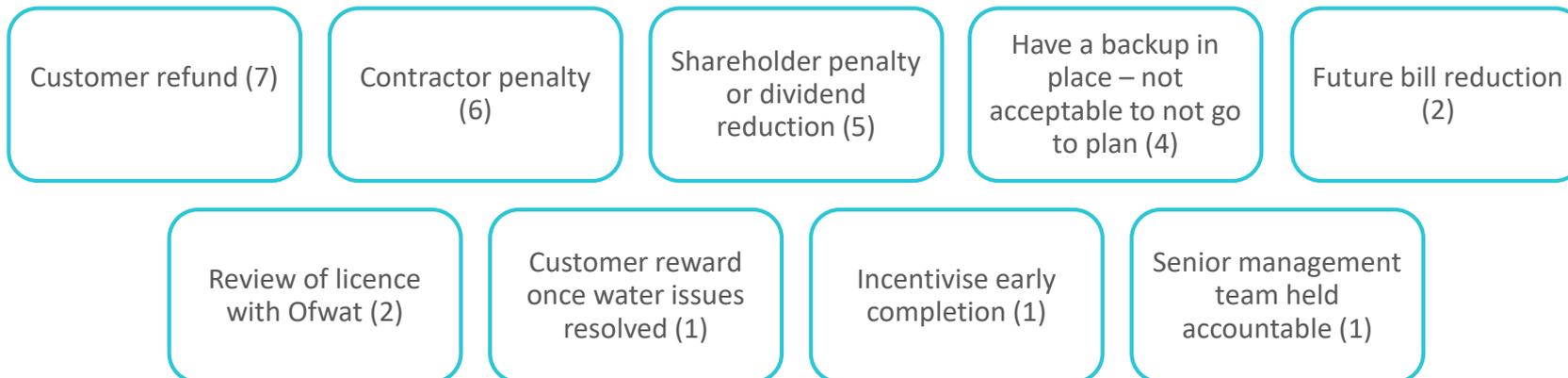
Proposed alternative measure

- 16% of customers at the workshop suggested an alternative measure to an underperformance payment

Response	Overall	Overall NHH	CAM NHH	SSW NHH	Overall HH	CAM HH	SSW HH
No suggestion	61%	53%	17%	64%	62%	58%	63%
I don't know	22%	9%	9%	9%	23%	22%	23%
Yes I have an alternative	16%	38%	74%	27%	15%	20%	14%

Total base size: 782, HH data weighted to reflect regional demographic profiles

- Suggested alternatives were largely around customer refunds, or contractor or shareholder penalties



- There was a similar response in the on-line survey. A handful of customers suggested staggering the underperformance payment depending on the length of any work programme overrun.



Appendix

Screen shots from online survey

Explain Market Research

April 2018

Screen shots from the online survey

Use of voice over videos to inform customers on the need for the investment before a vote

South Staffs Water

Part One About Our Survey

Part Two Your Priorities

Part Three Our Service

Part Four Your Billing

Part Five Completion

Water treatment works investment task

The video below will play automatically, please watch this and then answer the questions to follow.

Please note: Do not click on the Youtube logo as this will take you through to the Youtube site.

In the South Staffordshire region, the vast majority of water comes from two water treatment works

South Staffs Water

Part One About Our Survey

Part Two Your Priorities

Part Three Our Service

Part Four Your Billing

Part Five Completion

Thinking about the information we have shared with you, do you support the need for investment in our two water treatment works in the South Staffs region? *

Yes	No	Unsure	No strong opinion either way
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Please explain your answer

Please make sure you have answered all questions marked with a * before clicking continue

Continue

Screen shots from the online survey

Use of voice over videos to inform customers on preferred option and bill impact for the investment, before a vote



Part One
About Our Survey

Part Two
Your Priorities

Part Three
Our Service

Part Four
Your Billing

Part Five
Completion

The video below will play automatically, please watch this and then answer the questions to follow.

Please note: Do not click on the Youtube logo as this will take you through to the Youtube site.

Options	Pros/Cons	Likely Impact on annual bills - above current bill level	
		2020 to 2025	2025 to 2030
OPTION 1 Continue with the current maintenance programme to keep the treatment works running, but NOT to make the large additional investment at both works	No impact on customer bills Risks to water quality remain and likely to increase over time	£0	£0
OPTION 2 Make the investment to add the additional treatment at both works over 10 years	Some impact on customer bills Improved quality of water leaving the works Makes the works more resilient – i.e. less likely to fail	£3	£5



Thinking about what you have heard, do you support our proposed plan to improve our two water treatment works in the South Staffs region by introducing a new filtration system? *

Yes
 No
 Sure
 No strong opinion either way

Please explain your answer

Please make sure you have answered all questions marked with a * before clicking continue

Continue

Screen shots from the online survey

Informing customers about the need for a PC to protect them, before a vote



Protecting customers

Given the scale of the works it is important that customers are protected if everything does not go to plan. Remember the estimated average bill impact from the treatment works from 2020 - 2025 is £3 per customer per year and then £5 per customer per year between 2025 - 2030. That's £40 in total over 10 years.

We are looking at a couple of additional measures that will return a proportion of the project cost back to customers through their bills over the period 2030 - 2035 in the following situations:

- If the agreed works are not delivered on time
- If the agreed works are not delivered in full - eg we only deliver the planned works at one of the Water Treatment Works

Remember, in both cases if we fail to deliver on our plans we would incur an underperformance payment (i.e. a penalty).

The regulators Ofwat and the Drinking Water Inspectorate will also review our plans in detail to ensure that the building period for the works we put forward is the shortest and most cost effective it can be, without compromising the build quality, to ensure that customers see the benefits as quickly as possible.

Continue

At what point should an underperformance payment be given to customers if the project overruns? *

Up to 3 months delay

Up to 6 month delay

Up to 1 year delay

No penalty

Unclear

Please explain your answer

Please make sure you have answered all questions marked with a * before clicking continue

Continue

To remind you that we are looking at a couple of additional measures that will return a proportion of the project cost back to customers through their bills over the period 2030 - 2035 in the following situations:

- If the agreed works are not delivered on time
- If the agreed works are not delivered in full - eg we only deliver the planned works at one of the Water Treatment Works

Which of the following statements best describes your views on these measures? *

- I think the company should use both these measures to protect customers
- I think the company should only use the measure to protect customers if the works are over time
- I think the company should only use the measure to protect customers if the works are not delivered in full
- I don't think either of these measures are any good, but there should be one in place to protect customers
- The company should not have a measure in place to protect customers by giving them a bill refund if anything goes wrong with the works

Please make sure you have answered all questions marked with a * before clicking continue

Continue

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